



**North East
Derbyshire**
District Council

Contact: Tom Scott
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Date: Friday, 20 September 2024

To: **Members of the Audit Committee**

Please attend a meeting of the Audit Committee to be held on **Monday, 30 September 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 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 8 July 2024.

4 External Audit - Audit Strategy Memorandum for the 2023/24 Audit (Pages 8 - 48)

5 Report of the Managing Director

a. Safeguarding Update (Pages 49 - 59)

6 Reports of the Head of the Internal Audit Consortium

a. Internal Audit Progress Report (Pages 60 - 68)

b. Monitoring the Implementation of Internal Audit Recommendations (Pages 69 - 81)

7 Reports of the Director of Finance & Resources and S151 Officer

a. Treasury Management Update Quarter 1 (Pages 82 - 100)

b. Audit Committee Self Assessment (Pages 101 - 106)

8 Report of the Assistant Director Governance & Monitoring Officer

a. Work Programme (Pages 107 - 111)

9 Update from the Assistant Director for ICT

Cyber Security presentation.

10 Urgent Matters

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

11 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 Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

12 Report of the Managing Director

a. Risk Management Update (Pages 112 - 148)

13 Urgent Matters

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

14 Date of Next Meeting

The next meeting of the Audit Committee is scheduled to take place on 20 January 2025 at 3.00 pm.



**North East
Derbyshire**
District Council

Access for All statement

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- Call with [Relay UK](#) via textphone or app on [0800 500 888](tel:0800 500 888) – a free phone service
- Visiting our [offices](#) at Wingerworth – 2013 Mill lane, [S42 6NG](#)

AUDIT COMMITTEE

MINUTES OF MEETING HELD ON MONDAY, 8 JULY 2024

Present:

Councillor Christine Smith (Chair) (in the Chair)

Councillor David Cheetham (Vice-Chair)

Councillor Alex Dale

Also Present:

| | |
|------------|---|
| D Johnson | Assistant Director - Property, Estates and Assets |
| J Redfern | Assistant Director of Streetscene |
| 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 |
| J Collins | Engagement Lead - Mazars |

AC/1 Apologies for Absence

/24-

25 Apologies for absence were received from Councillors G Morley and M E Thacker MBE JP.

AC/2 Declarations of Interest

/24-

25 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.

Councillor Alex Dale advised the Committee of an interest in the Coney Green Business Centre Report in Agenda Item 13 (Internal Audit Progress Report) as a member of the Coney Green Business Centre Board. He indicated he would not participate in any vote on the report.

AC/3 Minutes of Last Meeting

/24-

25 RESOLVED – That the Minutes of the Audit Committee held on 15 April 2024 be approved.

AC/4 External Audit Progress Report

/24-

25 The Engagement Lead – Mazars presented the Council's Audit Progress Report.

Members were informed that the National Audit Office needed to confirm the details of a few areas until the audit certificate could be issued.

RESOLVED – That the update be noted.

AC/5 Internal Audit Consortium Annual Report 2023-24

**/24-
25**

The Head of the Internal Audit Consortium presented Members with the 2023/24 Internal Audit Consortium Annual Report for the Council, with the purpose of informing Members of the adequacy of the Council's arrangements for governance, risk management and control. The report also enabled the Committee to obtain necessary assurances on the overall arrangements of governance, risk management and control systems.

RESOLVED – That the report be approved.

AC/6 Treasury Management Update - Quarter 4

**/24-
25**

The Director of Finance and Resources presented the Committee with a report updating them on the Treasury Management outturn position for 2023/24.

RESOLVED - That the Committee noted the report concerning the Council's treasury management report for the 2023/24 financial year.

AC/7 Annual Governance Statement and Code of Corporate Governance

**/24-
25**

The Director of Finance and Resources presented the Committee with a report 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.

Based on the review of the Governance Framework, it was stated in the draft that the following governance issues would be addressed in 2024/25:

1. Pressure on the Council's Budget
2. Cyber Security
3. Governance for council owned companies

Members referred to the part of the draft Framework which stated "the Regulator of Social Housing is inspecting the Council and its delivery partner Rykneld Homes in May 2024" and asked if this had taken place. The Director of Finance and Resources explained that the full details of the inspection would be reported to Members in time, but confirmed that the Regulator found the arrangements in place to be robust.

Members referred to Cyber Security from the issues to be addressed, and agreed that the Assistant Director for ICT should attend the next Committee meeting to update Members on the work being done at the Council.

RESOLVED –

- (1) That the Committee noted the contents of the draft Annual Governance Statement.
- (2) That the Committee approved the Code of Corporate Governance.

AC/8 Statement of Accounts 2023/24

**/24-
25**

The Director of Finance and Resources presented a report to note the completion and publication of the draft Statement of Accounts for 2023/24 in line with the statutory deadline.

RESOLVED – That the Committee noted the draft Statement of Accounts for 2023/24.

AC/9 Going Concern 2023/24

**/24-
25**

The Director of Finance and Resources presented a report to inform the Committee of an assessment of the Council as a 'going concern' for the purposes of producing the 2023/24 accounts.

RESOLVED – That the Committee accepted 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.

AC/1 Work Programme 2024-25

**0/24-
25**

The Director of Finance and Resources presented a report to enable the Audit Committee to approve its first Work Programme for the municipal year 2024/25.

Members wished to make one addition to the draft 2024/25 Work Programme to reflect their earlier discussions about Cyber Security, and add to the 30 September 2024 meeting an invitation to the Assistant Director for ICT to provide an update.

RESOLVED – That the draft Work Programme 2024/25 be approved with one addition about Cyber Security.

AC/1 Urgent Matters (Public)

**1/24-
25**

None.

AC/1 Exclusion of Public

**2/24-
25**

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 Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

AC/1 Internal Audit Progress Report

**3/24-
25**

The Head of the Internal Audit Consortium presented to Members the final progress report in respect of the 2023/24 Internal Audit Plan and progress made to date on the 2024/25 Internal Audit Plan.

The Assistant Director of Streetscene presented the Internal Audit Transport Report, which was an appendix to the Internal Audit Progress Report. Members

were informed that the Transport Report included a list of recommendations following the audit.

The Assistant Director of Property, Estates and Assets presented the Internal Audit Coney Green Business Centre Report, which was also an appendix to the Internal Audit Progress Report, and also included a list of recommendations following the audit.

RESOLVED – That the report was noted.

AC/1 Urgent Matters (Private)

**4/24-
25** None.

AC/1 Date of Next Meeting

**5/24-
25** The next meeting of the Audit Committee was scheduled to take place on 30 September 2024 at 3.00 pm.



Audit Strategy Memorandum

North East Derbyshire District Council – Year ending 31 March 2024

September 2024

Page 8

Audit Committee
North East Derbyshire District Council

2013 Mill lane
Wingerworth
Chesterfield
S42 6NG

24 September 2024

Forvis Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Dear Audit Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for North East Derbyshire District Council, and group, for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing North East Derbyshire District Council, and group, which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on james.collins@mazars.co.uk.

Yours Faithfully,


James Collins (Sep 24, 2024 09:38 GMT+1)

James Collins

Forvis Mazars

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Engagement and responsibilities summary

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of North East Derbyshire District Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of active consultations in place that could impact upon both the Council's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Audit Committee in due course.

Engagement and responsibilities summary

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit Committee, as Those Charged With Governance, of their responsibilities.

The Section 151 Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management, internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North East Derbyshire District Council's internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



02

Your audit engagement team

Your audit team



James Collins

Engagement Director

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

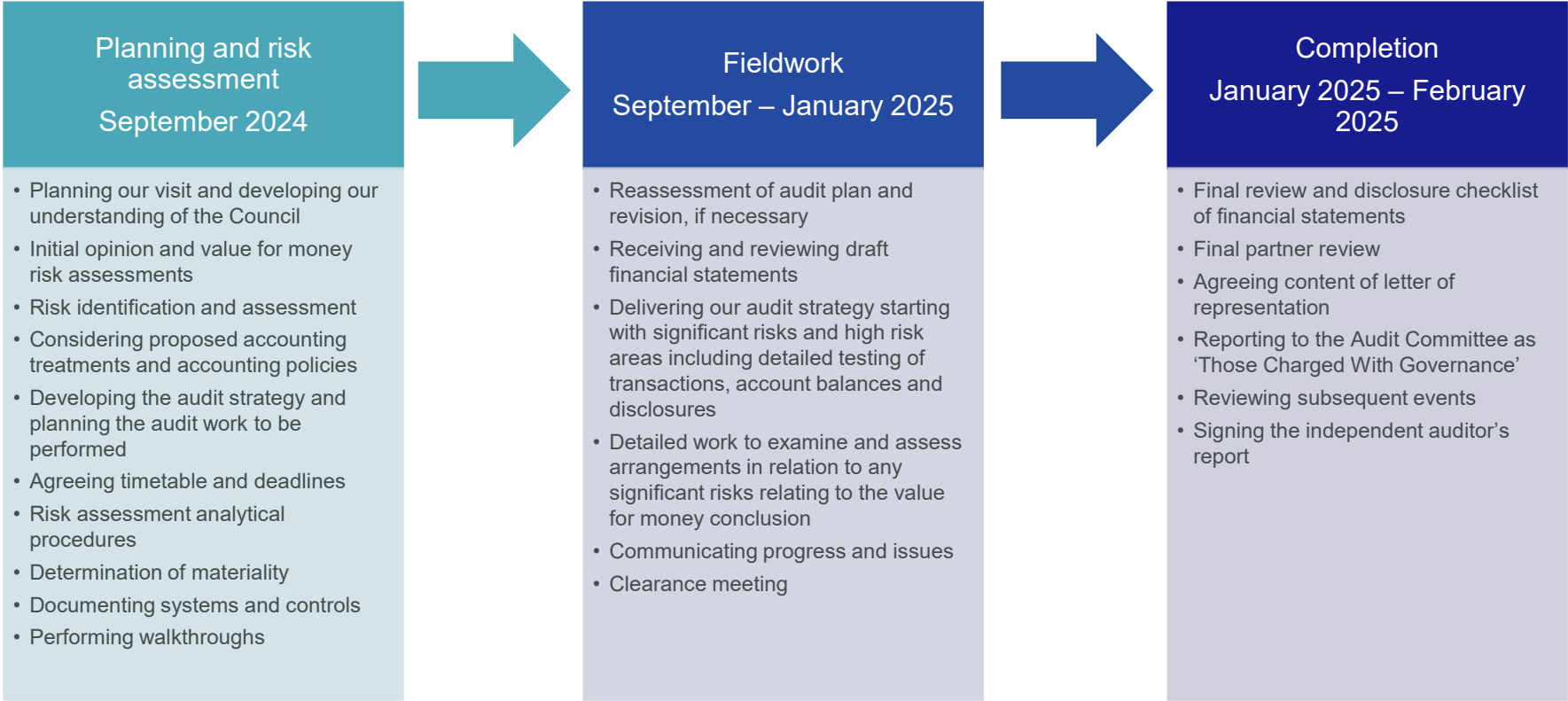
Audit scope, approach, and timeline

Risk-based approach



Audit scope, approach, and timeline

Audit timeline



Audit scope, approach, and timeline

Management’s experts and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

| Item of Account | Management’s expert | Our expert |
|---|---|--|
| Defined benefit liability | Hymans Robertson LLP Actuary for Derbyshire Pension Fund (LGPS) | National Audit Office’s (NAO’s) Consulting Actuary (PwC) |
| Property, plant and equipment and Investment Properties | Wilks, Head and Eve External Valuer (Non-dwellings) | We will consider available market data including the National Audit Office’s expert, Monatgu Evans |
| | Barlow Property Consultancy External Valuer (Dwellings) | |
| Financial Instruments | Arlingclose Treasury Management Advisor | None identified at planning |
| Business Rates Appeals Valuation | Inform CPI Ltd | None identified at planning |

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any service organisation used by the Council

Audit scope, approach, and timeline

Group audit approach

We are responsible for the audit of the group consolidation. The Council’s consolidated group is made up of the following components:

- North East Derbyshire County Council; and
- Rykneld Homes Limited

The scope of our audit is based on an analysis of the risks we have identified at the group level. When scoping our audit, we have considered quantitative criteria (the contribution of the group’s consolidated components to the group financial statements) and qualitative criteria (risks of material misstatement that consolidated components may present individually).

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

| Entity | Auditor | Scope |
|--|---------------|--|
| North East Derbyshire District Council | Forvis Mazars | Full statutory audit of the Council’s single entity financial statements |
| Rykneld Homes Limited | Crowe LLP | Full scope audit by Component auditors |

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

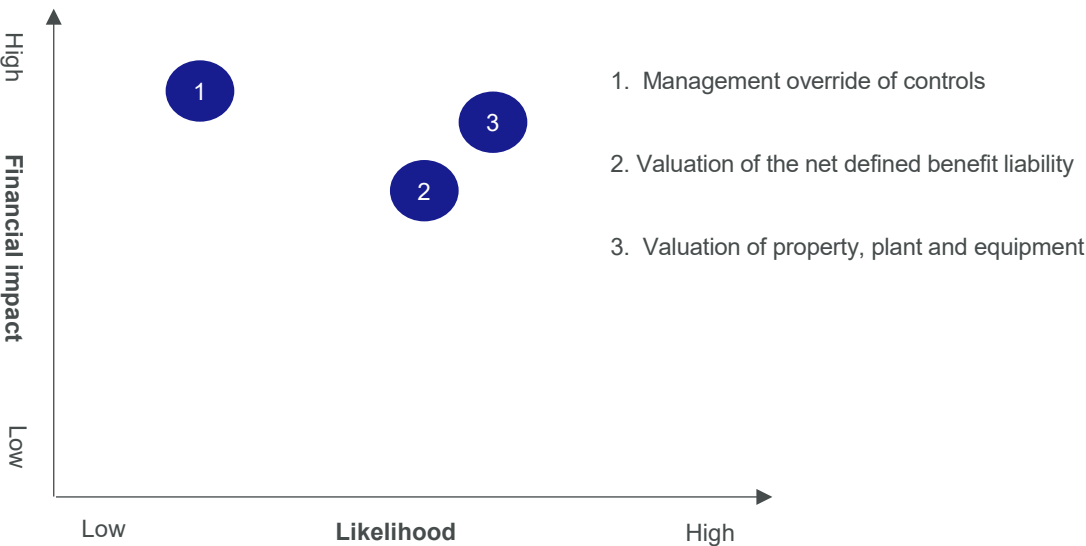
- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Key: ● Significant risk

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit Committee.

Significant risks

| | Description | Fraud | Error | Judgement | Planned response |
|---|---|-------|-------|-----------|---|
| 1 | <p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p> | ● | ● | ● | We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. |

Significant risks and other key judgement areas

Significant risks

| | Description | Fraud | Error | Judgement | Planned response |
|---|---|-------|-------|-----------|---|
| 2 | <p>Net defined benefit liability valuation</p> <p>Net Pension asset £3.030m (2022/23: Net Pension liability £6.014m). Gross Pension liability £129.687m and gross pension asset £132.717m</p> <p>The Council is an employer in the Local Government Pension Scheme, administered on a local level by the Derbyshire Pension Fund.</p> <p>The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to a high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area.</p> <p>We will also complete audit procedures on the net benefit liability held by Rykneld Homes Ltd.</p> | ● | ● | ● | <p>We plan to address this risk by:</p> <ul style="list-style-type: none">• Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson;• Liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary for the purposes of the IAS 19 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 will include comparing them to expected ranges, utilising information provided by PwC and consulting actuary engaged by the National Audit Office (NAO); and• Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements. In the event of a pension surplus arising in 23/24, its accounting treatment will require specific consideration under IFRIC 14. |

Significant risks and other key judgement areas

Significant risks

| | Description | Fraud | Error | Judgement | Planned response |
|---|---|-------|-------|-----------|--|
| 3 | <p>Valuation of land and buildings and Investment Properties £509.169m (2022/23 £486.157m)</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of land and buildings and investment properties. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations.</p> <p>We have therefore identified the valuation of land, buildings and investment properties to be an area of significant risk.</p> <p>We will complete audit procedures on land and buildings held by Rykneld Homes to ensure they are valued in line with Group accounting policy's.</p> | ● | ● | ● | <p>We plan to address this risk by:</p> <ul style="list-style-type: none">• Critically assessing the Council's valuer's 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 to provide information on regional valuation trends;• Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluations in 2023/24 are materially correct, including considering the robustness of the approach in light of the valuation information reported by the Council's valuers. |

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to Audit Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Based on our assessment of the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control, we do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

05

Value for money arrangements

Value for money arrangements

The framework for value for money work

We are required to form a view as to 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 in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **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 approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

| | |
|---|--|
| Planning and risk assessment | <p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none">• 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; and• interviews and discussions with officers and Members. |
| Additional risk-based procedures and evaluation | <p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p> |
| Reporting | <p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council. |

Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, we have not identified any risks of significant weaknesses in arrangements in our planning to date. We will report the results of our work to the Audit Committee on completion. This includes reporting any significant weaknesses in arrangements that we identify.

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT) for the audit of North East Derbyshire District Council for the year ended 31 March 2024, and for any non-audit services provided by Forvis Mazars LLP in the period, are outlined below.

Fees for work as the Council’s appointed auditor

At this stage of the audit, we are not planning any divergence from the scale fees set by PSAA.

| Area of work | 2023/24 Proposed Fee | 2022/23 Actual Fee |
|---|----------------------|--------------------|
| Code Audit Work | £165,512 | £53,206 |
| Additional fees in respect of additional work from the introduction of new auditing standards (ISA540 Estimates) | - | £3,590 |
| Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment) | - | £5,508 |
| Technical Accounting Issues: additional costs arising from IFRIC 14 and Pension Asset Ceiling | - | £2,536 |
| Additional fees in respect of Group Accounts | - | £5,768 |
| Additional fees in relation to the VFM Commentary | - | £8,005 |
| Total fees | £165,512 | £78,613 |

Audit fees and other services

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

| Area of work | 2023/24 Proposed Fee | 2022/23 Actual Fee |
|---|---|--------------------|
| Other services – Agreed upon procedures on housing pooling return | At the time of this report, we have not been engaged to complete work in 2024 | £5,500 |

07

Confirmation of our independence

Confirmation of our independence

| | | |
|---|---------------------------------|--|
|  | Requirements | We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019. |
|  | Compliance | We are not aware of any relationship between Forvis Mazars and North East Derbyshire District Council, and Group, that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of North East Derbyshire District Council and Group and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit. |
|  | Non-audit and Audit fees | We have set out a summary any non-audit services provided by Forvis Mazars (with related fees) to North East Derbyshire District Council in Section 6, together with our audit fees and independence assessment. |

We are committed to independence and confirm that we comply with the FRC’s Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Council in the first instance.

Prior to the provision of any non-audit services, James Collins will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group and single-entity financial statements, we consider that Gross Revenue Expenditure at Surplus/deficit on Provision of Services is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of that Gross Revenue Expenditure at Surplus/deficit on Provision of Services for the group financial statements, and a materiality threshold of 2% of that Gross Revenue Expenditure at Surplus/deficit on Provision of Services for the Council's single entity statements.

As set out in the tables alongside, based on 2023-24 draft financial statements, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £1.855m (£1.701m in the prior year), and performance materiality to be in the region of £1.391m (£1.360m in the prior year).

For the single entity statements, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £1.800m (£1.680m in the prior year), and performance materiality to be in the region of £1.350m (£1.344m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

| | 2023/24 £'000s | 2022/23 £'000s |
|-------------------------|-------------------|-------------------|
| Overall materiality | £1,855 | £1,701 |
| Performance materiality | £1,391 | £1,360 |
| Clearly trivial | £56 | £41 |

Council/Authority's single-entity financial statements

| | 2023/24 £'000s | 2022/23 £'000s |
|--|-------------------|-------------------|
| Overall materiality | £1,800 | £1,680k |
| Performance materiality | £1,350 | £1,344 |
| Clearly trivial | £54 | £50 |
| Specific materiality – Senior officers' remuneration | £5 | £5 |

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £0.056m for the group and £0.054m for the Council, based on 3% of overall materiality. If you have any queries about this, please raise these with James Collins.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Audit Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit strategy memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

| Required communication | Where addressed |
|--|--|
| Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance. | Audit Strategy Memorandum |
| The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks. | Audit Strategy Memorandum |
| With respect to misstatements: <ul style="list-style-type: none">• Uncorrected misstatements and their effect on our audit opinion;• The effect of uncorrected misstatements related to prior periods;• A request that any uncorrected misstatement is corrected; and• In writing, corrected misstatements that are significant. | Audit Completion Report |
| With respect to fraud communications: <ul style="list-style-type: none">• Enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• A discussion of any other matters related to fraud. | Audit completion Report and discussion at Audit Committee Audit planning and clearance meetings |

Appendix A: Key communication points

| Required communication | Where addressed |
|---|-------------------------|
| Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none">• Non-disclosure by management;• Inappropriate authorisation and approval of transactions;• Disagreement over disclosures;• Non-compliance with laws and regulations; and• Difficulty in identifying the party that ultimately controls the entity. | Audit Completion Report |
| Significant findings from the audit including: <ul style="list-style-type: none">• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;• Significant difficulties, if any, encountered during the audit;• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;• Written representations that we are seeking;• Expected modifications to the audit report; and• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. | Audit Completion Report |

Appendix A: Key communication points

| Required communication | Where addressed |
|--|--|
| Significant deficiencies in internal controls identified during the audit. | Audit Completion Report and Audit Committee meetings |
| Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures. | Audit Completion Report |
| Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of. | Audit Completion Report and Audit Committee meetings |
| <p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. | Audit Completion Report |
| <p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm’s ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm’s System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm’s strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm’s internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p> | Audit Strategy Memorandum |

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments (continued) Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Council's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

DLUHC consultation on addressing the local audit backlog in England

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and
- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

NAO consultation on draft amendments to the Code of Audit Practice

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

Contact

Forvis Mazars

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Director
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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

North East Derbyshire District Council

Audit Committee

30 September 2024

Safeguarding Update

Report of the Managing Director

Classification: This report is public

Report By: Lee Hickin, Managing Director

Contact Officer: Lee Hickin, Managing Director

PURPOSE / SUMMARY

- To update Members of the Audit Committee regarding safeguarding arrangements/referrals.
-

RECOMMENDATIONS

1. That Audit Committee notes the report.

IMPLICATIONS

Finance and Risk: Yes ☐ No ☒

Details:

There are no additional financial implications arising out of this report.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☐ No ☒

Details:

There are no legal or data protection issues arising out of this report.

On Behalf of the Solicitor to the Council

Staffing: Yes ☐ No ☒

Details:

No direct issues outside already recognised budgets and resources.

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 - £125,000 <input type="checkbox"/> Capital - £310,000 <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 |
| Equality Impact Assessment (EIA) details: | |
| Stage 1 screening undertaken <ul style="list-style-type: none"> Completed EIA stage 1 to be appended if not required to do a stage 2 | |
| Stage 2 full assessment undertaken <ul style="list-style-type: none"> Completed EIA stage 2 needs to be appended to the report | |
| Consultation: Leader / Deputy Leader <input checked="" type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/> | |

Links to Council Plan priorities;

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

REPORT DETAILS

1 **Background** *(reasons for bringing the report)*

1.1 **Safeguarding Referrals.**

Safeguarding means protecting people's health, well-being and human rights, and enabling them to live free from harm, abuse and neglect.

Derbyshire County Council (DCC) is the statutory lead for safeguarding in Derbyshire as they have responsibility for adult care and children's services. However, there is a requirement that North East Derbyshire District Council (NEDDC) must work in partnership with DCC to protect adults and children who are most at risk.

The table below shows trend information from the centrally recorded safeguarding referrals to DCC, from 2016/17 up to 18 September 2024.

| Year | Total Number of referrals | Split between adult / children | | Department/Organisation Referring to Link Officer | Number of referrals |
|----------------|---------------------------|--------------------------------|----------|---|---------------------|
| | | Adult | Children | | |
| 2016/17 | 18 | 12 | 6 | Housing Options | 3 |
| | | (66%) | (33%) | Environmental Health | 6 |
| | | | | *Contact Centre | 8 |
| | | | | Leisure | 1 |
| 2017/18 | 24 | 16 | 8 | Housing Options | 2 |
| | | (66%) | (33%) | Environmental Health | 4 |
| | | | | *Contact Centre | 17 |
| | | | | Leisure | 1 |
| 2018/19 | 28 | 19 | 9 | Housing Options | 3 |
| | | (68%) | (32%) | Environmental Health | 2 |
| | | | | *Contact Centre | 13 |
| | | | | Leisure | 1 |
| | | | | Revenues and Benefits | 6 |

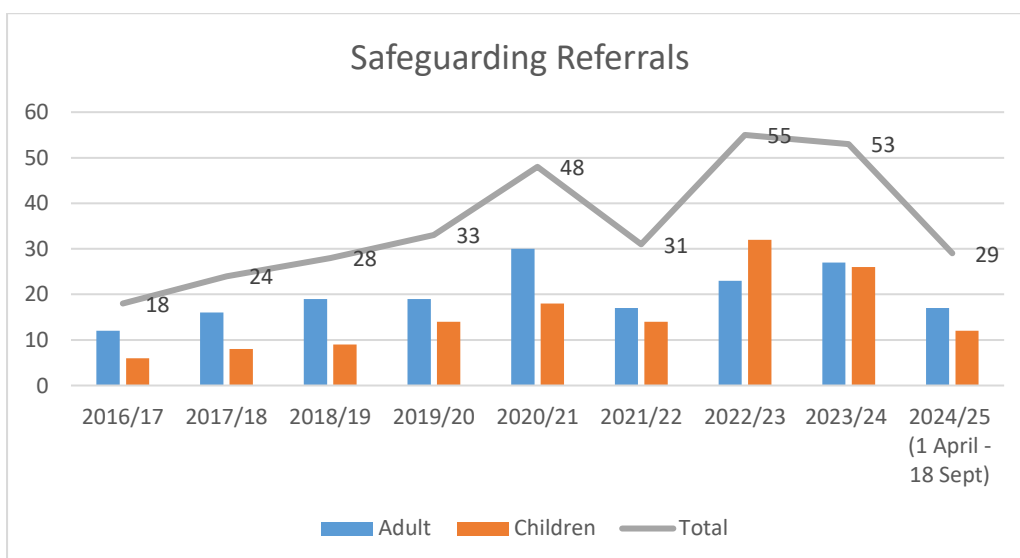
| | | | | | |
|----------------|----|-------------|-------------|------------------------------|----|
| | | | | Street Scene | 1 |
| | | | | Community Development Worker | 1 |
| | | | | Elections | 1 |
| 2019/20 | 33 | 19 (58%) | 14 (42%) | Housing Options | 5 |
| | | | | Environmental Health | 2 |
| | | | | *Contact Centre | 14 |
| | | | | Leisure | 2 |
| | | | | Revenues and Benefits | 4 |
| | | | | Legal | 2 |
| | | | | Councillor | 1 |
| | | | | Partnership Team | 1 |
| | | | | DCC's Tell us Once Scheme | 1 |
| | | | | Planning | 1 |
| 2020/21 | 48 | 30 (62%) | 18 (38%) | Housing Options | 7 |
| | | | | Environmental Health | 2 |
| | | | | *Contact Centre | 32 |
| | | | | Revenues and Benefits | 4 |
| | | | | Home Start at Derby | 1 |
| | | | | Partnership Team | 1 |
| | | | | Dental Practice | 1 |
| 2021/22 | 31 | 17 (55%) | 14 (45%) | Housing Options | 12 |
| | | | | Environmental Health | 1 |
| | | | | *Contact Centre | 17 |
| | | | | Covid Test Centre | 1 |
| 2022/23 | 55 | 23 | 32 | Housing Options | 10 |

| | | | | | |
|----------------------|-----------|-----------|-----------|---------------------------------------|-----------|
| | | (42%) | (58%) | Environmental Health | 3 |
| | | | | *Contact Centre | 24 |
| | | | | Revenues and Benefits | 4 |
| | | | | Leisure | 2 |
| | | | | Street Scene | 1 |
| | | | | Housing Strategy | 1 |
| | | | | Human Resources | 1 |
| | | | | Learning Disability Centre | 1 |
| | | | | North Derbyshire Newmedica Ltd | 1 |
| | | | | NHS Ambulance | 1 |
| | | | | Health Assured | 1 |
| | | | | Ukrainian Host | 1 |
| | | | | Probation Service | 2 |
| | | | | Family Court | 1 |
| | | | | Counselling Advice | 1 |
| 2023/24 | 53 | 27 | 26 | Housing Options | 11 |
| | | (51%) | (49%) | Environmental Health | 1 |
| | | | | *Contact Centre | 34 |
| | | | | Revenues and Benefits | 3 |
| | | | | Sheffield CAMHS | 1 |
| | | | | P3 | 1 |
| | | | | Sheffield Teaching Hospital | 1 |
| | | | | Sheffield Social Care Practitioner | 1 |
| 2024/25 | 29 | 17 | 12 | Housing Options | 4 |
| From 1 April 2024 | | (59%) | (41%) | Environmental Health | 1 |

| | | | | | |
|------------------------|--|--|--|---------------------------|----|
| to date (18 Sept 2024) | | | | *Contact Centre | 16 |
| | | | | Revenues and Benefits | 1 |
| | | | | South Yorkshire Housing | 1 |
| | | | | Bank | 1 |
| | | | | Guinness Partnership | 1 |
| | | | | Adult Care Sheffield City | 2 |
| | | | | Probation | 2 |

*NOTE: The Contact Centre receives the most cases for Safeguarding Referrals, this will be due to their role as the first point of contact for the Council. Referrals are identified from tenants and residents who mostly report concerns about their family, friends, and neighbours. On some occasions external organizations report Safeguarding Concerns to the Contact Centre, these are monitored and have been shown in the table.

The Chart shows the number of Safeguarding referrals over time for Adults, Children and overall total per year up to 18th September 2024.



Since 2016/17 the number of referrals has increased over the reporting period, with a noticeable spike during the years 2020/21 and 2022/23. This is especially true for Child referrals which significantly increased during 2022/23.

Factors that could have influenced the referral increases are:

- Covid 19 pandemic – “lockdowns” began 2020, meaning;
 - More people were at home to witness, identify and report adults/children at risk
 - Contact Centre Welfare Checks were identifying adults/children at risk
 - Housing Options team were identifying people that were homeless and at risk of harm to themselves or others
- Domestic Abuse Act 2021 - framework designed to support organisations to identify and respond to domestic abuse and promote best practice. It also recognises children as victims of domestic abuse in their own right which may have led to more referrals.
- Cost of Living Crises – people struggling to pay bills and buy groceries, which can lead to homelessness, mental health illness, neglect and could create hostile environments in the home; this list is not exhaustive.

1.2 Referral Issues Identified

During the year 2022/23 the Council received a number of Safeguarding referrals from external organisations which should have been reported directly to DCC.

This raised a question as to why this was happening. After further investigation, we became aware that DCC's website could have been misinterpreted. DCC was notified of this and subsequently amended their website.

In 2023/24 less reports of Safeguarding concerns from external organisations have been sent to the Council in error, however from April 2024 up to September 2024 there has been a noticeable increase.

During this reporting period 10 referrals was sent to the Council in error, including referrals forwarded from Sheffield City Councils Social Care. Investigations into why this is happening is ongoing, however we have learned that organisations are getting NEDDC confused with DCC.

Going forward procedures for dealing with these types of referrals may need to be put in place to ensure the external organisations refer directly to DCC, in accordance with DCC's preference.

1.3 2024/25 (from 1 April to 18th September)

There were 29 Safeguarding referrals during this reporting period, the majority were reported through the contact centre (16), however 10 (34%) were referrals from external organisation reporting to NEDDC in error.

There are many reasons why a person is at risk and will require a safeguarding referral. The top reasons for Safeguarding Referrals during the reporting period, in simple terms, are, health issues and unable to cope, Domestic Abuse, mental health problems and neglect. Most cases are complex and cannot fit into one category, therefore to give an idea of complexity the reasons for the referrals are as follows:

Adults

- 3 x Health issues and unable to cope
- 1 x DV from partner
- 2 x Mental health issues
- 1 x Financial abuse
- 1 x Coerced to cashing in investments by Financial Advisor
- 1 x Learning disability – sexual assault, cuckooing, emotional and financial abuse
- 1 x Attacked at a friend's property
- 1 x Victim of investment scam
- 1 x Sexual assault at retirement housing complex by another tenant
- 1 x Threat of suicide
- 1 x Physical Health Declining
- 1 x Neglect from a Care company
- 1 x House in state of repair and rats
- 1 x Parkinson disease and needs professional help

Children

- 2 x Witness to DV
- 1 x Homelessness
- 1 x Left TA with Mother – both mother and father claiming DV
- 1 x House in mess and brother smoking Cannabis
- 1 x In temp accommodation B&B, mother not going out all day and child crying on and off all day
- 1 x Noise from property at all hours
- 2 x Neglect
- 1 x Mother moved in with a known perpetrator
- 1 x Father worried about a court supervision order for his child
- 1 x Child being screamed at by parents

Each case is considered on an individual basis with a variety of actions taken which as well as a referral to social care, can include Police, co-operation with social care / Police investigations, safe and well checks, VARM plans (Vulnerable person risk management), monitoring, etc.

When a referral is made to DCC, where relevant and appropriate, council departments may be informed, for example, the Council's Environmental Health,

Housing Options and Community Safety teams. Rykneld Homes Limited will also be informed if the vulnerable person at risk is living in a Council property. This is to ensure a joined-up approach to Safeguarding and the person at risk gets the help required. Any information shared will have due regard to the Safeguarding data protection legislation.

Cases may be brought to the NEDDC safeguarding group to establish lessons learned, key themes and where appropriate discussion. Feedback and escalation via the Derbyshire Districts Safeguarding Lead Sub Group is also an option.

1.4 Safeguarding Policy Update

The Derbyshire wide “Safeguarding Policy and Procedures, Protecting Children and Adults at Risk” has been adopted by the Council and is not due for a review until 2025. The review will be conducted by the Derbyshire District Safeguarding Leads Sub Group with the involvement of the Council’s representative.

1.5 Learning and development

Internal Training Update

Safeguarding training is compulsory for new starters and existing employees as a Safeguarding refresher course.

The training sessions can now be completed online.

Training for Private Landlords

A Private Sector Strategy has been commissioned, consultation of the strategy will be commencing November 2024, with a view to implementation in early 2025. Within the strategy and the Action Plan it is envisioned that Private Landlords receive Safeguarding training, this may be implemented by the Council through the Landlord forum but is yet to be decided how the training will take place.

The training session will help landlords identify vulnerable people at risk in the Private Rented Sector.

1.6 Derbyshire District Safeguarding Leads Sub Group (DDSLSG) Update

The Derbyshire Districts Safeguarding Leads Sub-Group meets on a quarterly basis and all district and borough safeguarding leads are invited. The Group has had a significant impact in improving safeguarding by providing a safe space to discuss safeguarding concerns and enable Derbyshire Districts to have a united, stronger voice at the safeguarding boards.

The DDSLSG works to an Action Plan which is based on current Derby and Derbyshire Safeguarding Children's Partnership (DDSCP) and Derbyshire Safeguarding Adults Board (DSAB) Strategic Priorities. Specific actions include:

- Training, learning and development.
- Operational safeguarding issues/case studies.
- Policy and procedures.
- Learning from audits and reviews.
- Engagements with DDSCP and DSAB Boards.
- General Resilience to respond to safeguarding issues/concerns.
- S11 Audit – compliance, improvement discussions and consistent approach across all districts.

Key activities include:

- Improved access to joint briefings, training and a range of different safeguarding topics.
- Promotion of wider safeguarding activity.
- Provided opportunities for discussion on shared challenges, concerns and opportunities to escalate issues to statutory partner agencies.
- Discussion and dissemination of learning from local and serious case reviews.
- Development of joint policies and resources.

1.7 Key progress year end 2023/24

- The Derbyshire wide "Safeguarding Policy and Procedures, Protecting Children and Adults at Risk" has been adopted by the Council Derbyshire Wide.
- Online Safeguarding Training implemented.
- Factsheet developed for tradespeople.

1.8 Key activities for 2024/25

The Bolsover District Council Officer, who currently Chair's the DDSLSG and attends/provides reports to DDSCP and DASB, is retiring and stepping down from Safeguarding duties, which includes attending the Derby and Derbyshire Safeguarding Children Partnership Executive Board Meeting held every 4 months.

An officer from NEDDC will be taking over this role and will be attending the meetings starting from 19th September 2024.

2. Details of Proposal or Information

- 2.1 To update Members of the Audit Committee on safeguarding arrangements.

3 Reasons for Recommendation

- 3.1 To keep members of the Audit Committee updated and sighted on all arrangements relating to safeguarding as a key element of the overarching risk management framework.

4 Alternative Options and Reasons for Rejection

- 4.1 This report could be shared and reviewed by a Scrutiny Committee or Council directly. However, it is felt that the Audit Committee is the right place to report back on safeguarding issues as it is a key feature of the overarching framework.

DOCUMENT INFORMATION

| Appendix No | Title |
|---|--------------|
| | |
| 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) | |

North East Derbyshire District Council

Audit Committee

30th September 2024

Summary of Progress on the 2024/25 Internal Audit Plan

Report of the Head of the Internal Audit Consortium

Classification: For Publication

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

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

PURPOSE / SUMMARY

- To present, for members' information, a progress report in respect of the 2024/25 Internal Audit Plan.
-

RECOMMENDATION

1. That the report be noted.
-

IMPLICATIONS

Finance and Risk: Yes ☐ No ☒

Details:

Internal audit reviews help to ensure that governance, risk and control arrangements are operating effectively thereby contributing to ensuring that value for money is obtained and continuous improvement made.

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.

Internal audit reviews help to ensure that the Council is continually improving services to deliver excellence and value for money.

REPORT DETAILS

1 Background

- 1.1 The Public Sector Internal Audit Standards require that the Head of the Internal Audit Consortium reports periodically to the Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.

2. Details of Proposal or Information

- 2.1 Appendix 1 is a summary of reports issued to date in respect of the 2024/25 internal audit plan. The Appendix shows for each report the level of assurance given and the number of recommendations made / agreed where a full response has been received. This provides an overall assessment of the system's ability to meet its objectives and manage risk. The definitions of the assurance levels used can be seen at Appendix 2.
- 2.2 Six reports have been issued three with Substantial Assurance and three with Reasonable Assurance.
- 2.3 No issues arising relating to fraud were identified.
- 2.4 Appendix 3 provides full details of the audits completed and those in progress in respect of the 2024/25 plan. Progress is as expected for this time of year, there are a number of audits that are nearing conclusion.

3 Reasons for Recommendation

- 3.1 To inform Members of progress on the 2024/25 Internal Audit Plan and to provide details of the Audit Reports issued to date.
- 3.2 To comply with the requirements of the Public Sector Internal Audit Standards.

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable

DOCUMENT INFORMATION

| Appendix No | Title |
|-------------|--|
| Appendix 1 | Summary of Internal Audit reports issued June - August 2024. |
| Appendix 2 | Assurance Definitions |
| Appendix 3 | Progress on the 2024/25 Internal Audit Plan |

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)

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

Summary of Internal Audit Reports Issued 2024/25 to date

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Date | | Number of Recommendations | |
|----------------|----------------------------|--|--------------------|---------------|--------------|---------------------------|----------|
| | | | | Report Issued | Response Due | Made | Accepted |
| N001 | Health & Safety | To review the processes in place and adherence to Legislation. | Substantial | 9/7/24 | 30/7/24 | 2L | 2 |
| N002 | Right to Buy | Joint Audit with Rykneld homes, the Council side of the audit was to ensure that Legal Services and Land Registry information is accurately held, including updates to the Land Charges Register. Tenancy arrears are cleared prior to sale. The FMS has been updated with the proceeds of the sale. | Reasonable | 18/7/24 | 7/8/24 | 1M | 1 |
| N003 | Disabled Facilities Grants | To ensure legislation is adhered to and that there are processes in place to process applications and procure contractors etc. | Substantial | 18/7/24 | 7/8/24 | 2L | Note 1 |

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Date | | Number of Recommendations | |
|----------------|-------------------------|---|--------------------|---------------|--------------|---------------------------|----------|
| | | | | Report Issued | Response Due | Made | Accepted |
| N004 | Eckington Swimming Pool | To review financial and operational processes | Substantial | 29/7/24 | 19/8/24 | 2L | 2 |
| N005 | Killamarsh Active | To review financial and operational processes | Reasonable | 29/7/24 | 19/8/24 | 8 (2M 6L) | 8 |
| N006 | Section 106 | To ensure that section 106 Agreements are appropriately monitored, income collected and spent timely. | Reasonable | 27/8/24 | 17/9/24 | 4 (2M 2L) | Note 2 |

H = High Priority M = Medium Priority L = Low Priority

Note 1 Response not received.

Note 2 Response not due at time of writing report.

Appendix 2

| Assurance Level | Internal Audit Definition | Risk Register Link |
|------------------------------|---|---------------------------|
| 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. | Minor / negligible impact |
| 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. | Minor / moderate |
| 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. | Moderate / Severe Impact |
| 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. | Catastrophic Impact |

North East Derbyshire District Council Internal Audit Plan 2024/25

| |
|-----------------------------|
| Complete |
| In Progress |
| Ongoing throughout the year |

| | Risk | 2024/25 |
|--|------|-----------|
| Main Financial Systems | | |
| Main Accounting / Budgetary Control | M | 12 |
| Creditors | M | 20 |
| Income Management | M | 10 |
| Debtors | M | 15 |
| Council Tax (Key controls) | M | 10 |
| | | |
| Total Main Financial Systems | | 67 |
| | | |
| Corporate / Cross Cutting | | |
| | | |
| Corporate Governance / Assurance Statement | H | 2 |
| Financial advice / working groups | N/A | 20 |
| Climate Change | H | 12 |
| Gov Grants / Head of Audit sign off | N/A | 3 |
| Safeguarding | M | 10 |
| Health & Safety | M | 10 |
| Procurement | M | 12 |
| Risk Management | M | 10 |
| | | |
| Total Cross Cutting | | 79 |
| | | |
| Operational Audits | | |
| Asset Management Arrangements | M | 12 |
| Business Centres – Follow up | H | 10 |
| Corporate Credit Cards | L | 8 |
| Disabled Facilities Grants | M | 10 |
| Expenses and Allowances | L | 10 |
| E.H Misc Licensing | L | 8 |

| | | | |
|--|--|-----|------------|
| | Grounds Maintenance | L | 10 |
| | Industrial Property Rents | H | 15 |
| | Killamarsh Leisure Centre | M | 15 |
| | Eckington Leisure Centre | M | 15 |
| | Petty Cash | L | 5 |
| | Section 106 | M | 12 |
| | Transport follow up | H | 8 |
| | Total Operational Areas | | 138 |
| | IT Related | | |
| | | | |
| | Network Security / DR | H | 15 |
| | | | |
| | Total IT | | 15 |
| | | | |
| | Rykneld Homes | | 97 |
| | | | |
| | National Fraud Initiative | N/A | 5 |
| | Special Investigations / Contingency/ emerging risks | N/A | 40 |
| | Apprenticeships / training | N/A | 30 |
| | Audit Committee / Client Liaison | N/A | 15 |
| | | | |
| | Grand Total | | 486 |

Reserve Areas (if unable to progress audits in the above areas)

Facilities Statutory Compliance
Street Cleaning
Business Continuity / Emergency Planning
Leisure Direct Debits
Corporate Targets

North East Derbyshire District Council

Audit Committee

30th September 2024

Implementation of Internal Audit Recommendations

Report of the Head of the Internal Audit Consortium

Classification: This report is public

Report By: Head of the Internal Audit Consortium

Contact Officer: Jenny.williams@ne-derbyshire.gov.uk

PURPOSE / SUMMARY

To present, for members' information, a summary of the internal audit recommendations made, implemented and outstanding for the financial years 2020/21 to date.

RECOMMENDATION

1. That the report be noted.

IMPLICATIONS

Finance and Risk: Yes ☐ No ☒

Details:

The implementation of internal audit recommendations helps to ensure that there are effective controls in place to reduce the risk of fraud and error.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes ☐ No ☒

Details:

On Behalf of the Solicitor to the Council

Staffing: Yes ☐ No ☒

Details:

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 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 (NED) priorities, including Climate Change, Equalities, and Economics and Health implications.

The implementation of Internal audit recommendations helps to ensure that the Council is continuously improving to deliver excellence and value for money.

REPORT DETAILS

1 Background

- 1.1 Internal Audit make recommendations to improve the governance, risk and control processes in place. It is important to monitor the implementation of these recommendations to improve the control environment and to reduce the risk of fraud and error.

2. Details of Proposal or Information

- 2.1 This report is to inform Members of the Audit Committee of the internal audit recommendations made and the progress in respect of implementing them.
- 2.2 Appendix 1 provides an analysis of the number of recommendations made, implemented and outstanding for the financial years 2020/21 to date. The table also summarises the number of recommendations that have been implemented and those that are outstanding. Below this the table details every outstanding recommendation.
- 2.3 No high priority recommendations are outstanding. In total there are 16 recommendations outstanding 8 with medium priority and 8 with low priority.

3 Reasons for Recommendation

- 3.1 To inform Members of the internal audit recommendations made, implemented and outstanding so that it can be assessed if appropriate and timely action is being taken.

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable

DOCUMENT INFORMATION

| Appendix No | Title |
|---|---|
| 1 | Summary of Internal Audit Recommendations Made, Implemented and Outstanding |
| | |
| | |
| 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) | |
| | |

North East Derbyshire District Council

Appendix 1

Summary of Internal Audit Recommendations made, implemented and outstanding 2020/21 – 2023/24 (end of August 2024)

| Recommendations Made | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|----------------|----------------|----------------|----------------|----------------|
| Number of High Priority | 0 | 0 | 0 | 0 | 0 |
| Number of Medium Priority | 21 | 19 | 11 | 21 | 3 |
| Number of Low priority | 33 | 29 | 24 | 37 | 12 |
| Total | 54 | 48 | 35 | 58 | 19 |
| Recommendations Implemented | 53 | 48 | 27 | 43 | 11 |
| High Recommendations Outstanding | 0 | 0 | 0 | 0 | 0 |
| Medium Recommendations Outstanding | 0 | 0 | 3 | 5 | 0 |
| Low Recommendations Outstanding | 1 | 0 | 3 | 4 | 0 |
| Not overdue yet | 0 | 0 | 2 | 6 | 8 |
| Total Overdue Recommendations | 1 | 0 | 6 | 9 | 0 |
| Percentage due implemented or carried fwd to next audit | 98% | 100% | 82% | 83% | 100% |

North East Derbyshire

2020/21

| Report | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not | Overdue | Implemented |
|--------------|-----------------------------|---------------------|------------|--------------------------|----------|----------|----------|---------|----------|-------------|
| Ref | | | | High | Medium | Low | | Overdue | | |
| N015 | Laptops and Removable Media | Corporate Resources | Reasonable | | 2 | 4 | 6 | | 1L | 5 |
| | | | | | | | | | | |
| Total | | | | 0 | 2 | 4 | 6 | | 1 | 5 |

2022/23

| Report | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not | Overdue | Implemented |
|--------|-----------------------------|------------------------|------------|--------------------------|--------|-----|-------|---------|---------|-------------|
| Ref | | | | High | Medium | Low | | Overdue | | |
| N003 | Food Hygiene | Organisation and Place | Reasonable | | 2 | 5 | 7 | 1 | | 6 |
| N006 | Recruitment & Selection | Organisation & Place | Reasonable | | 1 | 1 | 2 | | 1L | 1 |
| N009 | Sundry Debtors | Finance & Resources | Reasonable | | 1 | 1 | 2 | | 1M | 1 |
| N014 | Network Security | Finance & Resources | Reasonable | | 4 | | 4 | | 2M | 2 |
| N015 | Taxi Licensing Arrangements | Organisation & Place | Reasonable | | 1 | 4 | 5 | 1 | 2L | 2 |

| | | | | | | | | | | |
|--------------|--|--|--|--|----------|-----------|-----------|----------|----------|-----------|
| | | | | | | | | | | |
| Total | | | | | 9 | 11 | 20 | 2 | 6 | 12 |

2023/24

| Report Ref | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not Overdue | Overdue | Implemented |
|--------------|-----------------------------|------------------------|-------------|--------------------------|-----------|-----------|-----------|-------------|-----------|-------------|
| | | | | High | Medium | Low | | | | |
| N003 | Facilities Compliance | Growth & Assets | Reasonable | | 2 | | 2 | | 1M | 1 |
| N008 | Members IT Equipment | Finance & Resources | Reasonable | | 3 | | 3 | | 2M | 1 |
| N011 | Housing Benefits | Finance & Resources | Substantial | | | 4 | 4 | | 2L | 2 |
| N012 | Coney Green Business Centre | Growth and Assets | Limited | | 8 | 5 | 13 | 2 | 4 (2M 2L) | 7 |
| N015 | Transport | Organisation and Place | Limited | | 4 | 8 | 12 | 2 | | 10 |
| N016 | Payroll | Finance and Resources | Substantial | | | 3 | 3 | 2 | | 1 |
| | | | | | | | | | | |
| Total | | | | | 17 | 20 | 37 | 6 | 9 | 22 |

2024/25

| Report Ref | Audit | Directorate | Conclusion | Recommendations accepted | | | Total | Not Overdue | Overdue | Implemented |
|------------|-----------------|------------------------|-------------|--------------------------|--------|-----|-------|-------------|---------|-------------|
| | | | | High | Medium | Low | | | | |
| N001 | Health & Safety | Organisation and Place | Substantial | | | 2 | 2 | 2 | | |
| N002 | Right to Buy | Organisation and Place | Reasonable | | 1 | | 1 | | | 1 |

| | | | | | | | | | | |
|--------------|----------------------------|------------------------|-------------|--|----------|-----------|-----------|----------|----------|-----------|
| N003 | Disabled Facilities Grants | Organisation and Place | Substantial | | | 2 | 2 | 2 | | |
| N004 | Eckington Swimming Pool | Growth and Assets | Substantial | | | 2 | 2 | | | 2 |
| N005 | Killamarsh Active | Growth and Assets | Reasonable | | 2 | 6 | 8 | | | 8 |
| N006 | Section 106 | Organisation and Place | Reasonable | | 2 | 2 | 4 | 4 | | |
| | | | | | | | | | | |
| Total | | | | | 5 | 14 | 19 | 8 | 0 | 11 |

NEDDC Outstanding Recommendations end of August 2024

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--|--|--|--|
| Laptops and Removable Media – March 21 | As part of its next review, the Joint Information Security Policy should be examined and updated where appropriate to reflect any lessons learned from the effects of the rapid move to home working experienced during the Covid-19 pandemic. | Low January 2022 Revised target date September 24 | The Information and cyber-security policy is currently awaiting approval via the employee working group on 31 st July. Once approved, this will be published on the Corporate Intranet. |
| Recruitment and Selection – October 2022 | The Recruitment & Selection Policy should be reviewed and updated. Consideration should be given to if a joint NEDDC/BDC policy is still appropriate. | Low June 2023 Revised target date December 2024 | Consultation on 4 key policies is still taking place and these will be considered at JCG in July and then at Council in September. The Recruitment and Selection Policy has been through consultation at SMT and consultation will commence with the Unions in September |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|---------------------------------------|--|--|--|
| | | | with a view to formal approval at JCG in December. The interim policy will be uploaded to the S Drive for managers to use to ensure the Council remains legally compliant. |
| Debtors – November 2022 | The reintroduction of formal recovery procedures should include management of accounts 'on hold' or at 'decide' stage; in particular to ensure that originating departments are contacted for escalation purposes. Periodic reports of items still on hold after an agreed timeframe should be generated for reporting and escalation purposes thereafter. | Medium 31 st August 2023 | Formal recovery procedures have now been reintroduced. We are currently working towards obtaining reports of items on hold for reporting and escalation purposes. |
| Network Security – May 2023 | It is essential that all policies and strategies are reviewed, updated and approved on a timely basis. Once approved the policies should be published on the Joint ICT Intranet site. | Medium End October 2021 Revised target date September 2024 | The Information and cyber-security policy is currently awaiting approval via the employee working group on 31 st July. Once approved, this will be published on the Corporate Intranet. |
| Network Security – May 2023 | ICT should consider the development of an I-Cloud Policy for NEDDC and BDC and include this on the Council's | Medium End March 2022 | Cloud policies are incorporated into the latest Information and cyber-security policy which is currently awaiting approval via the employee working group on 31 st July. Once |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|---------------------------------------|---|--|--|
| | Joint ICT Intranet Site. | Revised target date September 2024 | approved, this will be published on the Corporate Intranet area. |
| Taxi Licensing – May 23 | Fees / charges should be reviewed on a regular basis. Once agreed, liaison with the Transport sections should take place to ensure all fees published on the Council's websites are up to date and correct. | Low March 2024 | The calculations for the new fees are currently in draft format, and will be going to the first available Licensing Committee after the summer recess. Ongoing and expected to be completed early 2025. |
| Taxi Licensing – May 23 | A decision is taken in respect of CCTV expectations and policy compliance / exemptions for drivers utilising vehicles for the transport of DCC nominated vulnerable children / adults. | Low December 2023 | A temporary amendment to the policy was made to allow CCTV to be turned off where an existing LA contract was in place to protect vulnerable children/adults, pending a decision being made by Derbyshire County Council and Nottingham County Council as to whether they would amend their existing SEND Transport policies. The Licensing service has been liaising with Derbyshire County Council and Nottingham County Council regarding updates on their policies. Despite many emails and reminders we are still awaiting a firm response, and the temporary amendment will have to remain in |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|---------------------------------------|--|---|---|
| | | | place until we are able to gain a response. Ongoing |
| Facilities Compliance – August 2023 | Fully signed (and sealed if appropriate) contracts held should be retained within a central repository and available in the event of, for example, the need for clarification of responsibilities or a dispute with a Contractor. Additional controls for improvement of administrative processes should be explored linking the responsibilities of contract managers, the procurement and legal services teams. The contract between the Council and Veolia for the management of Legionella inspections should be located and a copy provided to the Corporate Property team for reference. | Medium 31 st March 2024 | As part of the review of this recommendation it has become clear that a wider organisation review of how contracts, grant agreements and other legal documents are stored/retained is needed. Senior leadership have now begun this review and will report progress in due course |
| Members IT Equipment – October 2023 | Due to the low completion rate of the ICT Induction and SAT, an exercise is to be undertaken to ensure that Members | Medium December 2023 | NEDDC – 36 Members have completed the training. 17 have not despite having several reminders and accompanying emails |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--|---|--|---|
| | complete the required training as soon as possible. | | |
| Members IT Equipment – October 2023 | To improve internal control of Member equipment and to automate processes as much as possible, an achievable timeframe is identified and introduced to manage the project of full MDM implementation. | Medium Dependent upon Member co operation | NEDDC – 30 complete. 21 are to be added to the MDM. Staff shortages have delayed the rollout. Additional temporary resource has been recruited to expediate the rollout and encourage Members to bring in their devices. |
| Housing Benefits – December 2023 | Regular reviews of the Discretionary Housing Payment Policy should be undertaken to ensure it continues to meet the Council's overall objectives and is set to target those in most need. | Low 31 st May 2024 | The Discretionary Housing Payment Policy is currently being updated and is expected to be completed by the end of October 2024. |
| Housing Benefits – December 2023 | Unidentified sums held in suspense account 39999997 should be cleared after a defined period. | Low 31 st May 2024 | The work to complete this is currently ongoing and is expected to be completed by 30h September 2024. |
| Coney Green Business Centre – March 2024 | A decision should be made in respect of the ongoing monitoring of tenant obligations (insurances and fire risk assessments) and associated documentation collection. | Medium 1 st April 2024 | Meeting now arranged for 13/06/24 with new Corporate Property Manager (James Longmate) to review – JL only been in post from 3 rd June 24 (previous postholder left on 29 th Feb 24). |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--|--|--|---|
| | | | <p>Roller Shutter & ECIR Programmes to resolve and bring to an end – other compliance monitoring will continually proceed on an annual basis.</p> <p>August 24 - Ongoing</p> |
| Coney Green Business Centre – March 2024 | A review of the Uniform / IDOX system and its reporting capabilities is undertaken to assist management provide a comprehensive property management service. If this system cannot provide what is required, then alternatives should be investigated. | <p>Medium</p> <p>1st April 2024</p> | <p>This is to be reviewed as part of the Action Plan for the Strategic Asset Management Plan (SAMP) – SAMP cannot be formally adopted until the Housing Strategy is completed as the SAMP refers to this.</p> <p>Ongoing</p> |
| Coney Green Business Centre – March 2024 | Scale of charges for services provided should be reviewed and evidenced on a regular basis to ensure they reflect the current cost of the service. This review should include the cost of providing a mailing address. | <p>Low</p> <p>1st April 2024</p> | <p>The review of this is currently ongoing and the initial thoughts are that these services will be withdrawn – only a small number of tenants use these services.</p> <p>However, the services are offered within the leases (most of which are expired) – but where they are in term we have no option to continue.</p> <p>It is thought that the solution will be a phased</p> |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--|---|-----------------------------------|---|
| | | | withdrawal from these additional services offered – but to be CONFIRMED. |
| Coney Green Business Centre – March 2024 | The checklist for daily site inspections should be reintroduced and should include details of the staff member undertaking the inspection, the date / time of inspection and any areas for rectification. Rectification measures taken should also be documented. | Low 1 st May 2024 | <p>Unfortunately, this has not been resolved due to the ongoing issues with the Concierge Contract Provider (Leisuresec).</p> <p>However, an agreement is now in place with Leisuresec (to be legally documented) to remove the Concierge provision from their wider Council contract and the proposal is for NEDDC to provide this service.</p> <p>Numerous HR issues are being worked through to put the proposal in place – once in place the daily CHECKLIST will be implemented.</p> |

North East Derbyshire District Council

Audit Committee

30 September 2024

| |
|---|
| <p>Treasury Management Strategy Update April – June 2024 (Q1)</p> |
|---|

Report of the Director of Finance & 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 the Audit Committee a summary of the Treasury Management position for the first quarter of 2024/25.

RECOMMENDATIONS

1. That Audit Committee note the report concerning the Council’s Treasury Management report for Quarter 1.

IMPLICATIONS

| | | |
|--------------------------------|--------------|-----------|
| <u>Finance and Risk</u> | Yes ✓ | No |
|--------------------------------|--------------|-----------|

These are detailed in the attached report.

On Behalf of the Section 151 Officer

| | | |
|---|------------|-------------|
| <u>Legal including Data Protection</u> | Yes | No ✓ |
|---|------------|-------------|

There are no legal issues arising directly from this report.

On Behalf of the Solicitor to the Council

| | | |
|------------------------|------------|-------------|
| <u>Staffing</u> | Yes | No ✓ |
|------------------------|------------|-------------|

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

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 As per the Code requirements, quarterly reporting of the treasury management indicators and the prudential indicators is now mandatory.

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 2024/25 Treasury Management Strategy at its meeting on 29 January 2024. **Appendix 1** identifies the Treasury Management activity undertaken in the first quarter of 2024/25. This includes reporting on the treasury management indicators as required by the Code such as the maturity structure of borrowing.

Prudential Indicators

- 2.3 Since 1 April 2023 there has been a 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 the first quarter of 2024/25.

3 Reasons for Recommendation

- 3.1 To ensure that the 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 | Treasury Management Monitoring Q1 2024/25 |
| 2 | Prudential Indicators Monitoring Q1 2024/25 |
| Background Papers | |
| | |

Treasury Management Report - Quarter 1 2024/25

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, as a minimum, treasury management semi-annual and annual outturn reports.

This quarterly report provides an additional update and includes the requirement in the 2021 code of quarterly reporting of the treasury management prudential indicators.

The Council's treasury management strategy for 2024/25 was approved at a meeting on 29th January 2024. 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 headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

Data released during the period showed that showed the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April following an expansion of 0.4% in the previous month.

Labour market data continued to provide mixed messages for policymakers, exacerbated by issues the Office for National Statistics is having compiling the labour force survey. In the three months between February and April 2024, unemployment was up, employment fell, while the decline in vacancies slowed and wage growth remained elevated. Unemployment rose to 4.4% (3mth/year) while average regular earnings (excluding bonuses) was 6.0% and total earnings (including bonuses) was 5.9%. Adjusting for inflation, real regular pay rose by 2.3% and total pay by 2.2%. Given how keenly the 'second-round' impact of inflation on wages is watched by the BoE, policymakers will likely want to see more downward movement before cutting interest rates.

Having started the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at this level throughout the quarter. In line with expectations, at its June meeting, the Committee voted by a majority of 7-2 in favour of maintaining the status quo. The two dissenters preferred an immediate 0.25% reduction in Bank Rate to 5.0%. This continued dovish tilt by the Committee increased financial market expectations that the first cut in Bank Rate will likely be in August.

Earlier in May, in addition to an identical MPC rate decision and voting pattern, the Bank published the latest version of its Monetary Policy Report (MPR). Within the Report, the Committee noted that it expected four-quarter GDP growth to increase over the forecast period, reflecting the declining negative effects of past Bank Rate increases and the predicted downward path of interest rates which should provide support to economic activity. The trajectory of inflation was broadly similar to that in the previous MPR, albeit slightly lower towards the end of the forecast horizon due to the Committee's revised assessment of falling external inflationary pressures from past import price increases. This meant the Committee expected headline inflation to hit the 2% target two quarters sooner than in the February MPR. As was highlighted earlier, inflation data published in June showed that CPI inflation fell to the 2% target in May.

Arlingclose, the Council's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in H2 2024. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

The US Federal Reserve also maintained interest rates over the period, holding the Fed Funds Rate at 5.25%-5.50% for the seventh consecutive month in June, as was expected. US policymakers have maintained a relatively dovish stance throughout the period but have steadily reduced their predictions around the pace and timing of rate cuts in the face of higher inflation and firmer economic growth. At the meeting, economic projections pointed to one rate cut in calendar 2024 and four in 2025.

The European Central Bank cut rates in June, reducing its main refinancing rate from 4.50% to 4.25%. Inflation in the region fell to 2.5% in May, having increased in the previous month, but since February has been fairly sticky at between 2.4% and 2.6%. Economic growth in the region has picked up but remains weak, and with inflation above the ECB's target this continues put pressure on policymakers on how to balance these factors when setting monetary policy.

Financial markets: Sentiment in financial markets showed signs of improvement over the quarter, but bond yields remained volatile. Early in the period yields climbed steadily, but mixed signals from economic data and investors' constant reassessment of when rate cuts might come caused a couple of fairly pronounced

but short-lived dips in yields. Towards the end of the quarter yields rose once again and were generally higher than at the start of the period.

Over the quarter, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.18% having reached 4.41% in May. While the 20-year gilt started at 4.40%, hit 4.82% in May, before ending the period at 4.61%. The Sterling Overnight Rate (SONIA) averaged 5.20% over the quarter to 30th June.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

During the quarter, Fitch revised its outlook on Transport for London (TfL) to stable from negative while S&P upgraded its long-term rating for TfL to AA- from A+, in line with its rating of the UK sovereign.

Fitch also upgraded the long-term ratings for the main four Australian banks – Australia & New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac.

Having placed Warrington Borough Council on review for a downgrade in March, Moody's subsequently withdrew its ratings for the council in June.

Credit default swap prices started and ended the quarter at broadly similar levels in the UK as they did for the European, Singaporean and Australian lenders on Arlingclose's counterparty list, while Canadian banks generally trended modestly downwards.

Financial 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 31st 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

| | 31.3.24 Actual £m | 31.3.25 Forecast £m |
|-------------------------------|----------------------------------|------------------------------------|
| General Fund CFR | 21.7 | 40.1 |
| HRA CFR | 177.3 | 189.1 |
| Total CFR | 199.0 | 229.2 |
| Less: *Other debt liabilities | 0 | (0.8) |
| Borrowing CFR | 199.0 | 228.4 |
| External borrowing** | (142.8) | (157.0) |
| Internal borrowing | 56.2 | 71.4 |
| Less: Balance sheet resources | (70.2) | (81.4) |
| Net | 14.0 | 10.0 |

* 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 30th June and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

| | 31.3.24 Balance £m | Movement £m | 30.6.24 Balance £m | 30.6.24 Rate % |
|----------------------------|-----------------------------------|------------------------|-----------------------------------|-------------------------------|
| Long Term Borrowing – PWLB | 142.8 | 5.0 | 147.8 | 3.88 |
| Total Borrowing | 142.8 | 5.0 | 147.8 | 3.88 |
| Short-Term Investments | (14.0) | 3.0 | (11.0) | (5.60) |
| Cash and cash Equivalents | (1.4) | (0.9) | (2.3) | (5.15) |
| Total Investments | (15.4) | 2.1 | (13.3) | (5.49) |
| Net Borrowing | 127.4 | 7.1 | 134.5 | |

Borrowing strategy and activity

As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriate 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 Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of

affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

Policy interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the last quarter gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectedly positive economic data. Data from the US continues to impact global markets including UK gilt yields.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the quarter and 4.96% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.

Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.25% through the quarter.

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 no new plans to borrow to invest primarily for financial return.

The PWLB HRA rate which is 0.4% below the certainty rate is available up to June 2025. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, (add, if applicable) providing a window of opportunity for HRA-related borrowing and to replace the Authority's £6m loans relating to the HRA maturing during this time frame. During the first Quarter of 2024-25 the Council has borrowed £5m at the HRA rate and there is further intention to borrow for the HRA during 2024-25.

On 30th June the Council held £147.8m of loans, an increase of £5.0m since 31st March 2024, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th June are summarised in Table 3A below.

Table 3A: Borrowing Position

| PWLB Borrowing | Maturity Profile 31 March 2024 £'000 | Net Movement £'000 | Maturity Profile 30 June 2024 £'000 |
|------------------------|---|-----------------------------------|--|
| Term | | | |
| 12 Months | 6,109 | 250 | 6,359 |
| 1 - 2 years | 9,000 | 500 | 9,500 |
| 2 - 5 years | 10,284 | 1,500 | 11,784 |
| 5 - 10 years | 28,326 | 2,750 | 31,076 |
| 10 - 15 years | 42,000 | (0) | 42,000 |
| Over 15 years | 47,090 | (0) | 47,090 |
| Total PWLB Debt | 142,809 | 5,000 | 147,809 |

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.

The UK Infrastructure Bank is one alternative source of funding which offers funding at gilt yields + 0.40% (0.40% below the PWLB certainty rate) and the possibility of more flexible funding structures than the PWLB. Funding from UKIB is generally only available for certain types of projects that meet its criteria of green energy, transport, digital, water and waste. The minimum loan size is £5 million.

Treasury Management Investment Activity

The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The 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 £10.0 and £19.0 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 01/04/24 £000's | Amount Invested 2024/25 £000's | Amount Returned 2024/25 £000's | Balance Invested 30/06/24 £000's | Interest Received 30/06/24 £000's |
|---------------------------------|-------------------------|------------------------------|---------------------------------------|---------------------------------------|---|--|
| Federated Fund 3 | Call | 3,000 | 8,008 | (11,008) | 0 | (8) |
| Federated GBP 3 | Call | 0 | 0 | (0) | 0 | (0) |
| Aberdeen Standard | Call | 0 | 0 | (0) | 0 | (0) |
| CCLA Public Sector Deposit Fund | 1 Day Call | 0 | 0 | (0) | 0 | (0) |
| Aviva | Call | 0 | 14,024 | (13,024) | 1,000 | (24) |
| Invesco | Call | 1,000 | 1 | (1,001) | 0 | (1) |
| JP Morgan | Call | 0 | 0 | (0) | 0 | (0) |
| Goldman Sachs | Call | 0 | 0 | (0) | 0 | (0) |
| SSGA | Call | 0 | 0 | (0) | 0 | (0) |
| Lancashire County Council | 12 Months | 5,000 | 74 | (74) | 5,074 | (74) |
| Aberdeen County Council | 12 Months | 5,000 | 70 | (70) | 5,070 | (70) |
| Total | | 14,000 | 22,177 | (25,177) | 11,000 | (177) |

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first three quarters of the financial year was £4.788m. 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 30 June 2024 is £22,492.81.

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 Authority expects to be a long-term investor and treasury investments therefore include both short-term low

risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

Bank Rate remained at 5.25% through the quarter with short term interest rates largely being around this level. Money Market Rates ranged between 5.25% and 5.25% by the end of June 2024.

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 % |
|--------------------------|---------------------|----------------------|-------------------------|---|-------------------------|
| 31.03.2024 30.06.2024 | 5.69 | A | 25% | 104 | 5.63 |
| Similar Las/All LAs | 4.76 | A+ | 62% | 52 | 5.02 |

*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 31st 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 the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

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

The Council also held £15.853m of such investments in

- Loans to Rykneld Homes Ltd £6.501m
- Loans to Northwood Group Ltd £9.352m

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

- Directly owned property £21.8m

These investments generated £0.273m of investment income for the Council after taking account of direct costs, representing a rate of return of 1.25% as at 30th June 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 | 147.8 | 157.0 | Under | 3.88 | 4.86 | Under |
| Total borrowing | 147.8 | 157.0 | Under | 3.88 | 4.86 | Under |
| Total debt | 147.8 | 157.0 | Under | 3.88 | 4.86 | Under |
| Investments (see table 4) | 11.0 | 10.0 | Over | 5.60 | 4.50 | Over |
| Total treasury investments | 11.0 | 10.0 | Over | 5.60 | 4.50 | Over |

MRP Regulations

On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take

effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding Capital Financing Requirement (CFR) in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

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

| | 2024/25 Maximum per counterparty | 30.06.24 Actual | 2024/25 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 | £1m | 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

| | Q1 2024/25 Maximum £m | 30.06.24 Actual £m | 2024/25 Operational Boundary £m | 2024/25 Authorised Limit £m | Complied? |
|-------------------|--|-----------------------------------|--|--|------------------|
| Borrowing | 157.0 | 147.8 | 234.2 | 239.2 | Yes |
| Total debt | 157.0 | 147.8 | 234.2 | 239.2 | 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 Prudential Indicators

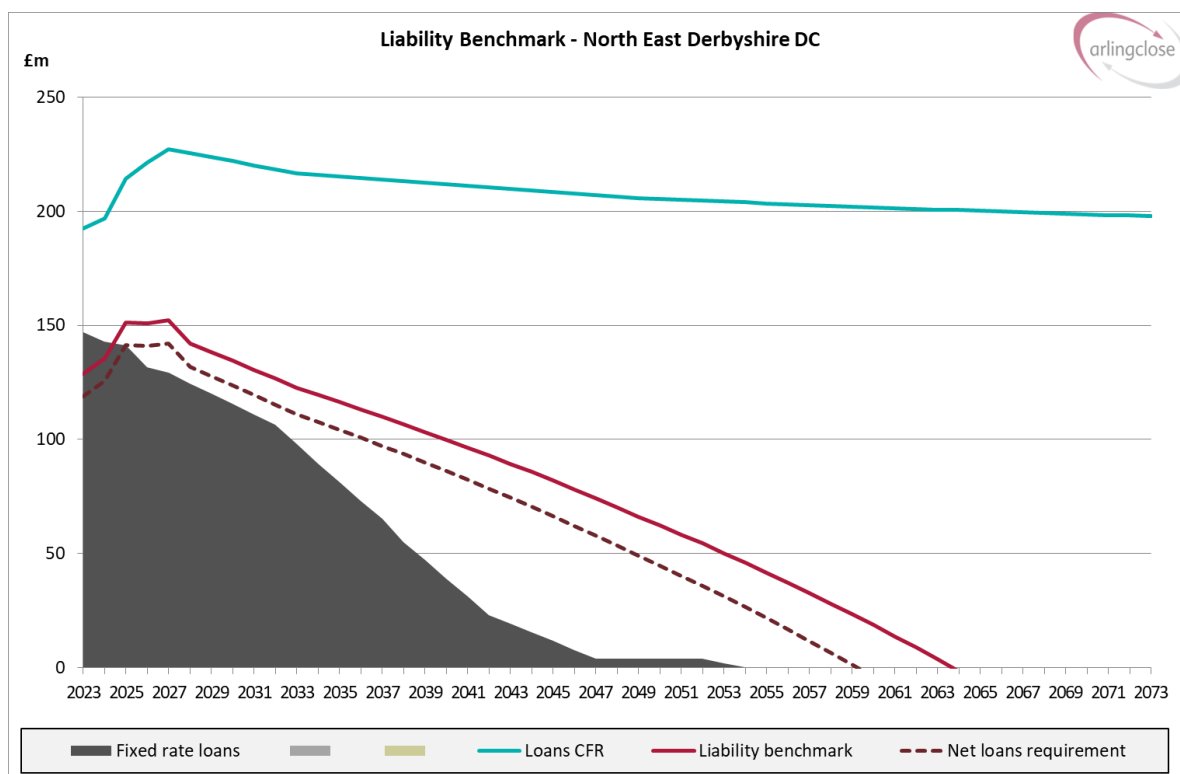
As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark:

This 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.

| | 31.3.24 Actual | 31.3.25 Forecast | 31.3.26 Forecast | 31.3.27 Forecast |
|-------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Loans CFR | 199.0 | 229.2 | 233.8 | 236.6 |
| Less: Balance sheet resources | (73.7) | (81.4) | (87.2) | (90.3) |
| Net loans requirement | 125.3 | 147.8 | 146.6 | 146.3 |
| Plus: Liquidity allowance | 10.0 | 10.0 | 10.0 | 10.0 |
| Liability benchmark | 135.3 | 157.8 | 156.7 | 156.3 |
| Existing borrowing | 142.8 | 157.0 | 156.0 | 155.9 |

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £18.5m in 2024/25, 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 | 30.06.24 Actual | Complied? |
|--------------------------------|-------------|-------------|-----------------|-----------|
| Under 12 months | 20% | 0% | 4.30% | Yes |
| 12 months and within 24 months | 20% | 0% | 6.43% | Yes |
| 24 months and within 5 years | 40% | 0% | 7.97% | Yes |
| 5 years and within 10 years | 40% | 0% | 20.86% | Yes |
| 10 years and above | 90% | 0% | 60.44% | 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:

| | 2024/25 | 2025/26 | 2026/27 | 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.

| | 2024/25 Target | 30.06.24 Actual | Complied? |
|---------------------------------|----------------|-----------------|-----------|
| Portfolio average credit rating | <3.0 | 2.33 | 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.

| | 2024/25 Target £m | 30.06.24 Actual £m | Complied? |
|--------------------------------------|-------------------|--------------------|-----------|
| Total cash available within 3 months | 10.0 | 11.0 | Yes |

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk.

| Interest rate risk indicator | 2024/25 Target | 30.06.24 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>01/04/24</u> | <u>30/06/24</u> |
|---|-----------------|-----------------|
| Bank Rate | 5.25% | 5.25% |
| 1-year PWLB certainty rate, maturity loans | 5.39% | 5.37% |
| 5-year PWLB certainty rate, maturity loans | 4.72% | 4.89% |
| 10-year PWLB certainty rate, maturity loans | 4.80% | 4.96% |
| 20-year PWLB certainty rate, maturity loans | 5.24% | 5.37% |
| 50-year PWLB certainty rate, maturity loans | 5.07% | 5.18% |

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 - Quarter 1 2024/25

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.

| | 2023/24 actual £m | 2024/25 forecast £m | 2025/26 budget * £m | 2026/27 budget £m |
|-----------------------|----------------------------------|------------------------------------|------------------------------------|----------------------------------|
| General Fund services | £15.429 | £32.906 | £5.215 | £2.028 |
| Council housing (HRA) | £30.387 | £33.894 | £24.514 | £22.855 |
| Capital investments | £0.000 | £0.000 | £0.000 | £0.000 |
| Total | £45.816 | £66.800 | £29.729 | £24.883 |

* £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 General Asset Refurbishment Schemes, Mill Lane Asset Refurbishment Scheme, Coney Green Telephony System Replacement, Vehicle Replacement, 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 and Stonebroom replacement housing and a stock purchase programme.

Capital Financing Requirement:

The Council'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.

| | 31.3.2024 actual £m | 31.3.2025 forecast * £m | 31.3.2026 budget £m | 31.3.2027 budget £m |
|-----------------------|------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
| General Fund services | £21.697 | £40.090 | £36.124 | £31.955 |
| Council housing (HRA) | £177.291 | £189.070 | £197.673 | £204.617 |
| Capital investments | £0.000 | £0.000 | £0.000 | £0.000 |
| TOTAL CFR | £198.988 | £229.160 | £233.797 | £236.572 |

* £0.815m 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.

| | 31.3.2024 actual £m | 31.3.2025 forecast £m | 31.3.2026 budget £m | 31.3.2027 budget £m | Debt at 30.06.2024 £m |
|-------------------------------|------------------------------------|--------------------------------------|------------------------------------|------------------------------------|--------------------------------------|
| Debt (incl. PFI & leases) | £142.809 | £156.995 | £155.995 | £155.898 | £147.809 |
| Capital Financing Requirement | £198.988 | £229.160 | £233.797 | £236.572 | |

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 Q1 2024/25 £m | Debt at 30.06.24 £m | 2024/25 Authorised Limit £m | 2024/25 Operational Boundary £m | Complied? |
|-------------------|---|------------------------------------|--|--|------------------|
| Borrowing | £156.995 | £147.809 | £239.200 | £234.200 | Yes |
| Total debt | £156.995 | £147.809 | £239.200 | £234.200 | 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 Council'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.

| | 2023/24 actual £m | 2024/25 forecast £m | 2025/26 budget £m | 2026/27 budget £m |
|--|----------------------------------|------------------------------------|----------------------------------|----------------------------------|
| Total net income from service and commercial investments | 1.247 | 1.122 | 10.25 | 0.811 |
| Proportion of net revenue stream | 7.97% | 6.20% | 5.50% | 4.22% |

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.

| | 2023/24 actual | 2024/25 forecast * | 2025/26 budget | 2026/27 budget |
|----------------------------------|---------------------------|-------------------------------|---------------------------|---------------------------|
| Financing costs (£m) | (0.791) | (0.030) | 0.575 | 0.813 |
| Proportion of net revenue stream | (5.06%) | (0.16%) | 3.08% | 4.23% |

* £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 TM Appendix 1 Treasury Management Q1 Monitoring 2024/25.

North East Derbyshire District Council

Audit Committee

30 September 2024

| |
|---|
| <p>Evaluating the Effectiveness of the Audit Committee</p> |
|---|

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

Classification: This report is public

Report By: Jayne Dethick – Director of Finance & Resources
 (S151 Officer)

Contact Officer: as above

PURPOSE/SUMMARY

- For the Committee to assess its effectiveness

RECOMMENDATIONS

1. That the Audit Committee undertake a self-assessment
2. That the completed self-assessment is reviewed by the Committee and if necessary, an action plan be presented to a future meeting.

IMPLICATIONS

| | | |
|--|------------|-------------|
| <u>Finance and Risk</u> | Yes | No ✓ |
| There are no direct financial implications arising from this report. | | |
| On Behalf of the Section 151 Officer | | |
| <u>Legal including Data Protection</u> | Yes | No ✓ |
| There are no legal implications arising directly from this report. | | |
| On Behalf of the Solicitor to the Council | | |
| <u>Staffing</u> | Yes | No ✓ |
| There are no staffing issues arising directly from this report. | | |

REPORT DETAILS

1 Audit Committee Self-Assessment

- 1.1 Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams and elected representatives.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance which emphasises the role and importance of an Audit Committee:
- “The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit committees are an important source of assurance about an organisation’s arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation”*
- 1.3 The guidance covers the purpose of the Audit Committee, its core functions, independence and accountability, membership, and effectiveness. It also includes a self-assessment checklist to assist audit committees in measuring themselves against good practice. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the Committee is soundly based and has in place a knowledgeable membership.
- 1.4 It is recommended practice that the self-assessment is undertaken periodically by the Committee. The results of the last assessment are attached at Appendix 1 for information.

2 Reasons for Recommendation

- 2.1 To facilitate the Audit Committee to undertake a self-assessment.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

| Appendix No | Title |
|-------------|---------------------------|
| 1 | Self-Assessment checklist |

| | |
|--|-----------------------|
| | |
| 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) or Executive (BDC) you must provide copies of the background papers) | |
| | |
| Report Author | Contact Number |
| Jayne Dethick – Director – Finance and Resources (S151 Officer) | 01246 217078 |

Self-Assessment of Good Practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

| Good Practice Question | | Yes | Partly | No |
|---|---|-----|--------|----|
| <i>Audit committee purpose and governance</i> | | | | |
| 1 | Does the authority have a dedicated audit committee? | √ | | |
| 2 | Does the audit committee report directly to full council? | √ | | |
| 3 | Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement? | √ | | |
| 4 | Is the role and purpose of the audit committee understood and accepted across the authority? | | √ | |
| 5 | Does the audit committee provide support to the authority in meeting the requirements of good governance? | √ | | |
| 6 | Are the arrangements to hold the committee to account for its performance operating satisfactorily? | √ | | |
| 7 | Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? | | | |
| | • Good governance | √ | | |
| | • Assurance framework, including partnerships and collaboration arrangements | √ | | |
| | • Internal Audit | √ | | |

| Good Practice Question | | Yes | Partly | No |
|-------------------------------|---|-----|--------|----|
| | <ul style="list-style-type: none"> External Audit | √ | | |
| | <ul style="list-style-type: none"> Financial Reporting | √ | | |
| | <ul style="list-style-type: none"> Risk Management | √ | | |
| | <ul style="list-style-type: none"> Value for money or best value | √ | | |
| | <ul style="list-style-type: none"> Counter-fraud and corruption | √ | | |
| | <ul style="list-style-type: none"> Supporting the ethical framework | √ | | |
| 8 | Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? | √ | | |
| 9 | Has the audit committee considered the wider areas of CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them? | √ | | |
| 10 | Where coverage of core areas has been found to be limited, are plans in place to address this? | N/A | | |
| 11 | Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose? | √ | | |
| <i>Membership and support</i> | | | | |
| 12 | Has an effective audit committee structure and composition of the committee been selected? This should include: | | | |
| | <ul style="list-style-type: none"> Separation from the executive | √ | | |
| | <ul style="list-style-type: none"> An appropriate mix of knowledge and skills among the membership | √ | | |
| | <ul style="list-style-type: none"> A size of a committee that is not unwieldy | √ | | |
| | <ul style="list-style-type: none"> Consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). | √ | | |

| Good Practice Question | | Yes | Partly | No |
|------------------------|--|-----|--------|----|
| 13 | Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council? | N/A | | |
| 14 | Does the chair of the committee have appropriate knowledge and skills? | √ | | |
| 15 | Are arrangements in place to support the committee with briefings and training? | √ | | |
| 16 | Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory? (App C) | √ | | |
| 17 | Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer? | √ | | |
| 18 | Is adequate secretariat and administrative support to the committee provided? | √ | | |
| 19 | Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work? | √ | | |
| 20 | Are meetings effective with a good level of discussion and engagement from all the members? | √ | | |
| 21 | Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? | √ | | |
| 22 | Does the committee make recommendations for the improvement of governance, risk and control and are these acted on? | √ | | |
| 23 | Has the committee evaluated whether and how it is adding value to the organisation? | √ | | |
| 24 | Does the committee have an action plan to improve any areas of weakness? | | | |
| 25 | Does the committee publish an annual report to account for its performance and explain its work? | √ | | |

North East Derbyshire District Council

Audit Committee

30 September 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 | <ul style="list-style-type: none"> • External Audit Progress Report • Risk Management Update • Treasury Management Update (Q4) • Annual Governance Statement and Code of Corporate Governance • Statement of Accounts 2023/24 draft • Going Concern 2023/24 draft • IA reports |
| 30 September 2024 | <ul style="list-style-type: none"> • External Audit Progress Report • Internal Audit Progress Report • Monitoring the implementation of Internal Audit recommendations • Treasury Management update Q1 • Audit Committee Self Assessment • Risk Management Update • Safeguarding update • Cyber Security presentation |
| 20 January 2025 | <ul style="list-style-type: none"> • Treasury Management Strategies 2025/26 – 2028/29 • External Audit Progress Report • Internal Audit Progress Update • Risk Management Update • Proposed Accounting Policies 2024/25 • Review of the Internal Audit Charter |
| Accounts Sign off Meeting Last week in Feb – TBC | <ul style="list-style-type: none"> • Audit Completion Report 2023/24 |
| 14 April 2025 | <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 2024/25 • Risk Management update • Treasury Management Update Q3 |

Agenda Item 12a

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted