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**North East
Derbyshire**
District Council

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Date: Friday, 28 June 2024

To: **Members of the Audit Committee**

Please attend a meeting of the Audit Committee to be held on **Monday, 8 July 2024 at 3.00 pm in Meeting Rooms 1 & 2**, District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield S42 6NG.

Yours sincerely

A handwritten signature in black ink that reads "Sarah Steenberg".

Assistant Director of Governance and Monitoring Officer

Members of the Committee

<u>Labour Group</u>	<u>Conservative Group</u>
Councillor Christine Smith – Chair Councillor David Cheetham Councillor Gerry Morley	Councillor Alex Dale Councillor Martin E Thacker MBE JP

For further information about this meeting please contact: Tom Scott 01246 217045

A G E N D A

1 Apologies for Absence

2 Declarations of Interest

Members are requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

3 Minutes of Last Meeting (Pages 4 - 7)

To approve as a correct record and the Chair to sign the Minutes of the Audit Committee held on 15 April 2024.

4 External Audit Progress Report (Pages 8 - 37)

5 Internal Audit Consortium Annual Report 2023-24 (Pages 38 - 59)

6 Treasury Management Update - Quarter 4 (Pages 60 - 83)

7 Annual Governance Statement and Code of Corporate Governance (Pages 84 - 135)

8 Statement of Accounts 2023/24 (Pages 136 - 139)

9 Going Concern 2023/24 (Pages 140 - 145)

10 Work Programme 2024-25 (Pages 146 - 149)

11 Urgent Matters (Public)

To consider any other matter which the Chair of the Committee is of the opinion should be considered as a matter of urgency.

12 Exclusion of Public

The Chair to move:-

That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3 Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

13 Internal Audit Progress Report (Pages 150 - 213)

Assistant Director of Property, Estates and Assets to attend for Appendix 6.

14 Urgent Matters (Private)

To consider any other matter which the Chair of the Committee is of the opinion should be considered as a matter of urgency.

15 Date of Next Meeting

The next meeting of the Audit Committee is scheduled to take place on 30 September 2024 at 3.00 pm.



**North East
Derbyshire**
District Council

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AUDIT COMMITTEE

MINUTES OF MEETING HELD ON MONDAY, 15 APRIL 2024

Present:

Councillor Christine Smith (Chair) (in the Chair)

Councillor David Cheetham (Vice-Chair)

Councillor Alex Dale

Councillor Gerry Morley

Councillor Martin E Thacker MBE JP

Also Present:

L Hickin	Managing Director - Head of Paid Service
J Dethick	Director of Finance and Resources & (Section 151 Officer)
J Williams	Head of Internal Audit Consortium
J Wells	Corporate Finance Manager / Deputy S151 Officer
L Kerry	Senior Auditor - Internal Audit
T Scott	Governance and Scrutiny Officer
N Magwaza	Engagement Lead - Mazars

AC/40/ 23-24 Apologies for Absence

No apologies for absence were received.

AC/41/ 23-24 Declarations of Interest

Members were requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest, not already on their register of interest, in any item on the agenda and withdraw from the meeting at the appropriate time.

No declarations of interest were received.

AC/42/ 23-24 Minutes of Last Meeting

RESOLVED – That the Minutes of the Audit Committee held on 22 January 2024 be approved.

AC/43/ 23-24 External Audit Update

The Director of Finance and Resources and the Engagement Lead – Mazars presented the Council's Audit Progress Report.

Members discussed how inspections were happening in other parts of the Council. And they were concerned that the work of External Audit could impact this. The Engagement Lead – Mazars allayed these concerns by stating the External Audit annual report was close to being signed off.

RESOLVED – That the update be noted.

**AC/44/
23-24** **Risk Management Strategy**

The Managing Director presented a report updating the Committee on the review of the current Risk Management Strategy, and seeking endorsement of the Council's new/reviewed Risk Management Strategy and Action Plan. The key amendments to the Strategy were the opening section, the Risk Appetite and Applying Risk Appetite and Tolerance Thresholds, and the Action Plan.

Members discussed instances of flooding in areas such as Clay Cross, and asked which steps had been taken to manage flood risks. The Managing Director explained that a Strategic Flood Group had been formed to address this, and preventative measures were taken including cleaning drains.

Members referred to the Action Plan in Appendix 3 of the Strategy, and felt it was too brief. The Managing Director explained that the version in the document was a summarised plan, and there was a more in-depth version of it. Members requested to receive the in-depth version of the Action Plan as part of the next Risk Management update. Members also requested that this Action Plan should include the RAG (red, amber and green) statuses next to each action.

Members discussed the risk register. The Managing Director stated that the register was presented to the Committee regularly, but not on this occasion. He added that once the Risk Management Group meets next week, a risk register will be prepared for a future Audit Committee meeting.

RESOLVED - That Audit Committee endorsed the new/reviewed Risk Management Strategy and Action Plan.

**AC/45/
23-24** **Monitoring the Implementation of Internal Audit Recommendations**

The Head of the Internal Audit Consortium presented a report which set out a summary of the internal audit recommendations made, implemented and outstanding for the financial years 2020/21 to date.

RESOLVED - That the Committee noted the update.

**AC/46/
23-24** **Internal Audit Plan 2024/25**

The Head of the Internal Audit Consortium presented a report which sought agreement of the Internal Audit Plan for 2024/25.

Members enquired why the Member Allowance case in Appendix 1 only had 10 days dedicated to it. The Head of the Internal Audit Consortium pointed out that it was a low priority audit and that 10 days was sufficient to ensure that appropriate controls are in place and operating.

Members asked why there were no days dedicated to Safeguarding in Appendix 1. The Head of the Internal Audit Consortium explained that Safeguarding is reviewed on a cyclical basis and not every year.

The Committee referred to the payroll area in Appendix 1 and queried what ghost

employees were. The Head of the Internal Audit Consortium explained that if appropriate controls were not in place and there was a lack of separation of duties, then the risk was that it may be possible to set up and pay fictitious employees.

RESOLVED –

- (1) That the Committee agreed the Internal Audit Plan for 2024/25 be agreed.
- (2) That the Committee noted that the plan is provisional and may need adjusting and prioritising in the light of any emerging risks / staff shortages etc.

**AC/47/
23-24**

Annual Review of the Effectiveness of Internal Audit

The Director of Finance and Resources presented a report for the Committee to consider a review by the S151 Officer for the effectiveness of the Council's Internal Audit arrangements, and consider whether the conclusion set out within this report represents a reasonable evaluation of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.

RESOLVED - That the Audit Committee endorsed the S151 Officer's assessment of the Internal Audit Service as detailed in 1.3 of the report.

**AC/48/
23-24**

Corporate Debt

The Director of Finance and Resources presented a report with a summary of the corporate debt position at 31 January 2024.

RESOLVED - That the Audit Committee noted the report concerning the Council's corporate debt position as at 31 January 2024.

**AC/49/
23-24**

Anti-Fraud and Corruption Strategy

The Director of Finance and Resources presented a report to approve the refreshed Anti-Fraud and Corruption Strategy.

Members referred to the mentions in the Strategy about "zero tolerance" and asked who this was referring to. The Director of Finance and Resources explained that this was in terms of employees.

RESOLVED – That the Committee approved the refreshed Anti-Fraud and Corruption Strategy.

**AC/50/
23-24**

Work Programme

The Director of Finance and Resources presented the draft Work Programme 2023/24 for Member approval. Members were informed that this brought to an end the 2023/24 Work Programme, and a draft Work Programme 2024/25 would be prepared for the Committee to approve at its next meeting.

Members asked that when the 2024/25 Work Programme is drafted, it should include specific dates and times for every meeting so the Committee can discuss

the time and date of each one.

RESOLVED - That the Committee noted and approved the proposed Audit Committee Work Programme for the remainder of the 2023/2024 municipal year as set out in the attached Appendix 1.

**AC/51/
23-24** **Urgent Matters (Public)**

None.

**AC/52/
23-24** **Exclusion of Public**

RESOLVED - That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006).

**AC/53/
23-24** **Internal Audit Progress Update**

The Head of the Internal Audit Consortium presented a progress report in respect of the 2023/24 Internal Audit Plan.

Councillor A Dale and Councillor M Thacker declared interests in the part of the report about the Coney Green Business Centre. Both Councillors declared they would not participate in a vote during this agenda item.

Members did not believe they could consider the Coney Green Business Centre part of the report without the attendance of the Assistant Director of Property, Estates & Assets.

RESOLVED –

- (1) That the Committee noted the progress report in respect of the 2023/24 Internal Audit Plan (except for the part about Coney Green Business Centre).
- (2) That the Assistant Director of Property, Estates & Assets be invited to the next Committee meeting to present the Coney Green Business Centre portion of the report.

**AC/54/
23-24** **Urgent Matters (Private)**

None.

**AC/55/
23-24** **Date of Next Meeting**

The next meeting of the Audit Committee is scheduled to take place in the new Municipal Year.

Auditor's Annual Report

North East Derbyshire District Council –
year ended 31 March 2023

May 2024



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[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for North East Derbyshire District Council (‘the Council’) for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

Our audit report, to be issued 17 May 2024 is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 27 September 2023 we completed our work on the Council’s Whole of Government Accounts return and reported to the group auditor in line with their instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council’s WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 08 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022,

Draft accounts were received from the Council on 30 May 2023 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management

Treatment of Agency Grants

The Code stipulates that an authority is acting as an agent in situations or circumstances "where the authority is acting as an intermediary". It is acting as a principal in situations or circumstances "where the authority is acting on its own behalf". Our testing identified the council had received a grant from Government where the arrangement meant it was acting as an intermediary and, therefore, an agent. This grant was recorded in the council's accounts as if the council were the principal. This treatment resulted in overstatement in both income and expenditure in the Comprehensive Income and Expenditure Statement. This misstatement has been corrected by management.

Reinforced Autoclaved Aerated Concrete (RAAC)

Safety concerns relating to the use of RAAC have been widely reported and local authorities have been required to assess their asset portfolio. We have considered the Council's response to the RAAC issue and considered its conclusion that there was no requirement for a provision or impairment in its 2022/23 accounts. We have considered the Council's assessment and consider it appropriate, based on the information provided by management.

Movements in accounts

Capital commitments - Management had disclosed an immaterial value of £0.2m as the council's capital commitments. We subsequently made enquiries regarding the completeness of this note based on the fact that the council has material construction projects that are incomplete, and it would be expected that contracts are in place for completion, therefore capital commitments would exist.

Reclassification in PPE note - Another enquiry was made to management regarding the reclassification line in the PPE note which had a balance of £4.1m as based on the nature of the line this would ordinarily net to zero, unless a suitable explanation exists.

The changes are as follows:

Capital commitments have increased to £23.1m

The reclassification line has been reduced by £3.3m in the PPE note and as a result the additions in the same note have been adjusted by this value.

These adjustments above have been received by the audit team and were found to be appropriate

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	20	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and Committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council’s service users.

The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including regular reporting to Members. On the 22 January 2023 the Council presented the Medium Term Financial Plan (MTFP) to the cabinet which showed a balanced budget for 2022/23. In its MTFP, the Council projected deficits to be funded by reserves, as follows:

Year / £m	2022/23	2023/24	2024/25	2025/26
Planned Budget (Surplus) / Shortfall before council tax	(0.302m)	0.691m	0.773m	0.831
Council tax increase	0.160m	0.282	0.406	0.532
Contribution (to) or from Reserves	(0.462m)	0.409	0.327	0.299

The Council’s arrangements for budget monitoring remain appropriate and include quarterly reporting to Members and well-established arrangements for year-end financial reporting. In January 2022, the council presented a balanced budget for 2023. The 2023 original budget reflected a shortfall on £0.111m, the council identified efficiencies to mitigate the deficit through vacancy management, digital transformation and income

generated from council tax increase. With these efficiency’s and income the council thereafter projected a surplus of £0.462m. This has been transferred into the resilience reserve to support future budgets.

2022/23 Budget setting and the Medium-Term Financial Plan

The Council’s report refers to the limitations caused by delays in the local government funding reform which has made estimation a lot more uncertain for councils. For the 2022/23 budget the council has taken into account pay awards, inflationary increases in expenses such as energy costs, fuel, etc. The council has also taken into account changes to fees and charges as agreed by members.

We have read committee reports covering budget setting for 2022/23 and the Medium-Term Financial Plan. We also met regularly with officers throughout the year. In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets with no indication of excessive use of capital flexibilities to support revenue expenditure. There is no indication that the Council’s Medium Term Financial Plan and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

2022/23 Statement of Financial Position and financial outturn

The purpose of the Council’s General Fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

- We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement. The Council’s usable reserves have increased by £3.678m from £66.216m to £69.894m in 2022/23, with:
 - General Fund & Earmarked Reserves of £23.272m, up from £22.569m in the prior year
 - Housing Revenue Account Reserve of £34.831m, down from £37.549m in 2021/22
 - Capital Reserves of £11.791m, up from £6.053m in 2021/22.

There was no significant unplanned use of reserves in 2022/23.

VFM arrangements – Financial Sustainability

2022/23 Statement of Financial Position and Financial Outturn (continued)

Our work to date has not highlighted any risks of significant weakness in arrangements or indicators of an immediate risk to the Council's financial sustainability. However, the use of reserves to bridge the MTFP cannot be a long-term solution and the Council will need to evaluate how either savings or income generation activity can support spending plans.

We have further reviewed the Council's outturn reports 2022/23

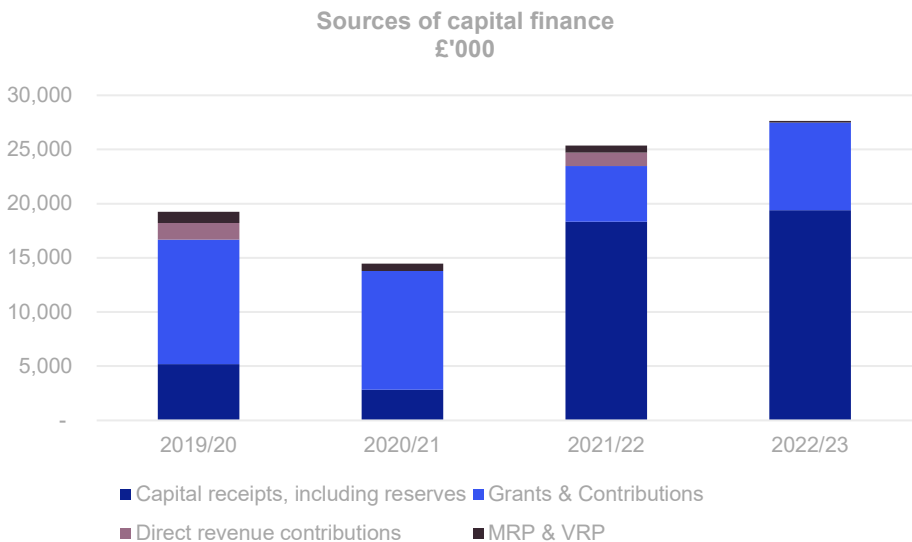
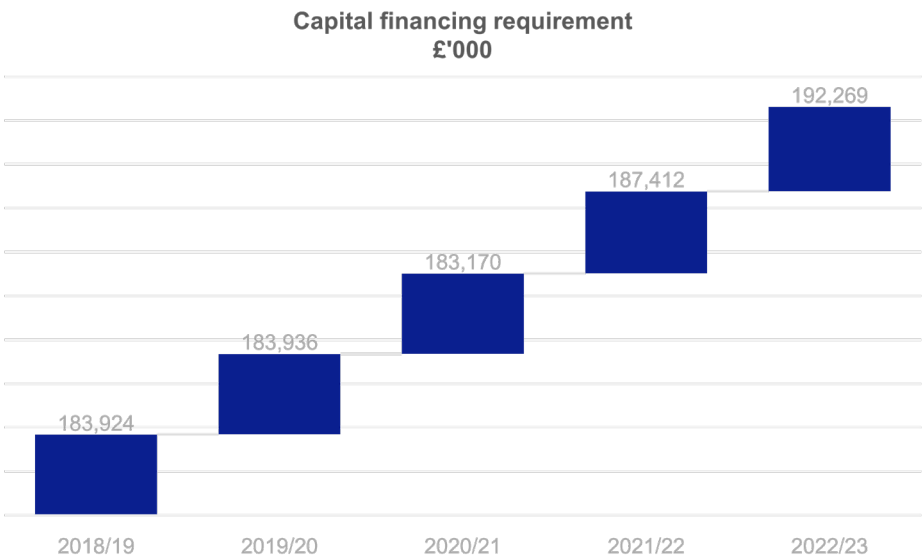
£m	Budget	Outturn	Variance
Net Cost of Services	12.953	12.377	0.576
Net Cost of HRA Services	10.124	9.543	0.581

The variance in cost of services was mainly made up of savings in pay costs whilst the positive outturn in HRA cost of services is due to a rental increase of 4.1% in the 2022.

Our testing of the financial statements did not identify any material issues regarding the Council's reported financial position on revenue and capital. In addition, we are satisfied that the reported financial position to Cabinet is not indicative of a risk of significant weakness in the Council's arrangements for financial sustainability.

The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we did not identify evidence of a weakness in arrangements. We considered the Council's capital financing requirement as set out in Note 37 of the financial statements. This has risen from £183.924m in 2018/19 to £192.269m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.



VFM arrangements – Financial Sustainability

The Council's capital expenditure and financing (continued)

In 2022/23, the Council spent £25.949m on capital additions and £3.315m of REFCUS. Our testing of these balances did not identify any material issues.

The council's Minimum Revenue Provision (MRP) for the 2022/23 financial year is £0.146m. The Capital Financing Requirement (CFR) for 2022/23 is £192.269m (including Housing Revenue Account at £171.346m). The MRP falls below 2% of the Capital Financing Requirement. This works out to approximately 0.7% if Housing Revenue Account CFR is excluded.

We have reviewed the Council's MRP policy which states that for capital expenditure on loans to third parties there will be nil MRP charged. The capital receipts arising from the principal repayments on these loans will be used to reduce the CFR instead. In 2022/23 the council received £0.264, from RHL which reduced the CFR as per the policy. No repayments were received from NGL, which is in line with agreed payment schedules. We understand repayments are expected in 2023/24. These balances are currently c.£15.2m of the CFR (i.e. £6.501m for Rykneld Homes Ltd and £8.708m for Northwood Limited). When the loans balance is excluded, the General Fund CFR is £5.723m meaning the £0.146m charged in 2022/23 is 2.5% with an average charge term of approximately 40 years. MRP for 2023/24 financial year was detailed in the Annual MRP Statement which was approved by the full Council in January 2023. Similar approval was made in January 2024 for the 2024/25 financial year.

The loan repayments from RHL amounting £0.264m are received annually whilst Northwood repayments started in 2023/24. It is expected following the sale of the Northwood joint venture that full repayment of the loans will be made by 2025/26.

The loans made to RHL are used to build social houses whilst the loan to Northwood is for regeneration of land within the district and building properties, including properties for social rent.

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority. It is important that the Council continues to monitor its MRP policy and charges to ensure future MRP charges are prudent.

There are expected changes to the framework in setting the MRP, as a result, we expect that the Audit and Governance Committee will receive a briefing paper on the outcome of the consultation and an explanation of the consequences on the Council's current policy. As noted above the MRP Policy is reviewed and approved by Cabinet and Council on an annual basis. We will continue to monitor the Council's MRP arrangements in our

future VFM work.

Northwood Group Limited

The council had in place a joint venture with Woodhead Regeneration Limited (WRL), Northwood Group Limited (NGL). In the 2022/23 financial year the main construction contractor to NGL went into liquidation and ceased to trade. The Council loans with NGL were secured against the assets of NGL and the Council had first rights to these assets. The impact to the council following the liquidation of the contractor was to its cashflow given loans of approximately £8m of the council's funds that were held by the joint venture. As such the council was losing potential income on the loaned cash.

The council obtained legal and commercial advice on how to best move forward in relation to NGL and its developments to ensure the Council's assets were protected. In 2023 the Council agreed to sell NGL to an independent developer. Consequently the Council's share in the NGL joint venture has ceased. A repayment programme has been agreed which will ensure the Council loans, including interest, and sale of the development land is repaid in full. Through review of the minutes of meetings, other relevant documents, and discussions with officers on this subject, we have not identified any evidence of a significant weakness in arrangements for the year ended 31 March 2023. Based on the current arrangement there is no evidence the council will suffer any significant financial loss as a result of the loans invested in NGL and interest due from those loans. We will continue to monitor this arrangement in our future VFM work.

Overall, based on our completed work we have not identified evidence of a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from the previous year.

The Council's governance structure

We have confirmed the Council has established governance arrangements in place and these are consistent with previous years. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit and identified no apparent inconsistencies.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council. A Committee structure is in place and is detailed in the Constitution. The Constitution have four values that underpin what the council does and four aims that help the council deliver their long term vision which are documented as follows:

Values

- Honest, open and accountable;
- Treat everyone fairly and with respect;
- Listen, involve and respond; and
- Embrace change and innovation.

Aims

- Enhancing our residents' quality of life;
- Protecting and promoting the character of our district;
- Delivering high quality cost-effective services by engaging with our residents, our partners and our staff; and
- Growing our local economy and being a business friendly district

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an approved Risk Management Strategy which includes the Council's approach to managing risk, guidance, the Council's risk appetite and roles and responsibilities for risk management.

The Governance and Standards Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, and challenging risk information. We confirmed through review of minutes that the Committee is presented with the risk register on a regular basis and provides challenge as part of the process. The Corporate Leadership Team consider the Committee's minutes and summary reports and then determine appropriate risk appetite, risks and opportunities. These arrangements are consistent with what we would expect at a local authority.

We have reviewed the risk registers and confirmed they are reviewed regularly, with each strategic risk identified being assigned a responsible person. This ensures there is control and accountability for each risk. The risks have target dates attached to them and responsible individuals provide an update on a regular basis to the Audit and Corporate Governance Scrutiny Committee

Our work has not identified any significant weakness in arrangements for risk management.

Internal Control

We have considered arrangements for assurance over the effective operation of internal controls, including the prevention and detection of fraud.

We considered the role of Internal Audit, which is provided by an Internal Audit Consortium. Internal Audit undertake a series of key control assignments throughout the year which look at the critical areas of business for the Council. The main reason for the audit work is to ensure that internal controls are working effectively. The planned work is detailed in an annual audit plan. The plan is agreed with management at the start of the financial year and is reviewed and approved by the Audit and Corporate Governance Scrutiny Committee.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

We have reviewed minutes, reports and attended committee meetings to confirm that Internal Audit progress reports are presented to each Audit and Corporate Governance Scrutiny Committee meeting. The reports include follow up reporting on recommendations from previous Internal Audit reports. This allows the Committee to effectively hold management to account.

At the end of each financial year the Head of Internal Consortium (HOIC) provides an Annual Report including an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework based on the work completed during the year. For the 2022/23 financial year, the HOIC provided 'reasonable assurance' on the 'overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2022/23'. We have reviewed the HOIC report and confirmed this was appropriately reflected in the Council's Annual Governance Statement.

We have attended Audit and Governance Committee meetings throughout the year and reviewed supporting documents. We have identified no evidence of a weakness in arrangements. The programme of work for the Committee is appropriate for the Council's requirements. Our attendance at these meetings has confirmed there continues to be an appropriate level of challenge from Members.

We made specific enquiries of management and internal audit regarding fraud and corruption. No significant matters have been brought to our attention to indicate a weakness in arrangements.

2023/24 Budget setting and the Medium-Term Financial Plan (MTFP)

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years. Our review is supported by discussions with officers during the year and experience from prior year audits. We have reviewed the report to Cabinet in January 2023, where a balanced budget was set for the year 2023/24. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable given available information at the time of preparing the budget. The table below reproduces the MTFP table:

	2023/24	2024/25	2025/26	2026/27
Total General fund shortfall before Council Tax	0.977	0.498	1.923	2.069
Indicative Council Tax Increase	-0.193	-0.386	-0.524	-0.642
Transfers from Resilience Fund	0.784	0.112	-1.409	-1.427

Financial Sustainability and Revenue Reserves

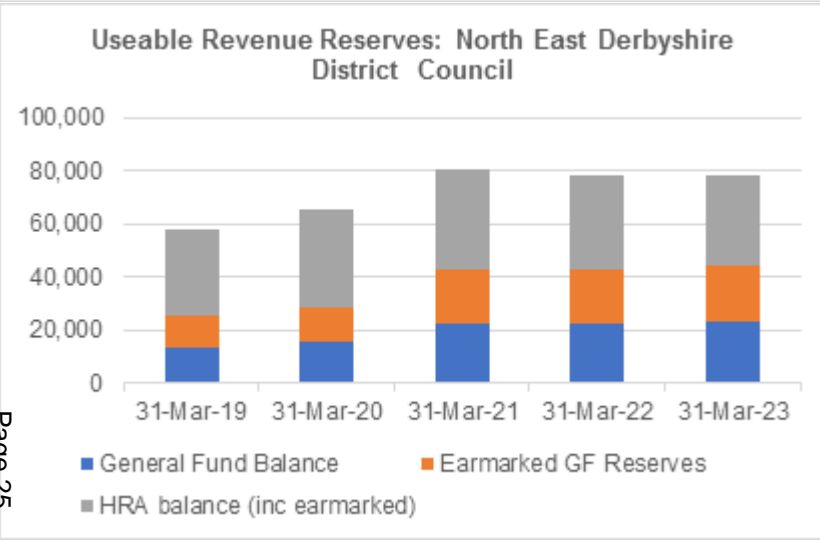
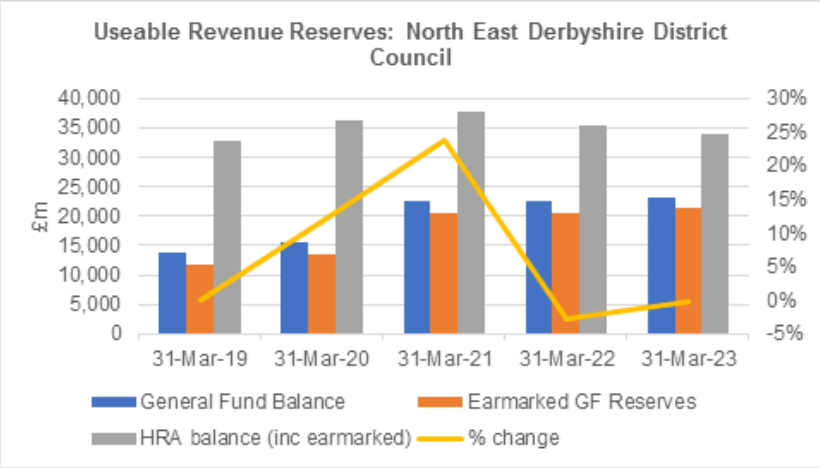
We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been above the median compared to shire districts since 2018. We have also reviewed the movement in reserves up to the 31 March 2023 and noted that this has not moved significantly and given there has been an upward movement, we assume that the Council's reserves continue to be above the median:



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Financial Sustainability and Revenue Reserves



The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time (see tables alongside).

As set out on the previous page, the Council's revenue reserves are above the median for district councils.

The Council's un-ringfenced reserves show a steady increase over the years since 2017/18. This indicates the council has strong reserves and that these would be able to mitigate financial risks that the Council may face in the short term.

We considered the reasonableness of the 2023/24 budget by reviewing the most recent outturn report presented to Cabinet in January 2024. This did not indicate a significant variance in forecast outturn to indicate a weakness in the 2023/24 budget setting. The council's most recent MTFP reflects a shortfall of £0.100m in 2024/25 which is materially in line with the initially projected shortfall of £0.112 in the January 2023 meeting.

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage through savings programmes in future budgets. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. Use of reserves cannot be relied on to provide a long-term solution to funding gaps. Our work has not highlighted either a risk of or actual significant weakness in the Council's arrangements for ensuring financial planning and governance.

Based on our work we have not identified evidence to indicate a significant weakness in the Councils governance arrangements.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

Council Plan and performance monitoring

The council has a council plan which sets out its four strategic priorities. The vision is for the district to be a place that is 'clean and attractive, a place where people are proud to live and work, where they will prosper and are safe, happy and healthy'. The priorities are as follows:

- Economy - Creating a business-friendly District that develops skills and jobs
- Residents – Enhancing the District residents' quality of life
- Environment - Protecting our promoting the character of the District
- Delivering high-quality, cost-effective services by engaging with residents, partners and Council staff

The Council has in place a performance management framework built around its priorities. The framework includes identified responsibilities of managers and processes for regular performance reporting and, where required, corrective action to achieve the strategic priorities. Portfolio Holders meet regularly with Assistant Directors and Directors to discuss, amongst other things, the performance of services against targets. We confirmed through minutes review there is quarterly reporting to the Audit and Corporate Governance Scrutiny Committee and the Executive. These quarterly reports take the form of a dashboard and identify whether the performance has been achieved or is on/off track. The quarterly reports include an appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance. Based on review of minutes there is evidence of scrutiny. No issues have been reported by the Head of internal Auditor that would give rise to suspicions that there may be performance issues.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the

Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. This provides the public with an overall assessment of the Council activities for the financial year. We reviewed the Report and identified no evidence of a material inconsistency.

We have reviewed quarter 4 monitoring report and we have noted that the council met 88% of its performance targets in the 2022/23 financial year. We have reviewed the failed in targets and have not identified evidence to indicate a significant weaknesses in the Council's arrangements.

There has been minimum changes in the council's partnership arrangements. Services which had previously been shared with Bolsover District Council have been brought back in house. This was a decision made for the benefit of both entities.

The Council's social housing is managed by Rykneld Homes (RHL). We have confirmed there is regular monitoring and reporting of RHL. Based on review of minutes, discussions with officers and attending Audit Committee meetings we have identified no evidence of a significant weakness in arrangements.

The council's partnership with WRL has been detailed on page 14 of this report.

We have confirmed the Council continues to have in place arrangements for standing financial instructions, purchase order controls and our work on the financial statements. We have identified no evidence of a significant internal control deficiencies regarding purchasing controls.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Clay Cross Town Deal

On the 3rd March 2021, government announced that Clay Cross would receive £24.1m of funding to deliver a number of projects contained in the Clay Cross Town Investment Plan. The Council is the Accountable Body for the Clay Cross Town Deal. Amounts associated with the Deal are included in the 2022/23 financial statements. Our audit procedures have not identified any evidence to indicate a significant weakness in arrangements. The investment plan would be focused on three main areas, which are:

- Urban Regeneration – ensuring Clay Cross and town centre is a thriving place for people to live and work;
- Skills and Infrastructure – supporting investment and the development of small business, creating opportunities for skills and training;
- Connectivity – improving local transport links and improved digital connectivity.

A Clay Cross Town Deal Board has been formed . This board serves as an advisory function and will be the vehicle through which the vision and strategy for the Town will be defined. The board has developed a Town Investment Plan, which will inform the Town Deal proposals and include the amount of investment to be secured through the Towns Fund. The role of the Town Deal Board is to:

- Develop and agree an evidence-based Town Investment Plan
- Develop a clear programme of interventions
- Co-ordinate resources and influence stakeholders

We have reviewed minutes of the Clay Cross Town Deal Board meeting held in December 2023. We confirmed a detailed report was provided to the Board which set out the milestones achieved towards delivery as well as a update on matters not yet achieved. The report states the status of the project and whether these are still on target to be met on planned dates.

Through review of the update documents and minutes we confirmed there is regular monitoring and reporting on this major project. We have identified no evidence of a significant weakness in arrangements regarding the council's decision making and oversight of the project.

Based on our we work we have not identified any evidence of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest
- make statutory recommendations that must be considered and responded to publicly
- apply to the court for a declaration that an item of account is contrary to the law
- issue an advisory notice

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation, we will issue our audit certificate for 2022/23.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in July 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follow:

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	43,510	53,206
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	9,400	Included in scale fee
Subtotal	52,910	53,206
Additional fees in respect of additional work from the introduction of new auditing standards (ISA540 Estimates)	3,590	3,590
Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment)	-	5,508
Additional costs as a result of additional testing (Prior Period Error - Group PPE)	4,080	-
Technical Accounting Issues: additional costs arising from IFRIC 14 and Pension Asset Ceiling	-	2,536
Additional fees in respect of Group Accounts	2,530	5,768
Additional fees in relation to the VFM Commentary	7,000	8,005
Total fees	70,110	78,611

Fees for other work

We confirm that we have undertaken one assurance related service for the Council in the year: Assurance return on the pooling of housing capital receipts for £5,500. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and a summary of our findings..

Risk	How we addressed the risk	Audit Conclusion
<p><u>Management Override of Controls</u></p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements • consideration of identified significant transactions outside the normal course of business • journals recorded in the general ledger and other adjustments made in preparation of the financial statements 	<p>There were no significant issues arising from the work performed.</p>
<p><u>Net defined benefit liability valuation</u></p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> • critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary • liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information supplied by PWC, the consulting actuary engaged by the National Audit Office • agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements • considering the impact of IFRIC14 regarding pension fund surpluses 	<p>We identified an error, below our material threshold, as a result of a misstatement in the asset value of the pension fund administered by Derbyshire Pension Fund but overall were satisfied that the work performed provided the assurances we sought.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (continued)

Risk	How we addressed the risk	Audit Conclusion
<p><u>Valuation of Dwellings, Land & Buildings and Investment Property</u></p> <p>The Council's accounts contains material balances and disclosures relating to its holding of property, plant and equipment and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we had determined there is significant risk in this area.</p> <p>As part of our testing we tested the valuations of dwellings held by Rykneld Homes Limited</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers 	<p>There were no significant issues arising from the work performed.</p>

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

We reported one unadjusted misstatement identified during the course of the audit.

Comprehensive Income and Expenditure Statement		Balance Sheet	
DR	CR	DR	CR
Dr Pension Liability		221	
Cr Pension Reserve			221
The Pension Fund auditors had identified a 0.18% difference (increased) between the estimated 2022/23 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2022/23 Fund financial statements being audited. Based on this, we calculated the misstatements based on the council's share of the asset value and the calculated misstatement is £221k			

A. Further information on our audit of the financial statements

Summary of internal control recommendations

Our audit reported one internal control recommendation. This recommendation was accepted by management.

Significant deficiencies in internal control – Level 2

Description of deficiency - Members have not completed declaration of interest

As part of our testing of related party disclosures in the accounts, we reviewed declaration forms completed by members and officers. Through this testing we noted that 19 members had not completed these forms.

Potential effects

Related party transactions could go undetected which may result in disclosure misstatements in the accounts.

Recommendation

All members should complete declaration of interest forms.

Management response

We recognise that related party disclosures were not returned by all elected members. The related party disclosures were issued to all elected members on 31 March and being conscious that there was a local election in May, we issued three subsequent reminders during April. A large proportion of those which have not been returned are from elected members who were subsequently not elected. We will review our processes in this regard ahead of the 2023/24 close down.

James Collins – Director

Mazars

The Corner
Newcastle
NE1 1DF

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*where permitted under applicable country laws.

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North East Derbyshire District Council

Audit Committee

8th July 2024

Internal Audit Consortium Annual Report 2023/24

Report of the Head of the Internal Audit Consortium

Classification: This report is public

Report By: **Jenny Williams: Head of the Internal Audit Consortium**

Contact Officer: **Jenny.Williams@ne-derbyshire.gov.uk**

PURPOSE / SUMMARY

The purpose of this report is to: -

- Present the 2023/24 Internal Audit Consortium Annual Report for North East Derbyshire District Council and the Head of Internal Audit's opinion on the adequacy of the Council's arrangements for governance, risk management and control.
- The report enables the Audit Committee to obtain necessary assurances on the overall arrangements of governance, risk management and control systems.

RECOMMENDATION

1. That the 2023/24 Internal Audit Consortium Annual Report for North East Derbyshire District Council and the overall assurance opinion on the Council's governance, risk management and control arrangements be accepted.

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

The annual report provides assurance to the Audit Committee on the governance, risk management and control arrangements in place.

On Behalf of the Section 151 Officer

Legal (including Data Protection):

Yes ☒

No ☐

Details:

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 in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

Staffing:

Yes ☐

No ☒

Details:

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.
--

The Head of Internal Audit's annual opinion helps to provide assurance that the council's resources and priorities are focused on achieving the objectives within the council plan and that there are appropriate governance, risk and control arrangements in place.

REPORT DETAILS

1 Background

- 1.1 The Public Sector Internal Audit Standards require that the Head of the Internal Audit Consortium delivers an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement.

2. Details of Proposal or Information

- 2.1 The 2023/24 Internal Audit Consortium Annual Report that includes the audit opinion for North East Derbyshire District Council is attached at Appendix 1.
- 2.2 The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control. The work of internal audit over the year allows the Head of Internal Audit to form the annual internal audit opinion as required by the PSIAS. The opinion is also derived from other assurances such as the work of the Risk Management Group and PSN compliance.
- 2.3 The Head of Internal Audit's opinion for 2023/24 set out in the attached annual report is that: -
- "Reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2023/24. Sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place. This year 16 reports have been issued 9 with substantial, 4 with reasonable and 3 with Limited Assurance. Action plans have been agreed and managers are in the process of implementing the audit recommendations made".*
- 2.4 The annual report also provides a summary of the work undertaken by Internal Audit in 2023/24, information on the performance of the Internal Audit service, an assessment of conformance against the Public Sector Internal Auditing Standards and the results of the Quality Assurance and Improvement Programme (QAIP).

3 Reasons for Recommendation

- 3.1 To present to Members the annual report for the Internal Audit Consortium in respect of North East Derbyshire District Council for 2023/24.
- 3.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 3.3 To provide an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements including any qualifications to that opinion.

4 Alternative Options and Reasons for Rejection

- 4.1 Alternative options are not applicable, the PSIAS require that an annual report is produced including an opinion on the Council's governance, risk and control arrangements.

DOCUMENT INFORMATION

Appendix No	Title
Appendix 1	Internal Audit Consortium Annual Report 2023/24 for North East Derbyshire District Council.
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet you must provide copies of the background papers)	

Annual Report of the Internal Audit Consortium

2023/24

North East Derbyshire District Council



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Jenny Williams

Head of the Internal Audit Consortium

Introduction and Background

1.1 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced.

1.2 The PSIAS state: -

- The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

1.3 This report will: -

- Present a summary of the internal audit work undertaken during 2023/24 from which the opinion on governance, risk and internal control is derived.
- Look at the performance of the Internal Audit Consortium.
- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS) and Code of Ethics.
- Include the Quality Assurance Improvement Programme (QAIP) along with an improvement plan.
- Confirm the organisational independence of internal audit.
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

Summary of Work Undertaken

- 2.1 Appendix 1 details the audit reports issued in respect of audits included in the 2023/24 internal audit plan. The appendix shows for each report the overall assurance level provided on the reliability of the internal controls and the assurance level given at the last audit. The report opinions can be summarised as follows: -

Assurance Level	2022/23 Number	2022/23 %	2023/24 Number	2023/24 %
Substantial	9	68	9	56
Reasonable	6	32	4	25
Limited	0	0	3	19
Inadequate	0	0	0	0
Total	15	100	16	100

- 2.2 A definition of the above assurance levels is shown at the bottom of Appendix 1.

- 2.3 No fraud was identified.

Performance of the Internal Audit Consortium

- 3.1 The following table summarises the performance indicators for the Internal Audit Consortium.

Description	2023/24		2024/25
	Plan	Actual	Plan
Cost per Audit Day	£343	£308	£346
Percentage of Plan Completed NEDDC	75%	78%	75%
Sickness Absence (Average Days per Employee)	8.0	26.0*	8.0
Customer Satisfaction Score (NEDDC)	85%	97%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Quarterly reporting to Audit Committee	100%	100%	100%

* 2 long term absences (both now resolved)

Audit Opinion 2023/24

- 4.1 Staff vacancies, ill health and the training requirements of new staff has impacted on the extent of completion of the 2023/24 internal audit plan. However, enough of the internal audit plan (along with reliance on other assurances) has been completed to be able to give an unlimited audit opinion in respect of the 2023/24 financial year.
- 4.2 The Head of the Internal Audit Consortium is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 4.3 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2023/24. Sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place. This year 16 reports have been issued 9 with substantial, 4 with reasonable and 3 with Limited Assurance. Action plans have been agreed and managers are in the process of implementing the audit recommendations made.
- 4.4 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.
- 4.5 The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. An internal audit plan for 2023/24 was developed with the intention of being able to provide independent assurance on the adequacy and effectiveness of systems of governance, risk and control across a range of financial and organisational areas.
- 4.6 As well as internal audit work assurance has also been gained from previous years' work, the work of the risk

management group, Public Sector Network compliance and external audit.

- 4.7 The work of the risk management group provides assurance as key members of the Council's management team meet on a regular basis to discuss both strategic and operational risks and the mitigating factors in place or required to manage risk. There is a comprehensive, current Risk Management Strategy in place.
- 4.8 Holding a valid Public Sector Network Compliance certificate provides assurance that the Council's network security arrangements, policies and controls are sufficiently rigorous to be allowed to interact with the Public Sector Network and those connected to it.
- 4.9 External audit sign off the statement of accounts and review value for money arrangements. External audit progress reports provide positive assurance that the accounts are produced accurate and timely. In their Annual Audit Report for year ended 31 March 2023, Mazars LLP gave an unqualified audit opinion on the financial statements and didn't identify any evidence of significant weakness in the Council's value for money arrangements.
- 4.10 Overall, 81% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.
- 4.11 The Audit Committee receive a 6 monthly report in relation to outstanding audit recommendations. Where a limited or inadequate assurance audit report is issued, managers are required to attend the Audit Committee to discuss progress and to provide assurance that recommendations are being implemented in a timely fashion.

Issues for Inclusion in the Annual Governance Statement

- 5.1 The internal control issues arising from audits completed in the year and outstanding internal audit recommendations have been considered by the Director of Finance and Resources during the preparation of the Annual Governance Statement.
- 5.2 Three limited assurance audit reports were issued during the year in respect of Pollution Prevention and Control, Coney Green Business Centre and Transport. Although improvement is required, recommendations have been agreed and are in the process of being implemented and these are not seen as significant governance issues.

Comparison of Planned work to Actual Work Undertaken

- 6.1 The Internal Audit Plan for 2023/24 was approved by the Chair of the Audit Committee on the 11th of April 2023 (the scheduled Audit Committee was cancelled due to May elections). Most audits have been completed with the remaining audits being scheduled into the 2024/25 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

Compliance with the Public Sector Internal Audit Standards / Code of Ethics

- 7.1 From a self- assessment against the PSIAS undertaken in May 2024 it can be confirmed that the Internal Audit Consortium comply with the Public Sector Internal Audit Standards and the Code of Ethics.

Quality Assurance Improvement Programme (QAIP)

- 8.1 The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The Internal Audit Consortium's QAIP is shown at Appendix 3. The procedures and processes documented within the QAIP are designed to ensure compliance with the PSIAS and Code of Ethics. The QAIP includes an improvement plan for the 2024/25 financial year.

Confirmation of Independence

- 9.1 It can be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Finance and Resources (Section 151 Officer) but has a direct and unrestricted access to the Senior Management Team and the Audit Committee. The Head of Internal Audit attends every Audit Committee meeting.
- 9.2 During the 2023/24 financial year, all Auditors have acted with integrity and objectivity and at no point has their independence been compromised. Annually each Auditor completes a declaration of interests form to identify any potential conflicts of interest. Where declarations are made, work is allocated to ensure a conflict does not occur.

Review of performance against the Internal Audit Charter

- 10.1 The Audit Charter was last reported to and approved by the Audit Committee in January 2024.
- 10.2 Based on the information provided in this report on the completion of the 2023/24 internal audit plan, it is considered that the requirements of the Charter were met during the year.

Appendix 1

North East Derbyshire District Council – Internal Audit Reports Issued 2023/2024

Ref	Report Title	Overall Opinion/ Assurance	
		2023/24	Previous Audit
1	Sickness Absence Management	Substantial	Reasonable
2	Commercial Waste	Reasonable	Substantial
3	Facilities Compliance	Reasonable	Reasonable
4	Land Charges	Reasonable	Substantial
5	Clay Cross Town Deal	Substantial	N/A
6	Pollution Prevention and Control	Limited	N/A
7	Treasury Management	Substantial	Substantial
8	Members IT	Reasonable	Reasonable
9	VAT	Substantial	Reasonable
10	FOI / EIR	Substantial	Substantial
11	Housing Benefits	Substantial	Substantial
12	Coney Green Business Centre	Limited	Reasonable
13	Members Allowances	Substantial	Substantial
14	National Non -Domestic Rates	Substantial	Substantial
15	Transport	Limited	Reasonable
16	Payroll	Substantial	Substantial

Internal Audit Assurance Level Definitions

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.

Appendix 2

Comparison of Planned work to Completed Work

Complete
Ongoing through Year
Deferred

	Main Financial Systems	Risk	2023/24 Days
	Treasury Management	M	10
	National Non-Domestic Rates (Key Controls)	M	10
	Housing Benefits	H	20
	Payroll	H	20
	Total Main Financial Systems		60
	Corporate / Cross Cutting		2023/24
	Corporate Governance / Assurance Statement	H	2
	Financial advice / working groups	N/A	20
	Climate Change	H	12
	Corporate Targets	M	12
	Risk Management	M	5
	Total Cross Cutting		51
	Operational Audits		
	Business Centres – Coney Green & Midway	M	15
	Clay Cross Town Deal	H	12
	E.H Pollution Prevention and Control	L	8
	Facilities Compliance	M	15
	FOI / Env Regs	L	10
	Commercial Waste	L	10
	Industrial Property Rents / Periodic Income	M	15
	Killamarsh Leisure Centre	M	15
	Land Charges	L	8
	Members Allowances	L	10

	Northwood Building Company	H	12
	Petty cash / year end floats	L	5
	Sickness Absence	M	12
	Transport	M	13
	VAT	M	8
	Total Operational Areas		168
	IT Related		
	IT Inventory / disposal of equipment	M	8
	Members IT Equipment	M	12
	Total IT		20
	Rykneld Homes		97
	National Fraud Initiative		5
	Special Investigations / Contingency/ emerging risks		40
	Apprenticeships / training		30
	Audit Committee / Client Liaison		15
	Grand Total		486

Appendix 3

Internal Audit Consortium

Quality Assurance and Improvement Programme (QAIP)



Introduction

The Public Sector Internal Audit Standards require that the Head of Internal Audit develops and maintains an improvement programme that covers all aspects of the internal audit activity.

A quality assurance and improvement programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The quality assurance and improvement programme must include both internal and external assessments.

Internal assessments must include: -

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

This QAIP covers: -

- 1) Internal Assessments
- 2) External Assessments
- 3) Staff qualifications / experience
- 4) Training
- 5) Working Practices
- 6) Improvement Plan

1) Internal Assessments

Internal assessments consist of the following: -

- An annual assessment against the Public Sector Internal Audit Standards by the Head of the Internal Audit Consortium. This was undertaken in May 2024 and the review confirmed that there were no significant areas of non-compliance.
- Reviews of working papers – All audit working papers are reviewed by the Head of Internal Audit or a Senior Auditor to ensure that they meet required standards and support the findings of the review. These reviews are documented.
- Review of audit reports – The Head of Internal Audit reviews all reports for quality and consistency before they are formally issued.
- Key performance indicators – these are reported to each Audit Committee in the annual report.
- Customer feedback – Customer satisfaction surveys are issued with every report and the results monitored. Based on the customer satisfaction survey forms returned (12 for NEDDC), the average score was 97.6% for customer satisfaction during 2023/24.
- All staff completed a declaration of personal interests statement in September 2023.

2) External Assessments

An external review of internal audit took place in May 2021 the results of which concluded “Current services are assessed to “generally conform” with the PSIAS and compare favourably with peers, there are no areas where the service does not comply with the Standards”.

The results of the external assessment were fully reported to each Audit Committee and to the Joint Board.

An action plan was developed from the points arising in the 2021 external review and has been used to further drive improvement. The action plan has now been fully implemented.

3) Audit Staff Qualifications / Experience

The table below summarises the qualifications and experience of the Internal Audit Consortium staff as at May 2024.

<u>Post</u>	<u>Qualification</u>	<u>Experience</u>
Head of Internal Audit	CIPFA	25 plus years
Senior Auditor	-	15 years plus
Senior Auditor	CIPFA	25 plus years
Senior Auditor	AAT	25 plus years
Auditor		2 months
Auditor	AAT	2 years
Auditor	-	1 year 3 months
Auditor	AAT	25 plus years
Auditor	-	5 years
Auditor	-	7 months

Training Undertaken in 2023/24

Training records are maintained to monitor both professional and ad hoc training received by staff.

Training is delivered via webinars, team meetings, professional journals etc. All staff undertake Continuous Professional Development.

During 2023/24 training included: -

- CIPFA – lessons learnt from section 114 notices.
- Transforming public procurement.
- CIPFA – is commercial activity ever justified?
- LGA Cyber security 10 short videos.
- DLUHC Counter fraud webinar town deal money.
- Impact of global internal audit standards.
- CIPFA E Learning – introduction to Local Government Finance (new auditors).
- The developing Auditor (2 day webinar)
- Auditing Procurement and Contracts.
- Risk based internal audit.
- Auditing your organisation's commitment to climate change.

- Risk focused audit report.
- CIPFA'S weekly "bitesize" training topics
- New auditors all attend a 2 day webinar "introduction to Internal audit".
- CIPFA summer school finance update

In addition to this the Internal Consortium are members of the Midlands Audit Group, The Notts Audit Group and the Chief Auditors network. All of these groups share ideas and best practice.

Working Practices

- All staff have quarterly Valuing Individuals and Performance reviews. These reviews set and monitor the achievement of objectives and identify any training requirements.
- 1:1's – All staff have 1:1 meetings with their manager at least monthly.
- The Internal Audit Manual is a comprehensive record of audit procedures and requirements and is regularly updated.
- Declarations of Business Interest – Staff are required to complete a declaration of business interests form on an annual basis and cannot undertake audits where there is a potential conflict of interest.
- Team meetings – Monthly team meetings are held which discuss points of practice, audit findings, information sharing and include elements of training and brainstorming.

Internal Audit Consortium Improvement Plan 2024/25

	Opportunity for Improvement	Who	When by
1	To review the internal audit report format to see if it can be improved for the client / be more risk focused.	HOIAC / All	March 25, if changed to be implemented from the 25/26 financial year
2	To improve permanent file information to ensure that they contain system notes etc, labelling of files so clear what it is / deletion of outdated information.	All	Ongoing
3	To review the Global Internal Audit Standards that were published in January 2024 and assess and implement any changes that would be beneficial to the Internal Audit Consortium.	HOIAC	December 2024
4	To review Public Sector guidance re changes required in respect of the Global Standards (consultation due Autumn 24 with guidance published by the end of 24 to become mandatory April 2025).	HOIAC	December 2024
5	To update the Assurance mapping exercise last undertaken 2019/20 to be used to inform IA opinion and future audit plans. Assurance mapping to become a standard team meeting agenda item.	HOIAC / All	February 2025 and ongoing
6	To review and update the Internal Audit Manual with any new requirements following the update of the PSIAS.	HOIAC	February 2025

7	To review the customer satisfaction survey for continued relevance.	All	February 2025
8	To undertake relevant training / webinars to keep up to date / meet CPD requirements.	All	Ongoing
9	To review each Council's current Risk Management strategy to ensure that our risk definitions for High, Medium and Low recommendations still reflect any revised strategies	HOIAC	February 2025

North East Derbyshire District Council

Audit Committee

8 July 2024

Treasury Management Financial Outturn 2023/24

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To present to Members of the Audit Committee the Treasury Management outturn position for 2023/24.

RECOMMENDATIONS

1. That the Audit Committee note the report concerning the Council's treasury management report for the 2023/24 financial year and make any comments that they believe to be appropriate concerning these matters.

IMPLICATIONS

Finance and Risk

Yes ✓

No

These are detailed in the attached report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes

No ✓

There are no legal issues arising directly from this report.

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.

All

REPORT DETAILS

1 Background

- 1.1 To update Members of the Audit Committee concerning the Treasury Management outturn position in respect 2023/24 financial year.
- 1.2 The report to be taken to the Council's Cabinet on 18 July 2024 is accordingly brought to the Audit Committee for its consideration.

2 Changes to the Code of Practice

- 2.1 As a result of changes to the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) there is a new requirement with effect from 1 April 2023 to report on a quarterly basis on how the Council measures and manages its capital expenditure, borrowing and commercial and service investments. To comply with the changes a more comprehensive review of treasury management activity and the impact this has on prudential indicators will be

undertaken on a quarterly basis. This is the outturn report in this new format for the financial year 2023/24.

3 Reasons for Recommendation

- 3.1 To ensure that the Audit Committee is kept informed of the latest position concerning treasury management.

4 Alternative Options and Reasons for Rejection

- 4.1 This report is concerned with monitoring the position against the Council's previously approved treasury management strategy. Accordingly, the report does not set out any options where a decision is required by Members.

DOCUMENT INFORMATION

Appendix No	Title
1	Cabinet Treasury Management Financial Outturn 2023/24
Background Papers	

North East Derbyshire District Council

Cabinet

18 July 2024

Treasury Management Financial Outturn 2023/24

Report of Councillor P Kerry, Deputy Leader & Portfolio Holder for Strategic Leadership and Finance

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To inform Cabinet of the Treasury Management outturn position for 2023/24.

RECOMMENDATIONS

1. That Cabinet note the outturn position in respect of the 2023/24 financial year.

Approved by the Portfolio Holder – Cllr Pat Kerry, Deputy Leader with responsibility for finance.

IMPLICATIONS

Finance and Risk

Yes ✓

No

These are detailed in the attached report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The Statement of Accounts is required to be prepared by the 30 September this year. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 29 May 2024 which secures compliance with the Council's obligations.

On Behalf of the Solicitor to the Council

Staffing**Yes****No ✓**

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.
All

REPORT DETAILS**1 Background**

- 1.1 In January 2023, the Council 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 treasury management semi-annual and annual outturn reports.
- 1.2 There is also a new requirement in the Code, which became mandatory from 1 April 2023, of quarterly reporting of the treasury management indicators and the prudential indicators.

- 1.3 Whilst treasury management updates have been provided for many years alongside the quarterly revenue and capital monitoring reports, the new requirements of the Code require more detailed reporting. Therefore, to meet these new requirements a separate treasury management outturn will be presented alongside the main financial outturn.

2. Treasury Management

- 2.1 The treasury management function covers the borrowing and investment of Council funds. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 2.2 The Council approved the 2023/24 Treasury Management Strategy at its meeting on 30 January 2023. **Appendix 1** identifies the Treasury Management activity undertaken in 2023/24. This includes reporting on the treasury management indicators as required by the new Code such as the maturity structure of borrowing. In summary, the Council operated throughout 2023/24 within the Authorised Limit and Operational Boundary limits approved in the approved Treasury Management Strategy.
- 2.3 The key points from the summary report at **Appendix 1** are:
- The overall borrowing requirement of the Council was £198.988m at 31 March 2024.
 - The PWLB debt is £142.809m at March 2024.
 - Effective internal borrowing is £45.348m at 31 March 2024.
 - No new PWLB borrowing was undertaken in 2023/24.
 - Repaid PWLB debt in year of £4.112m.
 - PWLB interest paid in year was £5.118m.
 - Interest received in year on investments was £1.472m.

Prudential Indicators

- 2.3 As from 1 April 2023 there is a new requirement that monitoring of prudential indicators should be reported quarterly. Prudential Indicators are a means of demonstrating that capital expenditure plans are affordable to aid decision making. **Appendix 2** identifies the impact on the Prudential Indicators from the treasury management activity in 2023/24.

3 Reasons for Recommendation

- 3.1 The Council operated in line with its agreed Treasury Management Strategy during the 2023/24 financial year. This ensures that lending and borrowing arrangements were prudent and sustainable, minimising the risk of financial loss to the Council. Effective management of these arrangements ensured that interest costs during the year were minimised to assist the Council's revenue position whilst interest receivable increased slightly above budget due to increased interest rates.

4 Alternative Options and Reasons for Rejection

- 4.1 This report is primarily a factual report detailing the actual position against the Council's previously approved treasury management strategy. Accordingly, the report does not set out any options where a decision is required by Members.

DOCUMENT INFORMATION

Appendix No	Title
1	Treasury Management Outturn 2023/24
2	Prudential Indicators Outturn 2023/24
Background Papers	

Treasury Management Outturn Report 2023/24

Introduction

In January 2023, the Council 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, treasury management semi-annual and annual outturn reports. This quarterly report provides an additional update.

This report includes the new requirement in the 2021 code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.

The Council's treasury management strategy for 2023/24 was approved at a meeting on 30 January 2023. The Council has borrowed and 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 remains central to the Council's treasury management strategy.

External Context

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e., excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e., including bonuses) and 7.8% for regular pay growth (i.e., excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than

expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31 March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31 March 2024, the Council had net borrowing of £127.4m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual £m	31.3.24 Actual £m
General Fund CFR	20.9	21.7
HRA CFR	171.3	177.3
Total CFR	192.2	199.0
Less: *Other debt liabilities	0	0
Borrowing CFR	192.2	199.0
External borrowing**	(146.9)	(142.8)
Internal borrowing	45.3	56.2
Less: Balance sheet resources	(71.3)	(70.2)
Net	26.0	14.0

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

** shows only loans to which the Council is committed and excludes optional refinancing

The treasury management position at 31 March and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	31.3.24 Balance £m	31.3.24 Rate %
Long Term Borrowing – PWLB	146.9	(4.1)	142.8	3.54
Total Borrowing	146.9	(4.1)	142.8	3.54
Short-Term Investments	(26.0)	12.0	(14.0)	(5.53)
Cash and cash Equivalents	(0.7)	(0.7)	(1.4)	(5.15)
Total Investments	(26.7)	11.3	(15.4)	(5.45)
Net Borrowing	120.2	7.2	127.4	

Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

Borrowing strategy and activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower 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's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.

On 31 December, the PWLB certainty rates for maturity loans were 4.74% for 10-year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.

The cost of short-term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2024.

On 31 December, the PWLB certainty rates for maturity loans were 4.19% for 10-year loans, 4.90% for 20-year loans and 4.67% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.

A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. This rate will now be available until June 2025. The discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Council's £4m loans relating to the HRA maturing during this time frame.

At 31 March 2024 the Council held £142.8m of loans, a decrease of £4.1m since 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March are summarised in Table 3A below.

Table 3A: Borrowing Position

PWLB Borrowing	Maturity Profile 31 March 2023 £'000	Net Movement £'000	Maturity Profile 31 March 2024 £'000
Term			
12 Months	4,112	(4,112)	0
1 - 2 years	6,109	(0)	6,109
2 - 5 years	15,191	(0)	15,191
5 - 10 years	24,419	(0)	24,419
10 - 15 years	42,000	(0)	42,000
Over 15 years	55,090	(0)	55,090
Total PWLB Debt	146,921	(4,112)	142,809

The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short-term and long-term borrowing was maintained.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Management Investment Activity

CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £14.0 and £37.5 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

Bank Name	Duration of Loan	B/Fwd 01/04/23 £000's	Amount Invested 2023/24 £000's	Amount Returned 2023/24 £000's	Balance Invested 31/3/24 £000's	Interest Received 31/3/24 £000's
Federated Fund 3	Call	3,000	1,150	(1,150)	3,000	(150)
Federated GBP 3	Call	2,000	186	(2,186)	0	(186)
Aberdeen Standard	Call	1,000	20,593	(21,593)	0	(93)
CCLA Public Sector Deposit Fund	1 Day Call	5,000	94	(5,094)	0	(94)
Aviva	Call	1,500	3,742	(5,242)	0	(242)
Invesco	Call	0	10,191	(9,191)	1,000	(191)
JP Morgan	Call	0	3,003	(3,003)	0	(3)
Goldman Sachs	Call	0	6,518	(6,518)	0	(18)
SSGA	Call	3,500	28,089	(31,589)	0	(89)
Ashford Borough Council	12 Months	5,000	133	(5,133)	0	(133)
Lancashire County Council	12 Months	5,000	5,191	(5,191)	5,000	(191)
Aberdeen County Council	12 Months	0	5,082	(82)	5,000	(82)
Total		26,000	83,972	(95,972)	14,000	(1,472)

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Council's bank which is Lloyds. The maximum amount invested with Lloyds in the financial year was £4.990m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result. The interest earned from daily balances up to 31 March 2024 is £81,857.92.

Both the CIPFA Code and government guidance require the Council 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 Council'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.

As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Bank Rate increased by 1% over the period, from 4.25% at the beginning of April to 5.25% by the end of December. Short term rates peaked at 5.6% for 3-month rates and 6.6% for 12-month rates during the period, although these rates subsequently began to reduce towards the end of the period. Money Market Rates also rose and were between 5.27% and 5.29% by the end of March.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023 31.3.2024	5.29	A+	32%	155	5.61
Similar Las/All LAs	4.90	A+	61%	50	5.07

*Weighted average maturity

Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the

extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31 March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's strategy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Non-Treasury Investments

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council 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) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council also held £15.9m of such investments in

- Loans to Rykneld Homes Ltd £6.5m
- Loans to Northwood Group Ltd £9.4m

The Council held £21.8m of investments made for commercial purposes

- Directly owned property £21.8m

These investments generated £0.553m of investment income for the Council after taking account of direct costs, representing a rate of return of 2.53% as at 31 March 2024.

Treasury Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £m	Budget £m	Over/ under	Actual %	Benchmark %	Over/ under
PWLB Borrowing	142.8	150.8	Under	3.54	4.33	Under
Total borrowing	142.8	150.8	Under	3.54	4.33	Under
Total debt	142.8	150.8	Under	3.54	4.33	Under
Investments (see table 4)	14.0	11.7	Over	5.53	2.42	Over
Total treasury investments	14.0	11.7	Over	5.53	2.42	Over

Consultation

In December DLUHC published two consultations: a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a “call for views” on capital measures to improve sector stability and efficiency closing on 31 January.

Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

In its call for views on capital measures, Government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage ‘invest-to-save’ activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

Compliance

The S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2023/24 Maximum per counterparty	31.3.24 Actual	2023/24 Limit	Complied?
The UK Government	Unlimited	£0m	n/a	Yes
Local authorities & other government entities	£5m	£10m	Unlimited	Yes
Secured investments	£5m	£0m	Unlimited	Yes
Banks (unsecured)	£5m	£0m	Unlimited	Yes
Building societies (unsecured)	£5m	£0m	£20m	Yes
Registered providers (unsecured)	£5m	£0m	£20m	Yes
Money market funds	£5m	£4m	Unlimited	Yes
Strategic pooled funds	£5m	£0m	£20m	Yes
Real Estate Investment Trusts	£5m	£0m	£20m	Yes
Other investments	£5m	£0m	£20m	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	2023/24 Maximum £m	31.3.24 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	146.9	142.8	212.5	217.5	Yes
Total debt	146.9	142.9	212.5	217.5	Yes

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.

Treasury Management Indicators

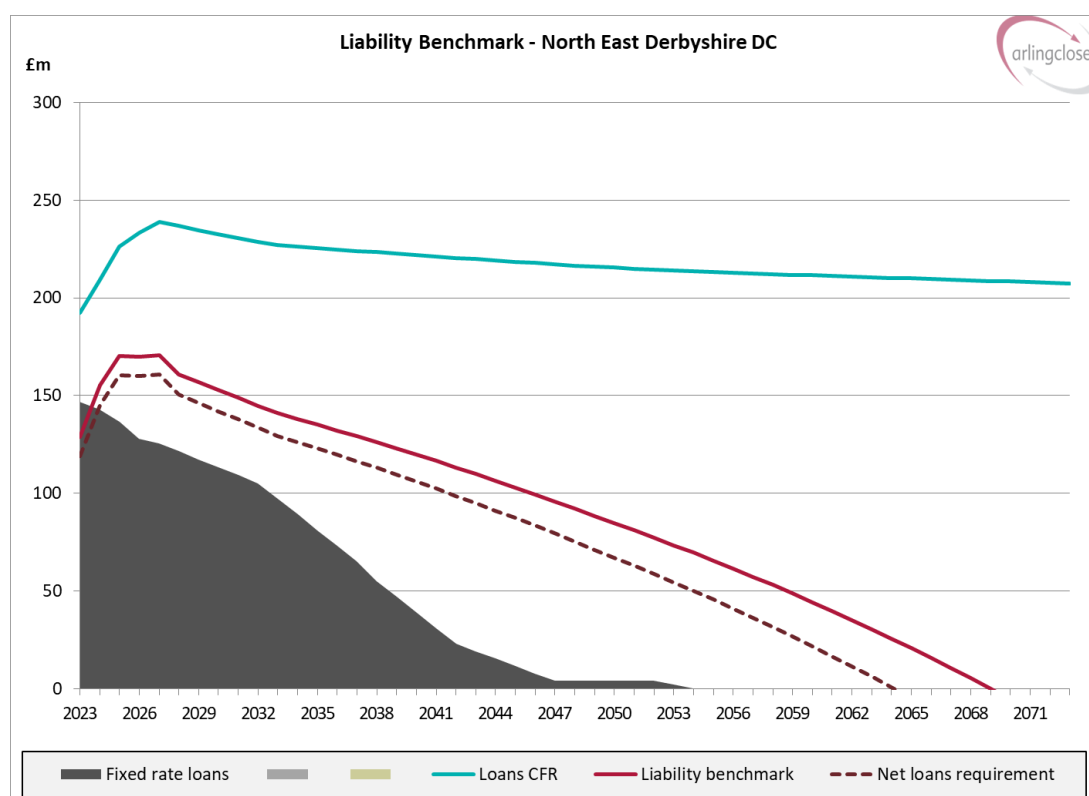
As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark:

This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

	31.3.23 Actual	31.3.24 Actual	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	192.3	199.0	221.3	218.1
Less: Balance sheet resources	(71.4)	(70.2)	(73.6)	(71.6)
Net loans requirement	120.9	128.8	147.7	146.5
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	130.9	138.8	157.7	156.5
Existing borrowing	146.9	142.8	157.0	156.0

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £10.1m in 2023/24, minimum revenue provision on new capital expenditure based on a 50-year asset life. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

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

	Upper Limit	Lower Limit	31.3.24 Actual	Complied?
Under 12 months	20%	0%	0.00%	Yes
12 months and within 24 months	20%	0%	4.28%	Yes
24 months and within 5 years	40%	0%	10.64%	Yes
5 years and within 10 years	40%	0%	17.10%	Yes
10 years and above	90%	0%	67.98%	Yes

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.

3. Long-term Treasury Management Investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£20m	£20m	£20m	£20m
Actual principal invested beyond year end	£0m	£0m	£0m	£0m
Complied?	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2023/24 Target	31.3.24 Actual	Complied?
Portfolio average credit rating	<3.0	2.0	Yes

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing / it can borrow each period without giving prior notice.

	31.3.24 Actual £m	2023/24 Target £m	Complied?
Total cash available within 3 months	5.4	11.7	No

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Bank Rate rose by 1.25% from 4.25% on 1 April to 5.25% by 31 December.

Interest rate risk indicator	2023/24 Target	31.3.24 Actual	Complied
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1.5m	£0.0m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1.5m	£0.0m	Yes

For context, the changes in interest rates during the quarter were:

	<u>31/3/23</u>	<u>31/3/24</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.36%
5-year PWLB certainty rate, maturity loans	4.31%	4.68%
10-year PWLB certainty rate, maturity loans	4.33%	4.74%
20-year PWLB certainty rate, maturity loans	4.70%	5.18%
50-year PWLB certainty rate, maturity loans	4.41%	5.01%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Prudential Indicators Outturn 2023/24

The Council measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Expenditure:

The Council has undertaken and is planning capital expenditure as summarised below.

	2022/23 actual £m	2023/24 actual £m	2024/25 budget * £m	2025/26 budget £m
General Fund services	£8.970	£15.429	£19.839	£5.145
Council housing (HRA)	£20.304	£30.387	£28.094	£12.252
Capital investments	£0.000	£0.000	£0.000	£0.000
Total	£29.274	£45.816	£47.933	£17.397

* £0m of capital expenditure in arises from a change in the accounting for leases and does not represent cash expenditure.

The main General Fund capital projects to date have included Refurbishment of Mill Lane Project, General Asset Refurbishment, Dronfield Sports Centre Carbon Efficiencies Programme, Vehicle Replacement, UK Shared Prosperity Fund, Clay Cross Towns Fund Projects, and the rebuilding of Sharley Park Active Community Hub. HRA capital expenditure is recorded separately and to date includes capital works on Council Dwellings, North Wingfield New build Project, Pine View Danesmoor replacement housing and a stock purchase programme.

Capital Financing Requirement:

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP/loans fund repayments and capital receipts used to replace debt.

	31.3.2023 actual £m	31.3.2024 actual £m	31.3.2025 budget * £m	31.3.2026 budget £m
General Fund services	£20.923	£21.697	£32.029	£28.240
Council housing (HRA)	£171.346	£177.291	£189.288	£189.888
Capital investments	£0.000	£0.000	£0.000	£0.000
TOTAL CFR	£192.270	£198.988	£221.317	£218.128

* £0.693m of the CFR increase in 2024/25 arises from a change in the accounting for leases

Gross Debt and the Capital Financing Requirement:

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2023 actual £m	31.3.2024 actual £m	31.3.2025 budget £m	31.3.2026 budget £m	Debt at 31.3.2024 £m
Debt (incl. PFI & leases)	£146.921	£142.809	£156.995	£155.995	£142.809
Capital Financing Requirement	£192.270	£198.988	£221.317	£218.128	

Debt and the Authorised Limit and Operational Boundary:

The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	Maximum debt 2023/24 £m	Debt at 31.3.24 £m	2023/24 Authorised Limit £m	2023/24 Operational Boundary £m	Complied?
Borrowing	£146.921	£142.809	£217.500	£212.500	Yes
Total debt	£146.921	£142.809	£217.500	£212.500	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Net Income from Commercial and Service Investments to Net Revenue Stream:

The Authority's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2022/23 actual £m	2023/24 actual £m	2024/25 budget £m	2025/26 budget £m
Total net income from service and commercial investments	1.195	1.203	0.944	0.793
Proportion of net revenue stream	7.96%	7.57%	5.86%	5.67%

Proportion of Financing Costs to Net Revenue Stream:

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2022/23 actual	2023/24 actual	2024/25 budget *	2025/26 budget
Financing costs (£m)	(0.4)	(0.8)	(0.1)	0.4
Proportion of net revenue stream	(2.37%)	(4.98%)	(0.52%)	2.75%

* £0m of the increase in financing costs in 2024/25 arises from a change in the accounting for leases and does not represent additional cost to the Authority.

Treasury Management Indicators:

These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are within the Appendix 1 Treasury Management Outturn 2023/24.

North East Derbyshire District Council

Audit Committee

8 July 2024

Draft Annual Governance Statement 2023/24

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To provide an opportunity for the Committee to consider the draft Annual Governance Statement for 2023/24 along with the review of the Code of Corporate Governance.

RECOMMENDATIONS

1. That the Audit Committee note the contents of the draft Annual Governance Statement and make any comments that they believe to be appropriate concerning these matters.
2. That the Committee approve the Code of Corporate Governance

IMPLICATIONS

Finance and Risk

Yes ✓

No

The Annual Governance Statement is a key requirement of the published Financial Statements. It is therefore vital that we have a relevant statement, signed off by the Leader and Chief Executive that supports the standards of good governance.

There are no direct financial implications arising from the review of the Local Code of Corporate Governance. However, adequate and effective systems of corporate governance are a key component in the process, intended to help ensure that the Council operates efficiently, cost effectively and with integrity.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes

No ✓

The Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement, prepared to fulfil this requirement, should form part of the Council's Statement of Accounts. The Regulations also state that the Annual Governance Statement should be prepared in accordance with proper practices. Compliance with the CIPFA guidance fulfils this requirement. The format of the Draft AGS reflects the good practice guidance from CIPFA.

A Code of Corporate Governance is recommended by the guidance designated as proper practice by the CIPFA/SOLACE framework, entitled Delivering Good Governance in Local Government. The Council's Code forms part of the governance framework which defines the principles that underpin our governance arrangements.

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.
All

REPORT DETAILS

1 Annual Governance Statement

- 1.1 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' encourages local authorities to review the effectiveness of their existing governance arrangements against their Code of Corporate Governance and prepare an annual governance statement that reports publicly on their compliance, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 1.2 The Annual Governance Statement (AGS) should provide assurance that the Council operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse.
- 1.3 The Council's AGS largely follows the requirements of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. It reports each year on the governance arrangements and assurance in place, compliance with CIPFA's Financial Management Code, performance management and continuous improvement and risk management. The AGS also reports on the role of the Audit Committee and its importance in providing oversight of governance and accountability arrangements.
- 1.4 The draft AGS 2023/24 (**Appendix 1**) is published alongside the Statement of Accounts each year. The Council's Statutory Officers have reviewed this year's AGS and have formed the view that the overall governance arrangements of the Council are sound. The Head of the Internal Audit Consortium also provides an audit opinion each year in the AGS on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control.
- 1.5 The AGS reports on progress made against prior year governance issues and details those identified during the year that will become the focus for the forthcoming year. Progress will be reviewed as part of the risk management process each quarter.

2. Code of Corporate Governance

- 2.1 In addition to the AGS, the Council has in place a Code of Corporate Governance (the Code). This also reflects the main components set out in the CIPFA and SOLACE guidance "Delivering Good Governance in Local Government: Framework". The Code is a public statement of the arrangements the Council has in place to ensure it conducts its business in a way that upholds the highest standards. **Appendix 2** contains the Code.
- 2.2 The Code is therefore an important part of the Council's public accountability. It is important it remains fit for purpose, and each year the Council's Monitoring Officer and S151 Officer conduct a review of compliance with the Code. The outcome of this year's review can be found at **Appendix 3**

3 Reasons for Recommendation

- 3.1 To provide the Audit Committee with an opportunity to review the governance arrangements as detailed in the AGS and the Code.

4 Alternative Options and Reasons for Rejection

4.1 None, it is a requirement to make such arrangements.

DOCUMENT INFORMATION

Appendix No	Title
1	Annual Governance Statement 2023/24
2	Code of Corporate Governance
3	Self Assessment of the Code
Background Papers	



North East Derbyshire District Council

Annual Governance Statement 2023/24

Introduction

We approved our Council Plan 2023 – 2027 in July 2023:

Our Vision

Putting strong community leadership at the heart of everything we do, we will create a great place.

Throughout the plan we demonstrate our commitment to the residents of our district and give examples of some of the work we will be doing to meet our pledges.

We will deliver this evolving and ambitious plan in an inclusive and transparent way, with a spirit of effective collaboration for the benefit of our residents.

Council Plan 2023 - 2027

Our Objectives

That North East Derbyshire is a great place:

- to live well
- to work
- to access good public services
- that cares for the environment



This Annual Governance Statement reviews arrangements in place for the financial year 2023/24. The services and projects delivered during the year are linked to our strategic objectives and plans, alongside monitoring current performance and risks.

The Annual Governance Statement

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA /SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*.

This Statement explains how we have complied with the code for the year ended 31 March 2024 which also meets the requirements of Accounts and Audit Regulations 2015 (as amended).

In addition, this Statement is used as an improvement document, identifying how we are delivering improvements.

The Scope of the Council's Responsibility

North East Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which a local authority is directed and controlled, together with those activities through which it accounts to, engages with and leads the local community. It enables the local authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework

Our Governance Framework identifies the assurance needed to meet our strategic objectives and how this assurance is achieved. It also identifies areas that require improvement. These are detailed below in **Significant Governance Issues**.

Assurance Required:

- Delivery of Council Plan
- Communication of Performance
- Financial Management including compliance with CIPFA's Financial Management Code
- Value for Money
- Effective action against service failure
- Members and Officers working effectively together
- High standards
- Transparency
- Risk Management
- Public Accountability
- High ethical standards from members and officers
- Financial Resilience

Source of Assurance:

- Constitution
- Senior Management Team
- MTFP
- Annual financial resilience reviews
- Financial Regulations
- Procurement rules
- Organisational Development Strategy
- Information Management Strategy
- ICT & Digital Strategy
- Health & Safety Policy
- Risk Management Policy
- Internal and External Audit
- Audit/Scrutiny Committees
- Standards Committees
- Member and Officer Codes of Conduct and Member/Officer Code of Conduct

Assurance Received:

- Statement of Accounts
- External Audit
- Internal Audit
- Risk Registers
- Scrutiny Reviews
- Annual Review of Constitution
- Audit Committee reviews
- Service reviews
- External Assurance and advice
- Standards Committee monitoring and review and advice

Performance Management

We have reviewed our performance management processes during 2023/24 to ensure that we remain transparent, and that outcomes and measures effectively define our performance against the plan for all our stakeholders. We monitor and report delivery performance on a quarterly basis culminating in our Annual Report.

[Annual Performance Report 2023-2024 \(ne-derbyshire.gov.uk\)](https://ne-derbyshire.gov.uk)

The successful achievement of the Council's agreed objectives is key to both ensuring effective delivery of services to residents and providing a sustainable future for the Council.

We also monitor the performance of the companies that we own and/or have an interest in. Until November 2023, the Council had a 50% stakeholder interest in Northwood Group Limited, who build residential properties for sale in the district. Our interests were sold in November. The Council also has a wholly owned company, Rykneld Homes Ltd, who manage the Council's housing stock under a management agreement. Again regular monitoring meetings are held, attended by senior officers from both organisations as well as the Chair of Rykneld Homes' board and representatives from the Council's Cabinet.

Risk

The longer-term sustainability of both our service delivery and the Council's financial position are protected by the Council Plan, and the Financial Plan both of which cover a four-year period. These are supported by a Risk Management Strategy and a robust risk management framework which identifies and mitigates both strategic and operational risks which could hinder or prevent our plans being achieved.

The key objectives of the Strategy and framework:

- To operate in line with best practice and update our approach to reflect evolving best practice
- To protect service delivery arrangements, the reputation, and the financial position of the Council by managing risk effectively
- To maintain and strengthen robust managerial and governance arrangements within the Council
- To promote risk awareness, risk intelligence and risk management throughout the Council
- To ensure programme, project and partnership risk is effectively managed
- To ensure there are clear roles, responsibility, and accountability for risk management within the Council
- To ensure the effective identification of risks relating to service delivery, a new project, new initiative, external origins, or circumstance to ensure fully informed decisions are made and measures to mitigate or exploit are in place
- To ensure that the Council has a fully informed level of awareness of its overall risk exposure

Our organisation is risk aware rather than risk averse as the decision whether to accept risk has to be taken in light of the potential benefits of a proposed course of action. The extent to which the Council is risk averse, will undoubtedly impact on its potential to progress available opportunities to secure benefits for local residents.

The Risk Management approach, both in the identification of risks and the action taken to address the risks, is flexible and can respond to change. National policies, service delivery arrangements, national and local circumstances, together with Council priorities have and will continue to change and evolve over time. The Council's Risk Management focus and arrangements can adjust in order to ensure that current threats and opportunities are effectively addressed and not stifled by inappropriate risk management arrangements.

A comprehensive review of the Council's risk management framework now takes place every two years following which the Risk Management Strategy for the two years ahead will be set. During the autumn of 2023, the Council undertook an external assessment in relation to its Risk Management Strategy and arrangements to help inform the 'then' upcoming strategic review. Across a range of themes and out of a maximum score of 5 the Council were assessed at level 4 overall (public sector score expected to be at level 2) with the Council scoring level 5 for its Culture and Leadership, the highest score possible - this is classed as Transformational.

Although the Council can do much to manage the risks it faces, it does need to be recognised that some of the major Strategic Risks are only partially within its direct influence. Key risks included in the Strategic Risk Register at the end of the reporting period (31 March 2024) are:

- *National Funding, Priorities, Policy or Regulatory change which affects the Council area and impacts upon the business of the Council negatively.*
- *Failure to deliver a balanced budget.*
- *Operational service failure which has a major impact upon the Council as a whole or significant impact upon the local community*
- *Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by incidents such as pandemic, natural disaster, a loss of data / systems which results in the inability to provide core services and potential reputational damage.*
- *Difficulty in recruiting to key posts or in replacing key staff who leave.*
- *Delivery of major initiatives and key projects whilst implementing a range of new government reforms against a backdrop of challenging financial targets and maintaining service quality*

- *Ineffective engagement with local communities and stakeholders including Parish Councils and other local partners*
- *Ineffective 'Good Governance' arrangements including; Performance, Finance and Risk Management.*
- *Staff morale / sickness levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.*
- *Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.*
- *Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time.*
- *Meeting the challenge and impact upon the organisation in its environment of Climate Change.*
- *Impact on the organisation and its communities of rising cost of living.*
- *Impact of Asylum Dispersal Area Status now it is no longer voluntary for LA's to decide.*
- *Devolution and County Deals*
- *Refusals of planning consent being issued based on non-evidenced decisions*
- *Risks associated with the Company's development joint venture, Northwood Group Ltd, following the collapse of the main contractor.*

Decision making

Our Council consists of 53 elected members with a Cabinet of lead members who are supported by scrutiny committees. We have a formal constitution in place which sets out how we operate, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules that govern the day to day business and a section on responsibility for functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its members and officers operate. We have an experienced senior management team who adopt a collaborative leadership and "one team" ethos throughout.

Our Constitution is available on the our website and is reviewed annually through the Standards Committee and Annual Council. The Constitution sets out the functions of key governance officers, including statutory posts of *Head of Paid Service* (Managing Director), *Monitoring Officer* (Assistant Director of Corporate

Governance and Solicitor to the Council) and *Section 151 Officer* (Director of Finance and Resources) and explains the role of these officers in ensuring that processes are in place for enabling us to meet our statutory obligations and also for providing advice to members, officers and committees on staff management, financial, legal and ethical governance issues.

We are also the Accountable Body for the Clay Cross Town Deal. The Clay Cross Town Board has been awarded £24.1m to shape and deliver a programme of investment in the Town due for completion by 2026.

Compliance with the Financial Management Code

CIPFA's Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code focuses on value for money, governance and financial management styles, financial resilience and financial sustainability. It identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice. The Code is structured around seven areas of focus:

- The Responsibilities of the Chief Finance Officer and Leadership team
- Governance and Financial Management style
- Medium to Long-term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Cases
- Financial Performance Monitoring
- External Financial Reporting

Demonstrating compliance with the Code is a collective responsibility of the Elected Members, the Chief Finance Officer and the Senior Management Team. In doing this the statutory role of the Section 151 Officer will not only be recognised but also supported, to achieve the combination of leadership roles essential for good financial management.

The Internal Audit team regularly audit compliance and in the most recent audit concluded that the Council has substantial compliance with the Code requirements. Benchmarking with peers helps demonstrate our financial resilience which we report to scrutiny at least annually. Current benchmarking results show that our revenue and capital health remains healthy, with sufficient revenue reserves to cover net expenditure requirements and a CFR that is in proportion to asset values. The real risk to financial resilience comes from the national funding assessment and how proposed changes will impact. Also, whilst business rates growth generates income to assist, our low taxbase limits the ability to generate additional income through council tax which is a major income source in the current funding regime.

The Chief Financial Officer remains responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Our financial management arrangements are compliant with the

governance requirements set out in the Chartered Institute of Public Finance and Accountancy's "*Statement on the Role of the Chief Financial Officer in Local Government (2016)*" The Council's Chief Financial Officer is a qualified finance professional, a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

Continuous Improvement:

We regularly seek the views and opinions of external parties to improve our operations. In 2023/24, this has included:

- External Audit
- External assessment of our approach to Risk Management
- Continuous Improvement Tool for leisure facilities
- Treasury management and economic advice/updates
- Financial resilience advice/updates including benchmarking
- Financial Planning and benchmarking

We have also conducted 21 consultation surveys during the year, including a district wide residents' survey, engaging with over 6886 residents and customers.

In addition, benchmarking data is reviewed including:

- Oflog's Local Authority Data Explorer
- Derbyshire Observatory
- Nationally recognised performance networks
- Financial Resilience
- Financial Planning

We have developed and progressed recommendations and improvements identified through this process through 'You said We Did' responses to customer satisfaction surveys, Strategy Development and associated action plans and incremental changes to meet the expected standards.

There has and continues to be a strong drive towards data-based decision making with creation of a Management Dashboard and a centralised key metrics hub being reviewed frequently by our Senior Management Team.

In 2024/25 we will be developing this further. The Engagement and Improvement Strategy which will pull together all the above into one, clear strategy focused on continuous improvement of services is a key driver for this.

We recognise that not everything goes to plan, and failure is an opportunity to improve. In our 2023/24 Annual Report, we outline our progress towards delivery of the Council Plan, including areas that haven't progressed as we would like. These areas have been identified for the relevant Scrutiny Committee to consider when considering areas for review so that where appropriate they can make recommendations to improve.

Managing Information

Information is central to the Council and we recognise that we have a responsibility to safeguard the information we hold and to manage it with care and accountability.

The Council complies with the Transparency Agenda, Freedom of Information obligations and the requirements of the General Data Protection Regulations (GDPR) regarding the collection, use and transfer of personal data with an appropriately qualified and experienced Data Protection Officer in post.

Assurance from Audit

Our external auditor is Mazars LLP. In accordance with their statutory requirements, their annual audit includes examining and certifying whether the financial statements are “true and fair” and assessing our arrangements for securing value for money in the use of resources. In their Annual Audit Report for year ended 31 March 2023, Mazars LLP gave an unqualified audit opinion on the financial statements and didn’t identify any evidence of significant weakness in the Council’s value for money arrangements.

The Internal Audit function is provided on a consortium basis and is independently managed by the Head of the Internal Audit Consortium. Internal Audit Service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is compliant with the Public Sector Internal Audit Standards. The Internal Audit function meets the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).

The Head of the Internal Audit Consortium is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of Governance, risk management and control.

The Head of the Internal Audit Consortium concludes:

“In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council’s framework for governance, risk management and control for the year ended 2023/24. Sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place. This year 16 reports have been issued 9 with substantial, 4 with reasonable and 3 with Limited Assurance. Action plans have been agreed and managers are in the process of implementing the audit recommendations made.

Assurance can never be absolute. In this context “reasonable assurance” means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. An internal audit plan for 2023/24 was developed with the intention of being able to provide independent assurance

on the adequacy and effectiveness of systems of governance, risk and control across a range of financial and organisational areas.

As well as internal audit work assurance has also been gained from previous years' work, the work of the risk management group, PSN compliance, external audit and compliance with the Code of Corporate Governance.

Overall, 81% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place."

The Role of the Audit Committee

The Audit Committee complies with the recommendations of the Chartered Institute of Public Finance (CIPFA) that effective governance and internal control arrangements should be in place. The primary role of the Audit Committee is to provide oversight of a range of core governance and accountability arrangements and ensure robust arrangements are maintained. The Committee will provide oversight of a range of core governance and accountability arrangements and ensure robust arrangements are maintained.

The specific responsibilities of the Audit Committee are:

- Supporting a comprehensive understanding of governance across the Council and among those charged with governance, fulfilling the principles of good governance.
- Considering the effectiveness of the Council's risk management arrangements. The committee should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk related issues, for both the Council and its collaborators/partners. This will include monitoring and reviewing of the Council's treasury management arrangements.
- Monitoring the effectiveness of the system of internal control, including arrangements for value for money, supporting standards and ethics and managing the Council's exposure to the risks of fraud and corruption.
- Being satisfied that the Council's statutory statements of account and any reports that accompany them, including the Annual Governance Statement, properly reflect the risk environment, and any actions required to improve it.
- Considering the audit arrangements in place to secure adequate assurance across all operations and where appropriate partners and collaborators.
- Overseeing the independence, objectivity, performance and conformance to professions standards of the internal audit function.
- Supporting effective arrangements for internal audit
- Promoting the effective use of internal audit within the assurance framework

- Considering the opinion, reports and recommendations of external audit and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contributing to the operation of efficient and effective external audit arrangements supporting the independence of auditors and promoting audit quality
- Supporting effective relationships between all providers of assurance, audits and inspections and the Council, encouraging openness to challenge, review and accountability.
- Reporting annually on how the committee discharged its responsibilities and include an assessment of its performance. This report will be presented to Full Council and be available to the public on the Council's website.

The Committee meets at least four times a year and comprises of five members.

Conduct

Our codes of conduct for members and employees clearly set out the standards and behaviour required. They are regularly reviewed and updated as required and both members and staff are periodically reminded of the requirements.

These include the need for members to register personal interests and the requirements for employees and members concerning gifts and hospitality, outside commitments and personal interests.

Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. We have a Whistleblowing Policy that advises staff and others who work for us how to raise concerns about activities in the workplace. This is reviewed annually by the Standards Committee who also consider any entries on the whistleblowing register for the preceding 12 months. A copy of the policy can be found on our website.

Anti-Fraud and Corruption

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact on service provision and morale and undermine confidence in the Council's governance arrangements and that of public bodies generally.

There is little evidence that the incidence of fraud is a major issue for the Council but the risk is increasing nationally. We have a zero tolerance approach to Anti-Fraud and Corruption.

Significant Governance Issues

The progress made during 2023/24 on the significant issues identified in the 2022/23 Annual Governance Statement is shown below:

Issue Identified	Mitigation
<p>Pressure on the Council's Budget.</p> <p>Efficiencies of £4.5m need to be identified by March 2027 as identified in the Medium-Term Financial Plan (MTFP). Changes to the national funding settlement will have a significant bearing on the MTFP in the future.</p>	<p>The Council continues to have effective financial management in place to ensure budget arrangements are robust and appropriate managerial arrangements and a culture in place to manage any necessary change. The S151 Officer is experienced, sufficiently senior and knows the organisation well. The Statutory Officers have a close working relationship and meet frequently to discuss and review governance arrangements and matters arising.</p> <p>The 203/24 budget was subject to scrutiny by the Audit Committee before Cabinet considered then recommend to Council for approval. The shortfall in the budget at the time of approval was £0.784m, funded from reserves. At the half year review savings of £0.452m had been found reducing the call on reserves to £0.331m. The outturn position for 2023/24 shows a surplus of £0.244m so there is no call on reserves and the surplus will be placed in reserves to provide future resilience.</p> <p>Effective financial resilience monitoring remains in place that reflects the requirement of the CIPFA Financial Management Code and is presented to the Services Scrutiny Committee at least annually.</p> <p>In their Annual Audit Report for year ended 31 March 2023, Mazars LLP gave an unqualified audit opinion on the financial statements and didn't identify any evidence of significant weakness in the Council's value for money arrangements.</p> <p>The Council continues to commission external advice for highly specialist areas including treasury management, financial planning, and financial health/resilience.</p>
<p>Planning Approvals</p>	

<p>Refusals of planning consent being issued based on non-evidenced decisions and not based on material planning considerations with potential for financial and reputational loss.</p>	<p>A new training programme for 2024 has been agreed with Chair of the Planning Committee. The delivery of the programme will commence in June 2024.</p> <p>Professional planning and legal representatives continue to attend all meetings to offer advice and assistance.</p> <p>A briefing note on the lessons learned from an appeal during the year was presented at the December 2023 Planning Committee meeting by officers.</p>
<p>Difficulty in recruiting to key roles</p> <p>The Council continues to experience difficulties in recruiting to key posts including senior officer roles, across the organisation potentially leading to deteriorating service delivery, reduction in key controls and increased pressure on existing staff.</p>	<p>More detailed workforce planning has been put in place this year along with the continued development of the Talent Pipeline recruitment scheme. The draft People Strategy detailing the Council's commitment to its people is in draft form and the associated action plan will be implemented over the next 12 months.</p>
<p>Cyber Security</p> <p>To keep under review the arrangements in place to manage the increased risk of cyber security attacks.</p>	<p>Arrangements remain under review and the service lead (Assistant Director - ICT) regularly reports to Joint ICT partners and the senior management team.</p> <p>Upcoming elections in 2024 potentially increase risks of state actors interfering with the process so additional resilience measures have been identified during the year both locally and nationally to attempt to mitigate this.</p>
<p>Governance Arrangements for Council owned companies</p> <p>Following the collapse of the main contractor, the risks associated with the Company's development joint venture Northwood Group Ltd need to be kept under scrutiny.</p>	<p>During the year the Council has committed significant time and resource mitigating this impact. Northwood Group Ltd was sold in November 2023. Lessons have been learnt particularly around the desire to drive growth through a development partnership and the increased risk this brings to the public purse.</p>

<p>The expectations of the new regulatory environment for social housing landlords from April 2023 hold the Council directly to account for how tenants' homes are managed, and the governance and assurance systems need review to ensure they robustly demonstrate this.</p>	<p>The Council continues to play a role in regeneration and enabling. A contract risk remains as the sale was on deferred terms, but legal recourse provides mitigation.</p> <p>Considerable work has been undertaken this year in respect of governance arrangements between the Council and its housing delivery partner Rykneld Homes Ltd.</p> <p>Self-assessments against the Consumer Standards have been undertaken, performance data has been collected in line with the Tenant Satisfaction Measures, a new governance and reporting framework has been embedded, a review of contractual arrangements has taken place and a client officer appointed.</p>
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Based on our review of the Governance Framework, the following issues will be addressed in 2024/25:

Issue Identified
<p>Pressure on the Council's Budget.</p> <p>The Council's budget for 2024/25 is balanced but efficiencies of £4.2m need to be identified by March 2028 in the Medium-Term Financial Plan (MTFP).</p> <p>The impending general election during the next 12 months means the planned funding reforms or changes to funding distribution are delayed further and are now not expected to be implemented until 2026-27 at the very earliest. This lack of certainty makes forecasting for the latter years (from 2026/27) of the financial plan challenging whilst little is known about the next Spending Review and funding reforms.</p>
<p>Cyber Security</p> <p>Increased risk of cyber security attacks presents a risk both locally and nationally especially considering the General Election due to take place later in 2024.</p>
<p>Governance for council owned companies</p>

The Regulator of Social Housing is inspecting the Council and its delivery partner Rykneld Homes in May 2024. Lessons learned in respect of governance arrangements will need to be considered and acted upon.

These issues will be monitored during 2024/25 and reported to senior management and to the Audit Committee. No other major changes to the Council's governance framework are planned at this time, but we will continue to review and adapt it to ensure that the Framework remains proportionate to the risks that are faced.

Opinion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the Annual Governance Statement action plan.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Lee Hickin
Managing Director



Cllr Nigel Barker
Leader of the Council



North East Derbyshire District Council

**NORTH EAST DERBYSHIRE DISTRICT COUNCIL
CORPORATE GOVERNANCE CODE**

NORTH EAST DERBYSHIRE DISTRICT: GOVERNANCE CODE

INTRODUCTION

1. The purpose of this Code is to state the importance to the Council of good corporate governance and to set out the Council's commitment to the principles involved.
2. The Code is based on guidance to all UK local authorities.
3. The Code is included in the Council's Constitution and therefore applies to all Members and employees of the Council and also to any individuals or bodies authorised to act on its behalf.
4. How the effectiveness of the Code is reviewed is set out in Section 4.
5. The Code will be reviewed in its entirety by no later than 31 March 2025, but minor reviews and updates will be made annually as required.

Approved by:

Director of Finance and Resources and Section 151 Officer
Assistant Director of Corporate Governance and Monitoring Officer

28 May 2024

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SECTION 1: THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE

1.1. Corporate Governance refers to the processes by which organisations such as the Council are directed, controlled, led and held to account. It is also about culture and values - the way that Councillors (Members) and employees think and act. In summary, if management is about running the Council, corporate governance is about seeing that it is run properly.

1.2. The Council is a complex organisation which affects all who live and work in North East Derbyshire District Council's area and businesses and organisations that are based here. It is therefore essential that there is confidence in our corporate governance, and the Council must therefore ensure that:

- as a democratic body, we engage with and account to our citizens and stakeholders effectively;
- we conduct our business in accordance with the law and to proper standards;
- public money is properly accounted for and is used economically, efficiently and effectively;
- controls are proportionate to risk so as not to impede performance;
- we continuously improve the way in which we function, in terms of effectiveness, quality, service availability, fairness, sustainability and innovation; and
- we fulfil our purpose and meet our priorities as set out in the Council Plan.

1.3. The Council is therefore committed to good corporate governance and to doing the right things in the right way for the right people in a way which is timely, inclusive, open, honest and accountable. This Code sets out that commitment and how we evidence it.

1.4. This commitment includes improving governance on a continuing basis across the Council as a whole, through a process of evaluation and review. This is detailed further in Section 4.

SECTION 2: THE BASIS OF THIS CODE

2.1 This Code is based on guidance provided to all UK local authorities which are centred on seven Core Principles, designed to underpin the governance arrangements of all public sector bodies.

1 Delivering Good Governance in Local Government Framework 2016, issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

2 From the International Framework: Good Governance in the Public Sector (CIPFA/International Federation of Accountants, 2014)

2.2 These Core Principles are as follows:

A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B Ensuring openness and comprehensive stakeholder engagement

C Defining outcomes in terms of sustainable economic, social, and environmental benefits

D Determining the interventions necessary to optimise the achievement of the intended outcomes

E Developing the entity's capacity, including the capability of its leadership and the individuals within it

F Managing risks and performance through robust internal control and strong public financial management

G Implementing good practices in transparency, reporting, and audit to deliver effective accountability

2.3 Core Principles A and B are fundamental to the application of the other principles. Further good governance requires all of the principles to be met and through a dynamic approach good governance can be achieved.

2.4 This Code sets out our commitment to all seven of the Core Principles shown above and to the various elements of our governance framework, the policies, strategies and processes - which help us to ensure that the principles are met (Section 3).

2.6 Since effective Corporate Governance relies on the way that Councillors (Members) and employees think and act, the Code also recognises the importance of the seven "Principles of Public Life" (the Nolan Principles) which are the basis of the ethical standards expected of public office holders (Appendix A). These support the seven Core Principles of this Code which in turn underpin the Council's approach to planning fair, effective and sustainable services and its responsibilities for sustainable development.

SECTION 3: COMMITMENTS TO GOVERNANCE PRINCIPLES

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council is accountable not only for how much it spends, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

To support Principle A, the Council is committed to:

Behaving with integrity	What is in place to support this?
<p>A1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Council</p> <p>A2. Ensuring members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p> <p>A3. Leading by example and using these standard operating principles or values as a framework for decision making and other actions</p> <p>A4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<ul style="list-style-type: none">• Agreed Values Organisation Development and Workforce Strategy• People Strategy• Codes of Conduct for members and employees• Registers of interests, gifts and hospitality• Induction training for members and employees• Members Allowances Scheme• Financial Regulations rules• Contract Procurement rules• Protocol on Planning• Standards and Audit Committees• Anti-Fraud and Corruption Strategy• Anti-Money Laundering Policy• Whistleblowing Policy• Compliments, Comments and Complaints Procedure• Internal Audit Charter• Safeguarding Responsibilities• Health and Safety Policy Single Equality Plan and review• Transparency around decision making• Member Development Plan

<p>Demonstrating strong commitment to ethical values</p> <p>A5. Seeking to establish, monitor and maintain the Council's ethical standards and performance</p> <p>A6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the Council's culture and operation</p> <p>A7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p> <p>A8. Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with high ethical standards expected by the Council</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Agreed Values • Organisation Development and Workforce Strategy • People Strategy • Codes of Conduct for members and employees • Registers of interests, gifts and hospitality • Financial Regulations rules • Contract Procurement rules • Protocol on Planning • Protocol on Gifts and Hospitality • Protocol for Councillors representing the Council on outside bodies. • Induction training for members and employees • Regular governance awareness raising for employees • Planning Principles • Procurement Strategy • Partnership & collaborative working arrangements • Contracts
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<p>Respecting the rule of law</p> <p>A9. Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</p> <p>A10. Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p> <p>A11. Striving to optimise the use of the full powers available for the benefit of</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Key statutory responsibilities set out in the Council's Constitution • Compliance with CIPFA Statement of the "Role of the Chief Financial Officer in Local Government) • Protocol on Member/Officer relations (Constitution) • Member and Officer Job Descriptions • Regular governance awareness raising for employees • Standards Committee • Audit Committee
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citizens, communities and other stakeholders	
A12. Dealing with breaches of legal and regulatory provisions effectively	
A13. Ensuring corruption and misuse of power are dealt with effectively	<ul style="list-style-type: none"> • Anti-Fraud and Corruption Strategy • Anti-Money Laundering Policy • Whistleblowing Procedure • Complaints Procedure • General Data Protection Regulation guidance • Governance Codes of Practice • Disciplinary Procedures • Ombudsman referral process

Principle B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, and organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

To support Principle B, the Council is committed to:

Openness	What is in place to support this?
<p>B1. Ensuring an open culture through demonstrating, documenting and communicating our commitment to openness</p> <p>B2. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p> <p>B3. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p> <p>B4. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<ul style="list-style-type: none">• Constitution• Procurement Strategy• Contract Procedure Rules• Whistleblowing Procedure.• Council Plan• External audit and inspection reports• Directory of published information.• Online Council Tax information• Reporting and publishing & distribution timetables• Delegation of Powers Scheme• Meetings open to public• Agendas and Minutes• Webcasting page• Codes of Conduct for members and employees• Public Participation in Council and Planning meetings• Webcasting Meetings and library of Meeting recordings• Publishing of Delegated Decisions• The News and other communications including digital platforms

<p>Engaging comprehensively with institutional stakeholders</p> <p>B5. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</p> <p>B6. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p> <p>B7. Ensuring that partnerships are based on trust, a shared commitment to change and a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Consultation and Engagement Strategy • Current consultations • Complaints Procedure • Partnership & collaborative working arrangements • Clear terms of reference for partnerships and other arrangements. • Residents Survey •
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<p>Engaging stakeholders effectively, including individual citizens and service users</p> <p>B8. A clear policy on the type of issues that the Council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes</p> <p>B9. Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p> <p>B10. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Consultation and Engagement Strategy • Residents Survey • Medium Term Financial Plan • Planning Principles • Complaints Procedure (and compliments) • Employee survey • Partnership with partners both public, private and the Community and Voluntary sector infrastructure provider • Partnership with RHL for the management of the Council's social housing • Petition Scheme • Public consultation – for example on regeneration proposals for town centres
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<p>B11. Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account</p> <p>B12. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</p> <p>B13. Taking account of the interests of future generations of tax payers and service users</p>	<ul style="list-style-type: none"> • Ability for members of the public to ask questions at Council. •
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Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

To support Principle C, the Council is committed to:

<p>Defining outcomes</p> <p>C1. Having a clear vision which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning and other decisions</p> <p>C2. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>C3. Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>C4. Identifying and managing risks to the achievement of outcomes</p> <p>C5. Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available.</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Council Plan • Local Plan • Consultation and Engagement Strategy • Medium Term Financial Plan • Quarterly performance reports to SMT, Scrutiny and Cabinet linked to Council Plan delivery • Annual Report • Risk Management Strategy • Report template for reports to Council meetings
<p>Sustainable economic, social and environmental benefits</p> <p>C6. Considering and balancing the combined economic, social and environmental impact of policies, plans</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Medium Term Financial Plan • Budget consultation through Joint Scrutiny Committee • Risk Management Strategy

and decisions when taking decisions about service provision	
C7. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints	<ul style="list-style-type: none"> • Council Plan Planning Principles • Local Plan • Procurement Strategy • Member workshops • Strategic Equality Plan • Equality Impact Assessments • Customer Focus Strategy • ICT & Digital Strategy
C8. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
C9. Ensuring fair access to services	

Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

To support Principle D, the Council is committed to:

<p>Determining necessary interventions</p> <p>D1. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.</p> <p>D2. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Council Plan • Reporting requirements for Full Council and Cabinet in the report template including requirement for statutory officers' input • Decision making Principles (Constitution) • Scrutiny committees and support • Risk Management Strategy • Consultation and Engagement Strategy • Medium Term Financial Plan • Senior Management Structure • Officer Delegation Scheme • Calendar of meetings • Pre-meetings • The Forward Plan • Corporate complaints process
<p>Planning interventions</p> <p>D3. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>D4. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Council Plan • Reporting and publishing & distribution timetables • Consultation and Engagement Strategy • Medium Term Financial Plan • Partnership & collaborative working arrangements • Quarterly performance reports to SMT, Scrutiny and Cabinet linked to Council Plan delivery

<p>D5. Considering and monitoring risks facing each partner when working collaboratively including shared risks</p> <p>D6. Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</p>	<ul style="list-style-type: none"> • Budget and Policy Framework Procedure Rules • Budget Monitoring & Control Procedures • Council Procedure Rules • Financial Regulations • Senior Management Structure • Regular Portfolio Holder meetings linked to Council Plan delivery.
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Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity.

To support Principle E, the Council is committed to:

<p>Developing Capacity</p> <p>E1. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</p> <p>E2. Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness,</p> <p>E3. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently,</p> <p>E4. Recognising the benefits</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Scrutiny committees and support • Senior Management Structure • Reviews commissioned by Senior Management • External audit and inspection reports • Partnership & collaborative working arrangements • Asset Management Strategy • Employee Celebratory Awards
<p>Developing the capability of the leadership and other individuals</p> <p>E5. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>E6. Publishing a statement that specifies the types of decisions that are delegated</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Constitution • Protocol on Member/Officer relations (Constitution) • Regular meetings between Strategic Leadership Team and Lead Members • Delegation of Powers Scheme • Financial Regulations • Contract Procurement Rules • Member Job Descriptions

<p>and those reserved for the collective decision making of the governing body</p> <p>E7. Ensuring the leader and the senior management team have clearly defined and distinctive leadership roles within a structure, whereby the senior management team leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p> <p>E8. Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged, ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis, ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses</p> <p>E9. Ensuring that there are structures in place to encourage public participation</p> <p>E10. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>E11. Holding staff to account through regular performance reviews which take account of training or development needs</p>	<ul style="list-style-type: none"> • Regular publication of Forward Plan. • Learning and Development function • People Strategy • Member Development Working Group and programme of training • Performance Review and Development Process • Consultation and Engagement Strategy • Organisation Development and Workforce Strategy • Workforce Policies • Code of Conduct for employees • Internal Communications • Health and Safety Policy • Corporate Health Standard • HR Policies • Appraisals • Member Inductions and midterm Member Induction refresh • Employee training • Petition Scheme • Consultation events on specific projects
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Principle F: Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

To support Principle F, the Council is committed to:

Managing Risk F1. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making F2. Implementing robust and integrated risk management arrangements and ensuring they are working effectively F3. Ensuring that responsibilities for managing individual risks are clearly allocated	What is in place to support this ? <ul style="list-style-type: none">• Risk Management Group• Risk Management Strategy, Risk and Control Registers and Internal / External audit coverage of risk management• Audit Committee• Partnership and Collaborative Working arrangements• Reporting requirements for Full Council and Cabinet• Service Continuity arrangements• Annual review of Constitution
Managing Performance F4. Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review F5. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook	What is in place to support this? <ul style="list-style-type: none">• Council Plan• Service Plans and service planning guidance• Procurement Strategy• Quarterly performance reports to SMT Scrutiny and Cabinet• Forward Work Programmes• Reporting and publishing & distribution timetables• Scrutiny committees and support

<p>F6. Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made, thereby enhancing the Council's performance and that of any organisation for which it is responsible</p> <p>F7. Providing members and senior management with regular reports on progress towards outcome achievement.</p> <p>F8. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)</p>	<ul style="list-style-type: none"> • Scrutiny reviews • Report template • Report screening (Full Council and Cabinet) • Member Development • Financial Regulations • Budget and Policy Framework Procedure Rules • Budget Monitoring & Control Procedures • Budget – Medium Term Financial Plan • Annual Statement of Accounts • Internal and External Audit
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<p>Robust Internal Control</p> <p>F9.Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>F10.Evaluating and monitoring risk management and internal control on a regular basis</p> <p>F11.Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>F12.Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>F13.Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Risk Management Strategy • Principal Risk Register • Heads of Departments Internal Control Assurances • Internal Audit Charter (inc Annual Plan) • Audit Committee Terms of Ref (Constitution) • Audit Committee effectiveness surveys and training • Financial Regulations • Contract Procurement Rules • Counter Fraud Policy & Procedures • Anti-Money Laundering Strategy • Annual Governance Statement & Action Plan • Head of Internal Audit's Annual Report • Audit Committee Chair's Annual Report to Cabinet and Council • Identification of Assurance Gaps • Internal and External Audit
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<p>Managing Data</p> <p>F14.Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>F15.Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p> <p>F16.Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<p>What is in place to support this ?</p> <ul style="list-style-type: none"> • General Data Protection Regulation guidance • Appointment of qualified Data Protection Officer • GDPR clauses in contracts • Freedom of Information guidance • Information Management Strategy and Action Plan • Acceptable Use of ICT Facilities • ICT Security Policy and Guidelines • Secure Data Transfer Standards and Procedures • Information Security Policy • Records Management Policy • Corporate Records Retention Scheme • Regular data protection training • Appointment and training of Senior Responsible Officer (SRO) and the Senior Risk Information Officer (SIRO)
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<p>Strong public financial management</p> <p>F17.Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance</p> <p>F18.Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Regular Budget monitoring reports to SMT, Scrutiny and Cabinet • Annual Governance Statement • External Audit • Internal Audit • Financial Resilience reported at least annually to Scrutiny • Compliance with CIPFA Financial Management Code • External advice for highly specialist areas
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Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

To support Principle G, the Council is committed to:

Implementing good practice in transparency G1. Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate G2. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	What is in place to support this? <ul style="list-style-type: none">• Report template which requires that the statutory officers review the report and the involvement of the Portfolio Holder• Report screening (Full Council and Cabinet)• Website including summary and easy-to-read reports• Compliance with access requirements• Use of Mod. Gov to record all open reports (in advance) and minutes on the website.• Streaming of some meetings
Implementing good practice in reporting G3. Reporting at least annually on performance, value for money and the stewardship of resources G4. Ensuring owners and senior management own the results G5. Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	What is in place to support this? <ul style="list-style-type: none">• Quarterly reporting of performance to SMT Scrutiny and Cabinet• Annual Report• Annual Governance Statement and Action Plan• Risk Management Strategy• Risk and Control Registers• Annual Statement of Accounts

G6. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	
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<p>Assurance and effective accountability</p> <p>G8. Ensuring that recommendations for corrective action made by external audit are acted upon</p> <p>G9. Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon</p> <p>G10. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>G11. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>G12. Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</p>	<p>What is in place to support this?</p> <ul style="list-style-type: none"> • Audit Committee Terms of Reference (Constitution) • Regular reporting of progress on implementing audit recommendations to Audit Committee and Senior Management Team • External audit and inspection reports • Internal Audit Charter • Head of Internal Audit's Annual Report • Internal Audit self-assessment and compliance with Public Sector Internal Audit Standards • Partnership and collaborative working arrangements • Annual review of Constitution • Governance arrangements in place for key partnerships
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SECTION 4: HOW CORPORATE GOVERNANCE IS REVIEWED

1. The Leader and Senior Management Team are required to ensure that each year, a review is undertaken to measure the extent to which the Council as a whole has met the requirements of this Code.

2. The results of the review are included in the Annual Governance Statement which is published with the Annual Statement of Accounts.

3. Where the review reveals possible gaps or weaknesses, action is agreed to ensure effective governance in future. Agreed action is monitored for implementation.

4. Where necessary, this Code will be amended as a result of the annual review, changes in best practice or statutory changes. Minor amendments to wording, titles and to details of 'what is in place' to support the principles (Section 3 above) may be approved by the Monitoring Officer but any substantive changes to the Code and the principles will require Cabinet approval.

5. This code will be renewed no later than 31st March 2025

Commented [DJ1]: Sarah - I would think this should be you not me? Happy either way but fits better with MO - what do you think?

APPENDIX A.

THE SEVEN PRINCIPLES OF PUBLIC LIFE (THE NOLAN PRINCIPLES)

These apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services.

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix 3

**ASSURANCE SCHEDULE: EXTRACTED FROM “DELIVERING GOOD
GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK”
CHAPTER 6 - The principles of good governance – application.**

This Appendix utilises extracts from key elements of the CIPFA / SOLACE document “Delivering \ Good Governance in Local Government Framework” (2016) in order to show how the council complies with the requirements of good practice and the evidence which is available to support the statements made within the Annual Governance Statement. It should be noted that the revised framework places increased emphasis on culture, values and behaviour where it is more problematic - than in the case of processes and procedures - to provide evidence that appropriate cultures and behaviours are in place. The Committee therefore needs to consider both the specific processes evidenced within this document together with the issue of whether the underlying culture, values and behaviour of the Council remain in line with the standards championed by the CIPFA / SOLACE document.

The annual governance statement should be focused on outcomes and value for money and relate to the authority’s vision for the area. It should provide an assessment of the effectiveness of the authority’s governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority’s governance arrangements are summarised in the next section.

Extracts from the Code itself are shown in Italics in the section below:

The annual governance statement should include:

- *An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority’s code of governance*

Position at NEDDC: This is set out within the Annual Governance Statement (AGS), with appropriate reference being made to the Code of Governance. The AGS also includes a section on Compliance with the Financial Management Code, designed to support good practice in financial management and financial sustainability.

- *Reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate*

Position at NEDDC: The AGS includes a section setting out “The Governance Framework” which address the issues identified above.

- *An opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework*

Position at NEDDC: The AGS highlights the areas of significant weakness which whilst requiring addressing as a matter of priority are not of such a scale as to undermine the view that the Council's Governance Arrangements remain 'fit for purpose'.

- *An agreed action plan showing actions taken, or proposed, to deal with significant governance issues and reference to how issues raised in the previous year's annual governance statement have been resolved*

Position at NEDDC: this is included in the AGS. During 2023/24 the Council has made good progress in addressing issues in respect of 2022/23 and recorded those identified in 2023/24 that will be addressed in the following year. These issues are monitored by the Council's Risk Management Group.

- *A conclusion and a commitment to monitoring implementation as part of the next annual review.*

Position at NEDDC: The AGS includes an opinion and clear statement of commitment from the Leader of the Council and the Managing Director/Head of Paid Service both to address the issues that have been identified and to take action to ensure that further improvements in the Council's Governance arrangements are secured.

- *The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.*

Position at NEDDC: The Council is fully compliant with this requirement.

- *The annual governance statement should be approved at a meeting of the authority or delegated committee*

Position at NEDDC: The Council's Constitution sets out the role of the Audit Committee in the approval of the AGS on behalf of the Council.

- *Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.*

Position at NEDDC: The AGS is published along with the Statement of Accounts.

The Code also makes reference to a number of areas that aren't specifically related to the Annual Governance Statement but represent good practice:

- *Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively. “*

Position at NEDDC: The Council has both a Members and an Employee Code of Conduct within the Council's Constitution. These are supported by a range of other policies / procedures which reflect best practice across the local government sector.

- *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.*

Position at NEDDC: The Council has a qualified lawyer supported by an appropriately qualified legal team who undertakes the role of monitoring officer. All other Officers are appropriately qualified, trained and experienced to undertake their role and responsibilities in line with current legislation and recognised good practice. The Council has a formal appraisal process in place, supported by a training plan and appropriate funding to ensure that all officers retain / refresh the necessary levels of expertise in order to discharge their responsibilities effectively. All reports / new initiatives are subject to formal consideration by Council / Cabinet as appropriate and prior to being considered by Members they are reviewed by the Council's three statutory officers (Head of Paid Service, Monitoring Officer, Chief Financial Officer).

- *Documenting a commitment to openness and acting in the public interest.*

Position at NEDDC : This is set out within the Council's Constitution:

“The job of a Councillor is to represent you even if you did not vote for them.....Councillors have a Code of Conduct to make sure they follow high standards in the way they carry out their role. There is a Standards Committee which trains, advises and deals with complaints against Councillors alleging that they have breached the Code of Conduct.”

Article 1 of the Constitution sets out the following core principles

“(a) Mission.

The Council will seek to make a difference by building thriving communities through partnership, community leadership and excellent service delivery.

(b) Values

The Council will follow these values:-

- (i) We are honest, open and accountable.
- (ii) We value people's differences and we will treat everybody fairly and with respect.
- (iii) We listen, involve and respond to all our communities.

- (iv) We always look for new and better ways of working to improve quality and value.

The position as set out within the Constitution is supported by the Code of Corporate Governance which is based upon a clear community focus as set out in the Community Strategy and Corporate Plan which sets out the links between community engagement, service planning and delivery, and the maintenance of appropriate standards of conduct.

- *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.*

Position at NEDDC: The Council actively encourages consultation with the local community by way of information / opportunities to comment on the website, through postal and on line surveys, access to local Councillors and holding all meetings in public session. The Council has a formal Consultation Policy along with an Engagement Plan which includes a structured plan concerning how the Council will ensure effective engagement with residents, customers and businesses regarding our services and functions.

- *Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning. Translating the vision into courses of action for the authority, its partnerships and collaborations.*

Position at NEDDC: These are set out within the Council Plan which covers the period 2024-2027. This Plan is on the Council's website and is linked to a range of service plans and the Council's Performance Management Framework to help ensure that the agreed strategic direction informs the Council's actions and in particular its service delivery. This is summarised each year in the Council's Annual Report which provides an overview of performance against the plan each year.

- *Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.*

Position at NEDDC: The Council conducts an annual review of its Constitution to ensure that it remains fit for purpose and in line with evolving best practice across the local government sector.

- *Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.*

Position at NEDDC: The Council has a robust performance management framework which helps ensure that service plans and delivery are linked into the Council's wider strategic objectives, whilst delivering services that meet our statutory obligations and the expectations of our residents.

- *Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.*

Position at NEDDC: The roles and responsibilities of Members and senior officers are set out in the Constitution, being further supported by the Member and Officer protocols and for officers by job descriptions and contractual terms. The Constitution which reflects best practice incorporates a scheme of delegation, and sets out the roles, powers and limits upon the power of individual officers and Members.

- *Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) or CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.*

Position at NEDDC: The Council is fully compliant with the requirements on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) with a professionally qualified Chief Financial Officer who is a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

- *Ensuring effective arrangements are in place for the discharge of the monitoring officer function.*

Position at NEDDC: The Monitoring Officer is a fully qualified solicitor, is a full member of the Senior Management Team and is supported by appropriately qualified and experienced staff.

- *Ensuring effective arrangements are in place for the discharge of the head of paid service function.*

Position at NEDDC: The Head of Paid Service is an appropriately qualified and experienced officer appointed as a result of a competitive selection process.

- *Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.*

Position at NEDDC: There is an induction process for both newly Elected Members and for officer appointments. The Council has a structured Member Development Programme with a Member Development Working Group which meets on a regular basis. All officers are subject to a structured appraisal process which identifies training and development requirements, which are necessary to effectively undertake their role are funded by the Council. Professionally Qualified officers are required / supported to actively participate in the CPD arrangements of their professional body.

- *Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.*

Position at NEDDC: The Council has in place an established performance management framework and risk management process which regularly report to Cabinet and Audit Committee. These are open reports available on the website. Independent review is provided by Scrutiny and by Internal Audit, with the Annual Governance Statement providing a comprehensive evaluation concerning the Council's compliance with best practice.

- *Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).*

Position at NEDDC: The Council has in place an Anti -Fraud and Corruption Policy updated on a regular basis which has a core principle of zero tolerance. The Audit Committee receives regular updates concerning fraud including an annual report from the Head of Internal Audit which assesses the arrangements against a checklist provided within the Fighting Fraud and Corruption Locally. Where required the Council will take action against those who breach the Council's approach of zero tolerance including reporting concerns to the Police, the Department of Work and Pensions, or directly through its own employee codes of conduct.

- *Ensuring an effective scrutiny function is in place.*

Position at NEDDC: The function of Scrutiny is well established and operating effectively supported by a senior dedicated specialist independent officer. These arrangements and the effective engagement of other Members and Officers of the Council help ensure that Scrutiny's analysis and recommendation are supported by robust evidence, data and critical analysis. Where appropriate Scrutiny reports are referred to Cabinet for its consideration. All Scrutiny meetings have agendas, reports and minutes on the Council's website.

- *Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.*

Position at NEDDC: The Council is fully compliant with the requirements of the CIPFA Statement. The Internal Audit Consortium Manager is professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to elected members and management. The Chief Financial Officer prepares on an Annual basis an “Annual Review of the Effectiveness of Internal Audit”.

- *Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).*

Position at NEDDC: The Audit Committee undertakes a self-assessment of its own performance against best practice covering both the areas of work considered by the Committee, together with its powers in the Constitution and the effectiveness of the Committee in securing improved outcomes.

- *Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.*

Position at NEDDC: All reports of the External Auditor are given appropriate consideration by the Audit Committee, which requires that recommendations are implemented by Council officers. The reports taken by the External Auditor to the Audit Committee continue to acknowledge the active co-operation of Council staff with the work of External Audit.

- *Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.*

Position at NEDDC: The Council manages its partnerships through the Partnership Team. The partnership with Rykneld Homes is managed through a contract. The Derbyshire and Sheffield economic regions, the East Midlands Combined Authority and other joint working is handled through a range of governance arrangements in which both Elected Members and Officers play an active role. Reports to Cabinet and Council set out progress in each of the key partnerships and help ensure that managerial arrangements remain robust.

North East Derbyshire District Council

Audit Committee

8 July 2024

Draft Statement of Accounts 2023/24

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To note the completion and publication of the draft Statement of Accounts for 2023/24 in line with the statutory deadline.

RECOMMENDATIONS

1. That the Audit Committee note the draft Statement of Accounts in respect of 2023/24

IMPLICATIONS

Finance and Risk

Yes

No ✓

There are no additional financial implications arising from this report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations.

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.
All

REPORT DETAILS

1 Background

- 1.1 The Statement of Accounts is a statutory document which sets out the Council's income and spending during the financial year and its balances at the end of the financial year. The Council published its draft Statement of Accounts in respect of 2023/24 on 29 May 2024, ahead of the 31 May 2024 statutory deadline.
- 1.2 The documents that make up the Statement of Accounts are complex and are required to be prepared in line with the accounting rules that apply to all councils.
- 1.3 The statements are audited by the Council's external auditors, Forvis Mazars who provide an opinion about the quality or integrity of the financial information, including the principal of 'going concern'.
- 1.4 Due to significant delays in external audits across the country, the deadline for signing off 2023/24 accounts by the appointed external auditor is 31 May 2025. The Audit Committee should be presented with an opportunity to scrutinise the accounts in a timely manner, therefore due to the length of time between completion of the accounts and the deadline for audit sign off it is deemed

appropriate that the Audit Committee receive the accounts in draft form. The audited accounts will then be presented to a future meeting alongside the Audit Completion Report.

2 Details of Proposal or Information

Statement of Accounts

- 2.1 The External Audit team, Forvis Mazars, has been appointed to undertake work on the Statement of Accounts for 2023/24 and have communicated to the Council that they will be undertaking the interim audit in June 2024 and plan to commence the main audit in September 2024. This means that the audit opinion is unlikely to be received in time to meet the statutory deadline of 30 September for the publication of the audited accounts.
- 2.2 Nationally, there has been a deterioration in the timeliness of local authority audits since 2017/18. Delays were compounded during the Covid pandemic, and this has led to a significant backlog of audit opinions across England. As of 31 December 2023, the backlog of outstanding audit opinions stood at 771, with some audits dating back to 2015/16. Only 1% of English councils had published audited accounts by the 30 September 2023 deadline - 5 out of 467. By mid-January 2024 this had increased to 10%.
- 2.3 To clear the backlog and embed timely audits again, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a 3-phase process **Phase 1** is the reset and involves clearing the backlog of historical audit opinions (up to and including 2022/23) by 30 September 2024. This does not directly affect us as the 2022/23 accounts (and previous years') having been audited. However, the 2023/24 audit is delayed until September whilst audit focus is on clearing the backlog by the deadline.
- 2.4 In **Phase 2** of the process, known as the Recovery Phase, the date for approval of the 2023/24 audited accounts has been moved from 30 September 2024 to 31 May 2025. This does affect us, as discussed in 1.4 above and it is likely that the 2023/24 accounts will not be signed off until early 2025. Until this time the accounts remain subject to amendment.
- 2.5 Changes have also been made to the audited approval dates for future years up to and including the financial year 2027/28, as the table below demonstrates:

Draft Accounts Completion Deadline	Audit Completion Deadline
Year ended 31 March 2024	31 May 2025
Year ended 31 March 2025	31 March 2026
Year ended 31 March 2026	31 January 2027
Year ended 31 March 2027	30 November 2027
Year ended 31 March 2028	30 November 2028

- 2.6 **Phase 3** of the process, known as the Reform Phase, will require work to address the systemic challenges that have led to the current local authority audit backlog. This work will build on the recommendations of the Redmond Review and all political parties have committed to continue work to ensure that financial reporting,

auditing, and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

- 2.8 The draft Statement of Accounts can be found on the Council's website at:
[NEDDC Statement of Accounts 2023-24.pdf](#)

3 Reasons for Recommendation

- 3.1 The external audit process in respect of 2023/24 is substantially delayed due to the reset of local audit processes, therefore the draft Statement of Accounts for 2023/24 is presented for noting to the Audit Committee.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

Appendix No	Title
Background Papers	

North East Derbyshire District Council

Audit Committee

8 July 2024

Assessment of Going Concern 2023/24

Report of the Director of Finance and Resources (S151 Officer)

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE/SUMMARY

To inform the Committee of an assessment of the Council as a 'going concern' for the purposes of producing the 2023/24 accounts.

RECOMMENDATIONS

1. That the Audit Committee accepts the outcome of the Council's Section 151 Officer's assessment of the Council's 'going concern' status for the purpose of preparing the Statement of Accounts for 2023/24.

IMPLICATIONS

Finance and Risk

Yes

No ✓

There are no additional financial implications arising from this report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations.

On Behalf of the Solicitor to the Council

Staffing**Yes****No ✓**

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.
All

REPORT DETAILS**1 Background**

- 1.1 The statement of accounts are audited by the Council's external auditors, Mazars LLP who provide an opinion with regard to the quality or integrity of the financial information, including the principal of 'going concern'.

2 Details of Proposal or Information**Assessment of Going Concern**

- 2.1 The concept of 'going concern' assumes that a Council's functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Code of Practice for Local Authority Accounting and is made because local authorities carry out functions essential to

the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).

- 2.2 If a Council was in financial difficulty, the prospects are that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 2.3 Where the assessment determines the 'going concern' status is not proven, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.
- 2.4 Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of councils as a consequence, external auditors continue to place a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. This report sets out the position for the Council and provides justification for the 2023/24 financial statements being prepared on a 'going concern' basis.
- 2.5 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2023/24 ("the Code"). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Statement of Accounts is prepared each year assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The Assessment for Going Concern

- 2.6 The main factors which underpin this assessment are:
 - The Council's current financial position;
 - The Council's projected financial position;
 - The Council's balance sheet;
 - The Council's cash flow;
 - The Council's governance arrangements;
 - The regulatory and control environment applicable to the Council as a local authority.

Each of the above is considered in more detail below.

- 2.7 The provisions in the 2023/24 Code (Presentation of Financial Statements) on the going concern accounting requirements, reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as local authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be prepared on anything other than a going concern basis.

- 2.8 The requirements to use the going concern basis of accounting mean that Council's do not apply paragraph 25 of IAS 1 Presentation of Financial Statements mandating management to make an assessment of the authority's ability to continue as a going concern. However, this reporting requirement is separate from the need for them to report on the impact of financial pressures in the Narrative Report and, for example, other relevant liquidity reporting requirements such as those under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.

The Council's Current Financial Position – Revenue Resources

General Fund

- 2.9 The General Fund's Net Cost of Services was under spent by £0.525m in 2023/24. This is discussed in the outturn report that will be scrutinised by the Services Scrutiny Committee before being considered by Cabinet, in July. As of 31 March 2024, the Council held a General Fund Balance of £2.0m and Earmarked Reserves totalling £23.644m. The adequacy of reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

Housing Revenue Account (HRA)

- 2.10 The HRA Net Cost of Services was £0.012m under spent against budget. As at 31 March 2024 the Council held an HRA Balance of £3m which was in line with the revised budget. HRA Earmarked Reserves totalling £30.868m were held. The level of adequate reserves and balances and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis. The HRA has a fully funded 30-year Business Plan.
- 2.11 The Director of Finance and Resources (Section 151 Officer) is therefore satisfied that the Council's 2023/24 financial outturn for both General Fund and HRA, does not present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Projected Financial Position – Revenue Resources

- 2.12 The financial projection for 2023/24 to 2027/28 was approved by Members in January 2024 in the Medium-Term Financial Plan (MTFP). The Council continues to face financial pressures and as a result, £0.101m was required from reserves to set a balanced budget for 2024/25. As expected, the shortfall has been identified without a need to draw on reserves. There remains a requirement to achieve financial savings over the medium term for 2025/26 £0.700m; 2026/27 £1.650m and 2027/28 £1.769m (before council tax). However, there remains a lack of certainty from 2026/27 onwards due to continued delays to the expected funding reforms. With the impending general election, the impacts of funding reforms remain unclear.
- 2.13 To help mitigate losses caused by changes in Government funding and wider budget pressures the Council has established a Resilience Reserve in the MTFP. Un-ring fenced surpluses are accrued in this reserve and accumulated balances will be utilised to even out the government funding losses and other identified budget pressures over the life of the current MTFP. The balance on this reserve currently stands at £2.514m.

- 2.14 The Council's Section 151 Officer made a formal statement in January 2024 as part of the approval on the robustness of estimates and the adequacy of reserves, as contained within the Medium Term Financial Plan. The underlying assumptions within the plan have been reviewed and at this stage remain in place. Performance continues to be reviewed through robust budget management and will be updated as part of the mid-year review. The medium term financial planning process will fully challenge the assumptions and estimates and refresh the position accordingly. At this stage the S151 Officer is satisfied that the Council's forecast financial position does not present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Balance Sheet as at 31 March 2024

- 2.15 The Council's net assets amounted to £422m and Usable Reserves totalled £74m. There are no material liabilities or underlying issues regarding the strength of the Council's balance sheet which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Cash Flow

- 2.16 The Council maintains short-term and long-term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2024 the Council has long-term borrowing commitments of £137m and held £17m in Cash and Cash Equivalents. The Council has adequate financial resources to meet its immediate financial obligations. There are no significant issues regarding the strength of the Council's underlying cash flow which present any material uncertainties regarding the Council's ability to continue as a going concern.

The Council's Governance Arrangements

- 2.17 The Council has a well-established and robust corporate governance framework. This includes the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer in addition to the current political arrangements. An overview of this governance framework is provided within The Annual Governance Statement.
- 2.18 Whilst it is not possible to provide absolute assurance, the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purpose and help provide reasonable assurance of their effectiveness. There are no plans for the Council to be reorganised or dissolved and we expect to operate under the current framework in the near future. There are no significant issues regarding the Council's governance framework which present any material uncertainties regarding the Council's ability to continue as a going concern

The External Regulatory and Control Environment

- 2.19 As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and

the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

- 2.20 The provisions in the Code on the going concern requirements reflect the economic and statutory environment in which local authorities operate. There are no significant issues regarding the external regulatory and control environment which present any material uncertainties regarding the Council's ability to continue as a going concern.

Material Uncertainties

- 2.21 The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Councils ability to continue as a going concern.
- 2.22 There are no material uncertainties which, under the Code of Practice on Local Authority Accounting framework, represent significant issues regarding the Council's ability to continue as a going concern.

3 Reasons for Recommendation

- 3.1 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that there are no material uncertainties regarding the Council's status as a 'going concern' and the Council's accounts for 2023/24 have appropriately been prepared on this basis. This report gives that assessment by the Council's Section 151 Officer in support of presenting the Accounts for approval (later in the year) and provides assurance to the Audit Committee and Mazars, the Council's external auditor.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

Appendix No	Title
Background Papers	

North East Derbyshire District Council

Audit Committee

8 July 2024

Committee Work Programme 2024/2025

Report of the Assistant Director of Governance and Monitoring Officer

Classification: This report is public

Report By: Tom Scott – Governance and Scrutiny Officer

Contact Officer: Tom Scott thomas.scott@ne-derbyshire.gov.uk 01246 217045

PURPOSE / SUMMARY

To enable the Audit Committee to review the proposed Work Programme for the the municipal year 2024/2025.

RECOMMENDATIONS

1. That the Committee notes and approves the proposed Audit Committee Work Programme for the 2024/2025 municipal year as set out in the attached **Appendix 1**.

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

Risk - the development of a Work Programme for the Audit Committee will provide an appropriate structure to assist and support the Committee's work. This will help to ensure that the Committee continues to operate effectively and that the Council's governance and accountability arrangements remain robust. The Programme is designed to allow the Audit Committee to continue its flexible approach to its and consider work the range of matters which are within its remit. There are no financial issues arising from the report.

On Behalf of the Section 151 Officer

Legal (including Data Protection):

Yes ☐

No ☒

Details:

There are no legal issues or Data Protection matters arising directly from this report.

On Behalf of the Solicitor to the Council

Staffing:

Yes ☐

No ☒

Details:

There are no staffing issues arising from the report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details: Members of the Audit Committee

Links to Council Ambition (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.

None.

REPORT DETAILS

1 Background

- 1.1 The Audit Committee considers a range of financial and governance issues on a regular basis. Given the number of matters that are examined by the Committee it is appropriate that an Annual Work Programme continues to be in place.
- 1.2 The Work Programme is set out in the attached **Appendix 1**. It should be recognised that the work plan is a live document to which matters may be added or removed as appropriate and approved by the Committee, including standing items.
- 1.3 The Work Programme enables Members to give structured consideration as to whether the proposed agenda items are appropriate and serve to meet the objectives of the Committee. That question needs to be considered in the light of the Council's Constitution, Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on the role of an Audit Committee and established good practice.

2. Details of Proposal or Information

- 2.1 To enable the Audit Committee to review the Work Programme for the municipal year 2024/25.

3 Reasons for Recommendation

- 3.1 To enable the Committee to consider the Work Programme for the 2024/25 municipal year.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no other options proposed.

DOCUMENT INFORMATION

Appendix No	Title
1	Committee Work Programme 2024/25
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) you must provide copies of the background papers)	

AUDIT COMMITTEE: PROPOSED WORK PROGRAMME 2024/25

<u>DATE OF MEETING</u>	<u>ITEM</u>
8 July 2024 3pm	<ul style="list-style-type: none">• External Audit Progress Report• Treasury Management Update (Q4)• Annual Governance Statement and Code of Corporate Governance• Statement of Accounts 2023/24 draft• Going Concern 2023/24 draft• Internal Audit Annual Report• Internal Audit Progress Report
30 September 2024 3pm	<ul style="list-style-type: none">• Internal Audit Progress Report• Monitoring the implementation of Internal Audit recommendations• Risk Management Update• Treasury Management update Q1• Audit Committee Self Assessment
Accounts Sign off Meeting Date TBC	<ul style="list-style-type: none">• Audit Completion Report 2022/23
20 January 2025 3pm	<ul style="list-style-type: none">• Treasury Management Strategies 2025/26 – 2028/29• External Audit Progress Report• Internal Audit Progress Report• Risk Management Update• Proposed Accounting Policies 2024/25• Review of the Internal Audit Charter
14 April 2025 3pm	<ul style="list-style-type: none">• Annual Review of Effectiveness of Internal Audit• Internal Audit Progress Update• Monitoring the implementation of Internal Audit recommendations• External Audit Progress Update• Internal Audit Plan 2025/26• Risk Management update• Treasury Management Update Q3

Agenda Item 13

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

Document is Restricted

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

Document is Restricted

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