

# Public Document Pack



<b>COMMITTEE:</b>	<b>JOINT AUDIT AND STANDARDS COMMITTEE</b>
<b>DATE:</b>	<b>MONDAY, 31 JULY 2023 10.30 AM</b>
<b>VENUE:</b>	<b>FRINK ROOM (ELISABETH) - ENDEAVOUR HOUSE</b>

<b>Members</b>		
<u>Conservative</u> Isabelle Reece John Whitehead	<u>Green Party</u> Austin Davies Simon Dowling John Matthissen (Co-Chair) James Patchett Tim Register	<u>Independent</u> Mary McLaren  <u>Liberal Democrat</u> Bryn Hurren (Co-Chair) Adrienne Marriott

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## **AGENDA**

### **PART 1**

#### **MATTERS TO BE CONSIDERED WITH THE PRESS AND PUBLIC PRESENT**

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- 1        **SUBSTITUTES AND APOLOGIES**
- 2        **DECLARATION OF INTERESTS**
- 3        **JAC/23/01 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 22 MARCH 2023**    5 - 10
- 4        **TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME**
- 5        **QUESTIONS BY THE PUBLIC**

To consider questions from, and provide answers to, the public in relation to matters which are relevant to the business of the meeting and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

6        **QUESTIONS BY COUNCILLORS**

To consider questions from, and provide answer to, Councillors on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

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	Report from the Director – Corporate Resources With update from Arlingclose on current market conditions.	
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**Date and Time of next meeting**

Please note that the next meeting is scheduled for Monday, 25 September 2023 at 10.30 am.

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact the Committee Officer B.Webb, Committee Services on: 01449 724683 or Email: [Committees@baberghmidsuffolk.gov.uk](mailto:Committees@baberghmidsuffolk.gov.uk)

### **Introduction to Public Meetings**

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# Agenda Item 3

## **BABERGH AND MID SUFFOLK DISTRICT COUNCILS**

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Wednesday, 22 March 2023

### **PRESENT:**

Councillors:	James Caston	Austin Davies
	Rachel Eburne	Bryn Hurren (Co-Chair)
	David Muller (Co-Chair)	Zachary Norman
	Mike Norris	John Nunn
	Alison Owen	

### **In attendance:**

Officers:	Interim Monitoring Officer (IA)
	Corporate Manager – Internal Audit (JS)
	Governance Officer (BW)

### **DECLARATION OF INTERESTS**

There were no declarations of interest.

### **JAC/21/45 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 30 JANUARY 2023**

It was **RESOLVED**: -

**That the minutes of the meeting held on the 30th January 2023 be confirmed and signed as a true record.**

### **TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME**

None received.

### **QUESTIONS BY THE PUBLIC**

None received.

### **QUESTIONS BY COUNCILLORS**

None received.

### **JAC/21/46 MANAGING THE RISK OF FRAUD AND CORRUPTION ANNUAL REPORT 2022/23**

116.1 The Chair invited the Corporate Manager – Internal Audit to introduce report JAC/21/46 to the committee.

- 116.2 Councillor Norris queried who the preceptors were in relation to single resident council tax discounts. The Corporate Manager – Internal Audit responded that the precept was the money paid back to Suffolk County Council.
- 116.3 Councillor Davies queried how this report had compared to previous years. The Corporate Manager – Internal Audit responded that it was comparable to previous years and there tended to be low levels of risk, a proportional view is taken with anti-fraud work. However, if there were to be an increase more resources could be brought in if necessary.
- 116.4 Councillor Eburne questioned the money laundering training for officers, and how many had undertaken the training, and how often refresher courses would be. The Corporate Manager – Internal Audit responded that the training had been planned for this year and was compulsory for all staff. The module had a tracker to monitor the number of people who had completed the training, anyone who had not completed the training would have an email sent to their manager. Refresher training would be provided within the next year.
- 116.5 Councillor Eburne questioned whether the number of public referrals were in keeping with other councils. The Corporate Manager – Internal Audit responded that the reporting platform was new and had only been in place since December. Previously the system had been shared with Suffolk County Council and since the move to the new system there had been an increase in reports.
- 116.6 Councillor Caston queried why every Director had been trained on money laundering opposed to having one champion, and whether there was a flowchart on the reporting process. The Corporate Manager – Internal Audit responded that he was the key money laundering reporting officer. Additionally, within the prevention of financial crime policy there was a reporting process in place, where in the event that money laundering is suspected, it got reported to the Corporate Manager – Internal Audit with reports being on a need-to-know basis.
- 116.7 Councillor Caston questioned how encryption of pdfs and prevention of malware fit in the strategy and how they were dealt with. The Corporate Manager – Internal Audit responded that there was regular contact with the Corporate Manager for ICT and Programme Management and through the Annual Governance statement an overview of the systems in place is provided. Additionally, an audit in cyber security had been recently undertaken by an external audit company.
- 116.8 Councillor Hurren highlighted the rating of no concern on Right to Buy properties and queried whether the previous case of right to buy refusal was resolved satisfactorily. The Corporate Manager – Internal Audit responded that the concern was reported through the proper channels and reported to the national crime office, and whilst the council did not hear the outcome from

the national crime office, the proper council process was followed.

- 116.9 Councillor Caston questioned whether in terms of Right to Buy if there was suspicion on the source of the money whether the council had the powers to look at the source of the funds. The Corporate Manager – Internal Audit responded that in cases where there was suspicion a crime officer would be involved and it would be referred to the police.
- 116.10 Councillor Caston queried how whistleblowing was managed so that people could report it freely. The Corporate Manager – Internal Audit responded that all reports would be treated in confidence and would be anonymous. The report would go to the Monitoring Officer, the Section 151 Officer, and the Corporate Manager – Internal Audit and would be investigated to see if there was a strong case, following this HR would be liaised with and a summary of what action had been taken would be provided.
- 116.11 Councillor Muller queried whether future members of the Joint Audit and Standards Committee could receive a briefing on money laundering. The Corporate Manager – Internal Audit responded that the training module could be extended to Councillors and the slides that went to Corporate Managers could be circulated to committee members.
- 116.12 Councillor Caston proposed that the contents of this report detailing the progress made in ensuring there are effective arrangements and measures in place across both Councils to minimise the risk of fraud and corruption be noted.
- 116.13 By a unanimous vote.

**It was RESOLVED: -**

**That the contents of this report detailing the progress made in ensuring there are effective arrangements and measures in place across both Councils to minimise the risk of fraud and corruption be noted.**

#### **JAC/21/47 INTERNAL AUDIT PLAN 2023/24**

- 117.1 The Chair invited the Corporate Manager – Internal Audit to introduce report JAC/21/47 to the committee.
- 117.2 Councillor Caston questioned whether any changes or adaptations being made from an audit perspective in relation to the self-referral to the housing regulator. The Corporate Manager – Internal Audit responded that as this was an ongoing exercise it had been scheduled to be looked at on a later date. Additionally, the Corporate Manager – Internal Audit would do a health check with the Director – Housing in terms of what was recommended and how it was implemented. The Interim Monitoring Officer added that the Senior

Leadership Team had sight of the risk register and injunctions had been taken out on residents of council properties who were refusing entry for gas inspections.

117.3 Councillor Eburne queried the performance management framework and how internal audit would work with reporting on areas that were not doing well, and how this was linked with financial objectives. The Corporate Manager – Internal Audit responded that this had not been looked at in detail in the past, the providing of relative reports would link performance with financial implications and risk. These disciplines would be grouped together in a report for Members including the framework in terms of the KPIs and how they are managed and reported.

117.4 Councillor Davies questioned why the strategic plan for the council to achieve net zero by 2030 had not been included as a strategic target within the plan. The Corporate Manager – Internal Audit responded that the climate change action plan would be monitored by the director and emerging risks would be raised with directors and included within the plan as it was flexible with emerging risks.

117.5 Councillor Hurren queried the fees and charges and how they fit into Audit. The Corporate Manager – Internal Audit responded that it related to income streams and that the council's fees and charges were in line with those of other councils and not over or under charging for services.

117.6 Members thanked the Corporate Manager – Internal Audit for his report, and for his work over the last term.

117.7 Councillor Hurren proposed that the contents of the Internal Audit report, supported by Appendix A, be noted.

117.8 Councillor Caston seconded this motion.

117.9 By a unanimous vote.

**It was RESOLVED: -**

**That the contents of the Internal Audit report, supported by Appendix A, be noted.**

### **JAC/21/48 COMPLAINTS MONITORING REPORT**

118.1 The Chair invited the Interim Monitoring Officer to introduce report JAC/21/48 to the committee.

118.2 The Complaints Monitoring Report was noted.

### **JAC/21/49 FORWARD PLAN**



119.1 It was noted that the Statement of Accounts and Auditors Report 2022/23 be amended to read Statement of Accounts and Auditors Report 2020/21.

The business of the meeting was concluded at 15:20 pm.

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Chair

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# Agenda Item 7

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>TO: Joint Audit &amp; Standards Committee</b>	<b>REPORT NUMBER: JAC/23/02</b>
<b>FROM: Melissa Evans, Director, Corporate Resources</b>	<b>DATE OF MEETING: 31 July 2023</b>
<b>OFFICER: Bob Palmer, Interim Corporate Manager – Finance and Procurement</b>	<b>KEY DECISION REF NO. N/A</b>

### ANNUAL TREASURY MANAGEMENT REPORT – 2022/23

#### 1. PURPOSE OF REPORT

- 1.1 The report is part of the Councils management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management (“the Code”). It provides Members with a comprehensive assessment of activities for the financial year 2022/23.
- 1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, the transactions executed in the past year and any circumstances of non-compliance with the Councils treasury management policy statement and treasury management practices.
- 1.3 The report also includes performance on Prudential Indicators which were set in the 2022/23 Treasury Management Strategy (shown in Appendix E).
- 1.4 The figures contained in this report are subject to the external auditor’s review.

#### 2. OPTIONS CONSIDERED

- 2.1 This report fulfils the Councils legal obligations to have regard to the Code and there are no options to consider.

#### 3. RECOMMENDATION TO BOTH COUNCILS

- 3.1 That the treasury management activity for the year 2022/23 as set out in this report and appendices be noted.
- 3.2 That it be noted that both Councils activity was in accordance with the approved Prudential Indicators for 2022/23.

#### RECOMMENDATION TO BABERGH COUNCIL

That it be noted that Babergh District Council’s treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that, aside from exceeding the net upper limit of interest rate exposure at the end of 2022/23 as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

## **RECOMMENDATION TO MID SUFFOLK COUNCIL**

- 3.3 That it be noted that Mid Suffolk District Council's treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

## **REASON FOR DECISION**

**It is a requirement of the Code of Practice on Treasury Management that full Council notes the position for the financial year 2022/23.**

## **4. KEY INFORMATION**

- 4.1 The 2022/23 Treasury Management Strategy for both Councils was approved in February 2022.
- 4.2 The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the financial year.
- 4.3 The Half Year Report on Treasury Management 2022/23 was presented to Members at the Joint Audit and Standards Committee on 28 November 2022.
- 4.4 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice.
- 4.5 Appendix D shows the position on key Treasury Management Indicators for 2022/23.
- 4.6 Key points relating to activity for the year are set out below:
- Major issues over the period were the war in Ukraine, higher inflation, commodity prices, higher interest rates, and the impact on household budgets and spending.
  - Starting the year at 5.5%, CPI increased rapidly, peaking at 11.1% in October, and has remained stubbornly high since, with continued upward contributions coming from food and housing, despite reductions in the impact of earlier energy price surges.
  - The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. This was further increased to 4.5% in May 2023.

- Babergh’s short-term debt increased by £5m whilst long-term debt reduced by £0.6m. Mid Suffolk’s short-term debt reduced by £6.5m and medium/long-term borrowing reduced by £6.1m.

4.7 Specific highlights relating to 2022/23 activity are provided below:

<b>Area/Activity</b>	<b>Babergh</b>	<b>Mid Suffolk</b>	<b>Comments</b>
Long Term Borrowing – average interest rate	3.20%	2.63%	All at fixed rates
Credit Risk Scores during the year (value weighted average)	4.90 – 5.20	3.22 – 5.35	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix E

4.8 Appendix A sets out the issues that are impacting on current and future treasury management activity.

## **5. LINKS TO JOINT CORPORATE PLAN**

5.1 Ensuring that the Councils have the resources available underpins the ability to achieve the priorities set out in the Joint Corporate Plan.

## **6. FINANCIAL IMPLICATIONS**

6.1 As detailed in the report and appendices.

## **7. LEGAL IMPLICATIONS**

7.1 The legal status of the Treasury Management Code derives in England from regulations issued under the Local Government Act 2003 (the 2003 Act).

7.2 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the 2003 Act.

7.3 The latest statutory guidance on local government investments was issued under section 15(1)(a) of the 2003 Act and effective for financial years commencing on or after 1 April 2018. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.

## **8. RISK MANAGEMENT**

8.1 This report is most closely linked to the Councils’ Significant Risk Register, Risk no. 4. “We may be unable to respond in a timely and effective way to financial demands”.

8.2 The operational risks relating to treasury management are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
If the Councils lose the investments this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils achieve a poorer return on investments than planned, there will be fewer resources available to deliver services.	Probable (3)	Noticeable (2)	Focus is on security and liquidity, and careful cash flow management in accordance with the TM Strategy is undertaken throughout the year.
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.

## 9. CONSULTATIONS

9.1 Regular meetings have taken place with the Councils Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

## 10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

## 11. ENVIRONMENTAL IMPLICATIONS

11.1 All Council activities will need to be reviewed as part of the work of the Climate Change Task Group and have regard to the Councils ambition to be carbon neutral by 2030.

11.2 Both Councils have joined Arlingclose's ESG and Responsible Investment Service. This will provide advice for ESG integration in the Councils' investment portfolios.

11.3 Following a report (Report JAC/20/21) on 17 May 2021 it was resolved by this Committee to recommend that the Cabinet pushes its fund managers to filter investments in respect of the ESG considerations, looking for positive contributions to tackling our carbon reduction priorities and that the Cabinet considers withdrawing funds from investors who do not adequately address these concerns.

11.4 The Joint Audit and Standards Committee recognised that any decision to withdraw funds should be balanced against financial prudence.

## 12. APPENDICES

Title	Location
(a) Background, Economy and Outlook	Appendix A
(b) Borrowing Strategy	Appendix B
(c) Investment activity	Appendix C
(d) Treasury Management Indicators	Appendix D
(e) Prudential Indicators	Appendix E
(f) Glossary of Terms	Appendix F

## 13. BACKGROUND DOCUMENTS

- 13.1 CIPFA's Code of Practice on Treasury Management ("the Code").
- 13.2 Joint Capital, Investment and Treasury Management Strategies 2022/23 (Paper BC/21/33)
- 13.3 Joint Capital, Investment and Treasury Management Strategies 2022/23 (Paper MC/21/283)
- 13.4 Half Year Report on Treasury Management 2022/23 (Paper JAC/21/38)
- 13.5 Environmental Social and Governance (ESG) Considerations for the Councils Joint Treasury Management Strategy (Paper JAC/20/21 and Minute no.37).

## **Background, Economy and Outlook**

### **1. Introduction**

- 1.1. In February 2012 the Councils 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 Councils to approve treasury management half year and annual reports.
- 1.2. The Joint Treasury Management Strategy for 2022/23 was approved at both full Councils in February 2022. Both Councils have borrowed and invested substantial sums of money, and both are 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 Councils Treasury Management Strategy.
- 1.3. Treasury risk management at the Councils is conducted within the framework of the CIPFA Code which requires the Councils to approve a treasury management strategy before the start of each financial year and, as a minimum, a half year and annual treasury outturn report. This report fulfils the Councils legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.4. The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Councils Joint Capital Strategy, for the financial year 2022/23, complying with CIPFA's Code requirement, was approved by both full Councils in February 2022.

### **2. External Context**

#### **2.1. Economic background:**

- 2.2. The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 2.3. Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 2.4. Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.



- 2.5. Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.
- 2.6. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 2.7. Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period growth was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 2.8. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted for by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 2.9. After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.
- 2.10. From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

## 2.11. Financial Markets

2.12. Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

2.13. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

## 2.14. Credit Review:

2.15. Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

2.16. In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

2.17. The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

2.18. During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

2.19. Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

- 2.20. On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.
- 2.21. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Councils counterparty list recommended by Arlingclose remains under constant review.
- 2.22. Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

### 3. Local Context

- 3.1. On 31 March 2023, Babergh had a net borrowing requirement of £109.1m and Mid Suffolk had a net borrowing requirement of £105.1m arising from revenue and capital income and expenditure activities. This is a decrease of £8.4m for Babergh and a decrease of £6.5m for Mid Suffolk from the 31 March 2022 position.
- 3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in Table 1 as follows.
- 3.3. **Table 1: Borrowing Summary**

Babergh	31.03.22 Actual £m	2022/23 Movement £m	31.03.23 Actual £m
General Fund CFR	72.692	2.954	75.646
HRA CFR	92.894	1.525	94.419
<b>Total CFR</b>	<b>165.586</b>	<b>4.479</b>	<b>170.065</b>
Borrowing CFR			
Less: Usable reserves	(49.460)	(2.546)	(52.006)
Add / (Less): Working Capital	(15.424)	6.429	(8.995)
<b>Net Borrowing Requirement</b>	<b>100.702</b>	<b>8.362</b>	<b>109.064</b>

## Appendix A cont'd

Mid Suffolk	31.03.22 Actual £m	2022/23 Movement £m	31.03.23 Actual £m
General Fund CFR	101.275	(16.350)	84.925
HRA CFR	94.241	11.598	105.839
<b>Total CFR</b>	<b>195.516</b>	<b>(4.752)</b>	<b>190.764</b>
Borrowing CFR			
Less: Usable reserves	(67.070)	(9.284)	(76.354)
Add / (Less): Working Capital	(16.869)	7.532	(9.337)
<b>Net Borrowing Requirement</b>	<b>111.577</b>	<b>(6.504)</b>	<b>105.073</b>

3.4. Both Councils net borrowing requirements are reflective of movements in their respective CFRs, which in turn balance capital expenditure against the financing applied, including minimum revenue provision. Movements in working capital and usable reserves relate to the timing of receipts and payments, reflected in movements in the balances of short-term debtors and creditors.

3.5. Rising official interest rates have increased the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. Both Councils pursued their strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

### 3.6. Table 2: Treasury Management Summary

3.7. The actual treasury management activity and position on 31 March 2023 and the year-on-year change is shown in Table 2 that follows.

Babergh	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Long-term borrowing	94.396	(0.553)	93.843	3.20%
Short-term borrowing	26.000	5.000	31.000	1.44%
<b>Total borrowing</b>	<b>120.396</b>	<b>4.447</b>	<b>124.843</b>	
Long-term investments	11.105	(0.050)	11.055	3.74%
Short-term investments	8.000	(5.000)	3.000	1.59%
Cash and Cash equivalents	1.714	0.002	1.716	1.90%
<b>Total investments</b>	<b>20.819</b>	<b>(5.048)</b>	<b>15.771</b>	
<b>Net Borrowing</b>	<b>99.577</b>	<b>9.495</b>	<b>109.071</b>	

## Appendix A cont'd

Mid Suffolk	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Long-term borrowing	104.835	(6.107)	98.729	2.63%
Short-term borrowing	30.500	(6.500)	24.000	1.57%
<b>Total borrowing</b>	<b>135.335</b>	<b>(12.607)</b>	<b>122.729</b>	
Long-term investments	11.101	(0.045)	11.056	3.73%
Short-term investments	8.000	(3.000)	5.000	2.16%
Cash and Cash equivalents	2.317	(0.720)	1.597	1.94%
<b>Total investments</b>	<b>21.418</b>	<b>(3.765)</b>	<b>17.653</b>	
<b>Net Borrowing</b>	<b>113.917</b>	<b>(8.841)</b>	<b>105.076</b>	

- 3.8. The figures in Table 2 are from the balance sheet in the statement of accounts, adjusted to exclude operational cash, accrued interest and other accounting adjustments.
- 3.9. Cash and cash equivalents include funds held in current bank accounts for day-to-day cashflow purposes and short-term deposits. In addition, Babergh held £3m and Mid Suffolk £5m in money market funds.

## 1. Borrowing Strategy during the year

### Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

- 1.1. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 1.2. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 1.3. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year. Both Councils will adopt the revised reporting requirements from 2023/24.
- 1.4. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
- 1.5. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's functions but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 1.6. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
- 1.7. The Councils are not planning to borrow to invest primarily for commercial return and so are unaffected by the changes to the Prudential Code. The Councils capital programme has been reviewed considering these changes to the CIPFA Prudential Code and PWLB lending arrangements to ensure that borrowing to invest after 2020/21 primarily for commercial return will no longer be undertaken (for example in CIFCO Ltd).

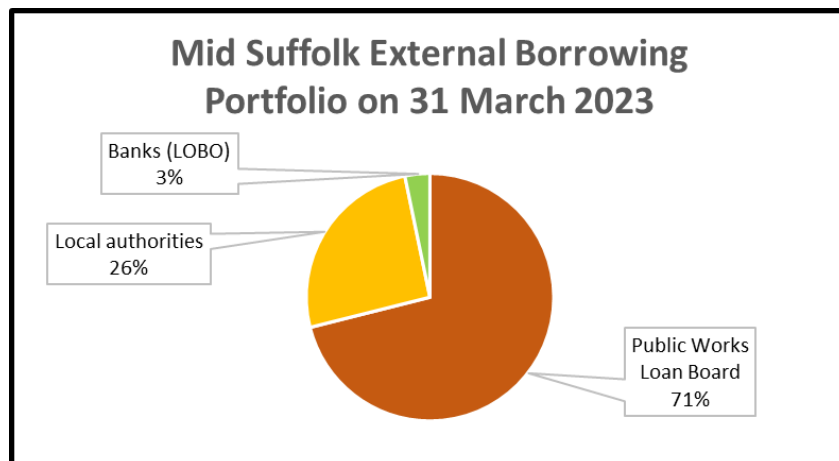
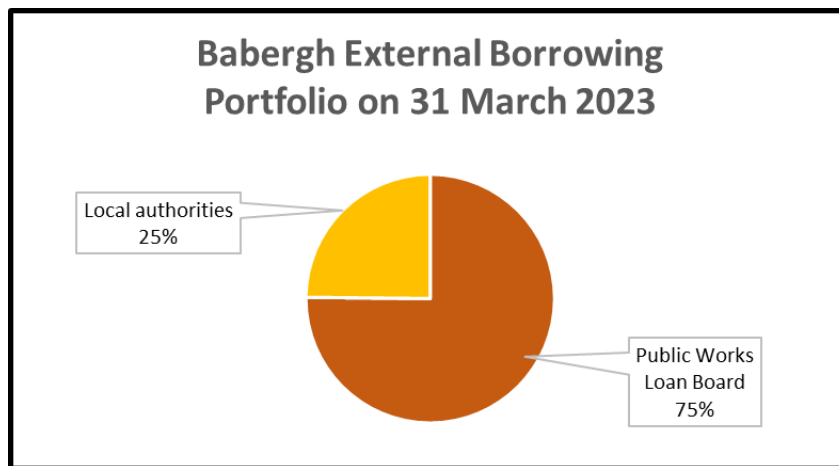
1.8. Babergh and Mid Suffolk both hold £49.8m each in commercial investments for CIFCO Ltd that were purchased prior to the change in the CIPFA Prudential Code.

1.9. Table 3: Borrowing Position

Babergh	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Public Works Loan Board	94.396	(0.553)	93.843	3.20%
Local authorities (short-term)	26.000	5.000	31.000	1.44%
<b>Total borrowing</b>	<b>120.396</b>	<b>4.447</b>	<b>124.843</b>	

Mid Suffolk	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Public Works Loan Board	88.335	(1.107)	87.229	3.31%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (medium / long-term)	12.500	(5.000)	7.500	0.38%
Local authorities (short-term)	30.500	(6.500)	24.000	1.57%
<b>Total borrowing</b>	<b>135.335</b>	<b>(12.607)</b>	<b>122.729</b>	

1.10. Table 3 - Charts: Borrowing Position



## Appendix B cont'd

- 1.11. The Councils objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with a secondary objective of having flexibility to renegotiate loans should the Councils long-term plans change.
- 1.12. With short-term interest rates remaining much lower than long-term rates, the Councils considered it more cost effective in the near term to use short-term loans.
- 1.13. The extended impact of Covid-19 on the economy caused delays in the Councils capital expenditure plans which has resulted in a temporary lower funding requirement.
- 1.14. The Treasury Management Strategy shows that both Councils are anticipating increasing CFRs and estimated net borrowing requirements. The Councils borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.
- 1.15. Babergh did not take out any new medium or long-term borrowing in the period. Mid Suffolk took out £7.5m of medium-term loans from other local authorities to benefit from good rates on local authority borrowing for a longer period and reduce refinancing risk.
- 1.16. PWLB funding margins have experienced high levels of volatility and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%, i.e., the PWLB borrowing rate. The Councils will evaluate and pursue these lower cost solutions and opportunities with their treasury advisor, Arlingclose.
- 1.17. LOBO loans: Mid Suffolk continues to hold £4m of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The banks did not exercise their option during 2022/23.



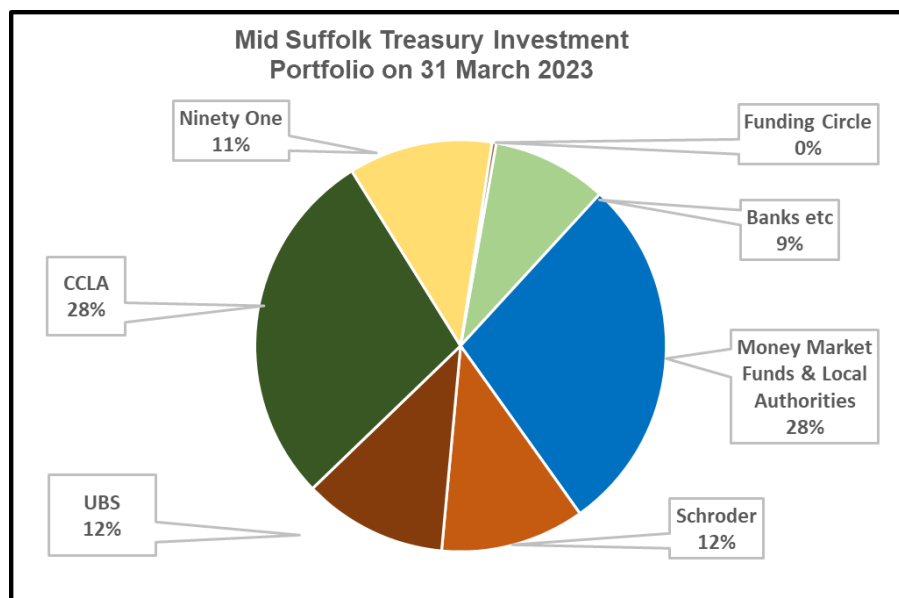
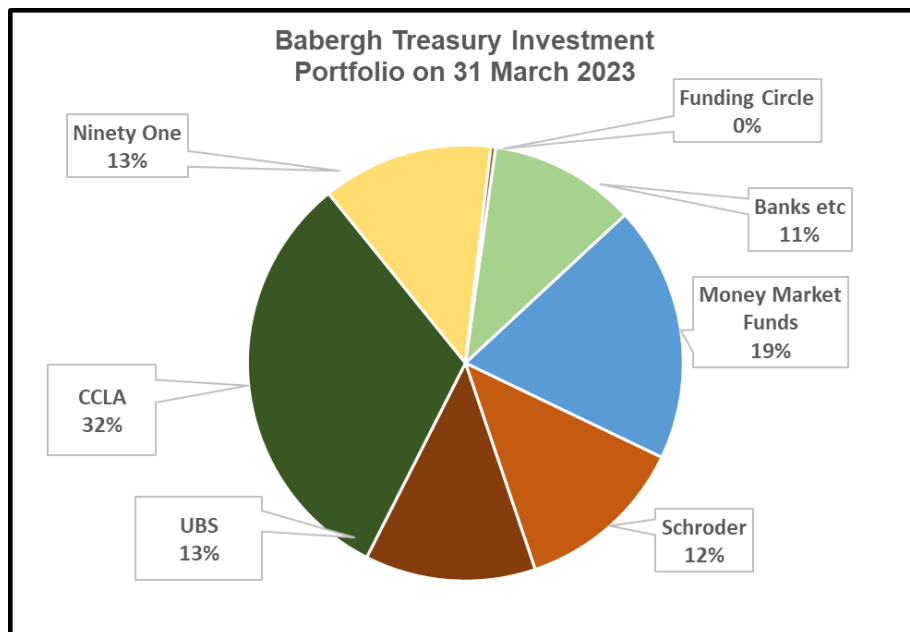
## 1. Treasury Investment Activity

- 1.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 1.2. Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves. During 2022/23, Babergh's investment balance ranged between £9.4m and £26.1m. Mid Suffolk's investment balance ranged between £12.4m and £45.5m. These movements are due to timing differences between income and expenditure.
- 1.3. The year-end investment position and the year-on-year changes are shown in Table 4 that follows. Both Councils withdrew more of their investments in Funding Circle.
- 1.4. **Table 4: Treasury Investment Position**

<b>Babergh</b>	<b>31.03.22 Balance</b>	<b>2022/23 Movement</b>	<b>31.03.23 Balance</b>	<b>2022/23 Average Rate</b>
	£m	£m	£m	%
Banks & building societies (unsecured)	1.714	0.002	1.716	1.90%
Money Market Funds	8.000	(5.000)	3.000	1.59%
Schroder	2.000	0.000	2.000	6.08%
UBS	2.000	0.000	2.000	5.06%
CCLA	5.000	0.000	5.000	4.07%
Ninety One	2.000	0.000	2.000	3.49%
Funding Circle	0.105	(0.050)	0.055	0.00%
<b>Total investments</b>	<b>20.819</b>	<b>(5.048)</b>	<b>15.771</b>	

<b>Mid Suffolk</b>	<b>31.03.22 Balance</b>	<b>2022/23 Movement</b>	<b>31.03.23 Balance</b>	<b>2022/23 Average Rate</b>
	£m	£m	£m	%
Banks & building societies (unsecured)	2.317	(0.720)	1.597	1.94%
Money Market Funds & Local Authorities	6.000	(1.000)	5.000	2.16%
DMADF	2.000	(2.000)	0.000	2.10%
Schroder	2.000	0.000	2.000	6.08%
UBS	2.000	0.000	2.000	5.05%
CCLA	5.000	0.000	5.000	4.01%
Ninety One	2.000	0.000	2.000	3.49%
Funding Circle	0.101	(0.045)	0.056	0.00%
<b>Total investments</b>	<b>21.418</b>	<b>(3.765)</b>	<b>17.653</b>	

1.5. Table 4 - Charts: Investment Position



- 1.6. Both the CIPFA Code and government guidance requires Councils to invest their funds prudently, and to have regard to the security and liquidity of their treasury investments before seeking the optimum rate of return, or yield. The Councils objectives 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.
- 1.7. Ultra-low short-dated cash rates, have been a feature since March 2020 when Bank Rate was cut to 0.1% rising to 0.75% in March 2022. During the 12-month reporting period they increased steadily to 4.25% in March 2023. On 31 March, the 1-day return on the MMFs ranged between 3.98% - 4.09% p.a. for Babergh and 4.03% - 4.09% for Mid Suffolk.

- 1.8. Similarly, deposit rates with the government's Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 3.82% depending on the deposit maturity. The average return in the year on the Councils DMADF deposits was 1.09% for Babergh and 2.10% for Mid Suffolk. The Councils invest in the money market funds (MMFs) as a priority and then DMADF only when MMFs are fully invested.
- 1.9. Babergh and Mid Suffolk have both previously followed the treasury management strategy to move investments into long term strategic pooled funds. Given the increasing risk and falling returns from short-term unsecured bank investments, the Councils diversified into more higher yielding asset classes; pooled property, multi asset and equity funds. As a result, investment risk was diversified.
- 1.10. Neither Council made further investments in these pooled funds during the year but continued reducing their investments in Funding Circle.
- 1.11. The average rate of return for these is significantly higher than the comparable average returns of Arlingclose's other clients, as shown in Table 5. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking for the year end in Table 5 that follows.
- 1.12. **Table 5: Investment Benchmarking - Treasury investments managed in-house.**

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2022	5.04	A+	99%	2.44%
On 31.03.2023	4.9	A+	100%	3.99%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2022	4.38	AA-	80%	2.57%
On 31.03.2023	4.85	A+	100%	3.58%

Arlingclose Benchmarks for 31.03.2023	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
Similar Local authorities	4.74	A+	63%	3.57%
All Local authorities	4.71	A+	59%	3.67%

- 1.13. Bail-in involves the shareholders and creditors of a failing financial institution meeting the costs, instead of the government. As Babergh and Mid Suffolk have relatively small investment portfolios their bail-in exposure is proportionately higher than the local authorities in Arlingclose's benchmarking group. Babergh and Mid Suffolk have chosen to adopt a strategy of generating higher returns by investing funds available in banks and strategic pooled funds.

## Appendix C cont'd

- 1.14. Babergh has £11.1m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £3.4m (average rate of return for the year 3.74%) which is used to support the Councils service provision.
- 1.15. Mid Suffolk has £11.1m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £3.3m (average rate of return for the year 3.73%) which is used to support the Councils service provision.
- 1.16. In the nine months to December, improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of both Council's property, equity and multi-asset income funds in their portfolios. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.
- 1.17. In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.
- 1.18. These funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils investment objectives are regularly reviewed. In light of their performance and the Councils latest cash flow forecasts, investment in these funds has been maintained, except for Funding Circle which is being reduced over the period of the repayment of the remaining loans.
- 1.19. Since 2018/19, the International Financial Reporting Standards for pooled funds states that changes in valuations must be taken through the Comprehensive Income and Expenditure Statement. The Ministry of Housing, Communities and Local Government (MHCLG) granted a statutory override until 2022/23 so these changes will have no impact on the "bottom line" until 2023/24.
- 1.20. It is intended to set aside any increases in valuation to a reserve to mitigate future potential losses. These pooled funds are long term investments, and the Councils would not sell the units whilst their value was less than the original investment.

## **2 Non-Treasury Holdings and Other Investment Activity**

- 2.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code now covers all the financial assets of the Councils as well as other non-financial assets which the Councils hold 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).
- 2.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 2.3 **Investment Property**
- 2.4 During 2016/17 Babergh purchased Borehamgate Shopping Centre in Sudbury for £3.6m. This has been classified as an investment property and on 31 March 2023 it was assessed at fair value of £2.6m. Net Income, after the deduction of direct costs, was £186k in 2022/23 (£158k in 2021/22). Income from rentals continued to increase slightly as has picked up further following the pandemic. The asset is being actively managed by the Council to secure new tenants in the short term and work continues on longer term investment plans for that area.
- 2.5 **Trading Companies**
- 2.6 On 31 March 2023 Babergh held £4.9m of equity in BDC (Suffolk Holdings) Ltd and Mid Suffolk held £4.9m of equity in MSDC (Suffolk Holdings) Ltd. Both Councils own 100% of the shares in each holding company.
- 2.7 Babergh and Mid Suffolk's respective 50% share of the loss made by CIFCO Ltd in 2022/23 was £3m (2021/22 was £3.2m profit) and is reflected in the decreased value of each of the Council's equity holding in the company. This includes changes in portfolio valuation following the annual year-end revaluation reflecting a decrease in the portfolio value of 12%.
- 2.8 The total equity investment by both Councils to full investment (£99.3m) totalled £9.9m (10%). Equity value will fluctuate each year to reflect any fluctuations in market value.
- 2.9 On 31 March 2023 Babergh and Mid Suffolk each have £44.4m of loans in CIFCO Ltd, a subsidiary of BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd. These loans have generated £8.1m (gross) of investment income for each Council since the start of trading. The net position for 2022/23, including additional interest receivable from overdraft facilities given by the Councils and after borrowing costs, is shown later in Table 7.
- 2.10 On 31 March 2023 Mid Suffolk also held £6.4m of loans in another subsidiary of MSDC (Suffolk Holdings) Ltd, Gateway 14 Ltd, which has generated £4.9m (gross) of investment income since the initial loans were advanced by the Council in August 2018.
- 2.11 Gateway 14 is now in the delivery phase of the development with infrastructure works and completed its first transaction in December 2022.

**Table 6: Trading Companies – Loan activities**

Babergh	Trading Companies - Loans				
	31.3.21	2021/22	31.3.22	2022/23	31.3.23
	Balance	Movement	Balance	Movement	Balance
	£m	£m	£m	£m	£m
<b>CIFCO Ltd</b>					
Interest Receivable	(3.661)	(2.209)	(5.870)	(2.198)	(8.068)
Interest Payable	0.721	0.249	0.970	0.526	1.496
<b>Cumulative Net Interest received from date of investments</b>	<b>(2.940)</b>	<b>(1.960)</b>	<b>(4.900)</b>	<b>(1.672)</b>	<b>(6.572)</b>

Mid Suffolk	Trading Companies - Loans				
	31.3.21	2021/22	31.3.22	2022/23	31.3.23
	Balance	Movement	Balance	Movement	Balance
	£m	£m	£m	£m	£m
<b>Interest Receivable</b>					
CIFCO Ltd	(3.661)	(2.209)	(5.870)	(2.198)	(8.068)
Gateway 14 Ltd	(2.426)	(1.216)	(3.642)	(1.218)	(4.860)
<b>Total Interest Receivable</b>	<b>(6.087)</b>	<b>(3.425)</b>	<b>(9.512)</b>	<b>(3.416)</b>	<b>(12.928)</b>
<b>Interest Payable</b>					
CIFCO Ltd	1.319	0.481	1.800	0.738	2.538
Gateway 14 Ltd	0.540	0.080	0.620	0.064	0.684
<b>Total Interest Payable</b>	<b>1.859</b>	<b>0.561</b>	<b>2.420</b>	<b>0.802</b>	<b>3.222</b>
<b>Net Interest</b>					
CIFCO Ltd	(2.342)	(1.728)	(4.070)	(1.460)	(5.530)
Gateway 14 Ltd	(1.886)	(1.136)	(3.022)	(1.154)	(4.176)
<b>Cumulative Net Interest received from date of investments</b>	<b>(4.228)</b>	<b>(2.864)</b>	<b>(7.092)</b>	<b>(2.614)</b>	<b>(9.706)</b>

### 3 Treasury Performance

3.1 The Councils measure the financial performance of treasury management activities in terms of their impact on the General Fund and Housing Revenue Account revenue budgets as shown in Table 7 that follows.

#### 3.2 **Table 7 Treasury Activity - Performance**

<b>Babergh</b>	<b>2022/23 Budget</b>	<b>2022/23 Actual</b>	<b>Variance Adverse/ (Favourable)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Interest Receivable</b>			
General Fund	(0.584)	(0.421)	0.164
Housing Revenue Account	(0.010)	(0.203)	(0.193)
CIFCO Ltd	(2.169)	(2.201)	(0.032)
<b>Total Interest Receivable</b>	<b>(2.763)</b>	<b>(2.824)</b>	<b>(0.061)</b>
<b>Interest Payable</b>			
General Fund	0.060	0.000	(0.060)
Housing Revenue Account	3.161	2.795	(0.366)
CIFCO Ltd	0.380	0.526	0.146
<b>Total Interest Payable</b>	<b>3.601</b>	<b>3.321</b>	<b>(0.280)</b>
<b>Net Interest</b>			
General Fund	(0.524)	(0.421)	0.104
Housing Revenue Account	3.151	2.592	(0.559)
CIFCO Ltd	(1.789)	(1.675)	0.113
<b>Total Net Interest</b>	<b>0.838</b>	<b>0.497</b>	<b>(0.341)</b>
<b>Mid Suffolk</b>	<b>2022/23 Budget</b>	<b>2022/23 Actual</b>	<b>Variance Adverse/ (Favourable)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Interest Receivable</b>			
General Fund	(0.597)	(0.883)	(0.286)
Housing Revenue Account	(0.009)	0.000	0.009
CIFCO Ltd	(2.169)	(2.201)	(0.032)
Gateway 14 Ltd	(1.865)	(1.233)	0.632
<b>Total Interest Receivable</b>	<b>(4.640)</b>	<b>(4.316)</b>	<b>0.323</b>
<b>Interest Payable</b>			
General Fund	0.130	0.000	(0.130)
Housing Revenue Account	2.968	2.790	(0.178)
CIFCO Ltd	0.545	0.738	0.193
Gateway 14 Ltd	0.160	0.065	(0.095)
<b>Total Interest Payable</b>	<b>3.803</b>	<b>3.594</b>	<b>(0.209)</b>
<b>Net Interest</b>			
General Fund	(0.467)	(0.883)	(0.416)
Housing Revenue Account	2.959	2.790	(0.169)
CIFCO Ltd	(1.624)	(1.462)	0.161
Gateway 14 Ltd	(1.705)	(1.168)	0.537
<b>Total Net Interest</b>	<b>(0.837)</b>	<b>(0.723)</b>	<b>0.114</b>

3.3 The interest receivable for Babergh was £61k over budget, whilst the interest receivable for Mid Suffolk was £323k under budget. The HRA was the main contributor to Babergh's position and Gateway 14 Ltd was the key influence on Mid Suffolk's variance.

3.4 The total interest payable for the year was under budget by £280k for Babergh and £209k for Mid Suffolk. All Babergh's short term borrowing was attributable to CIFCO Ltd.

### 3.5 Long term investment returns

3.6 Babergh and Mid Suffolk have both invested in long term pooled funds. Tables 8.1 to 8.5 that follow show details of how these investments have performed during 2021/22 and 2022/23.

3.7 Both Councils invested £5m each into the CCLA Local Authority Property Fund. Babergh purchased 1.657m units on 31 August 2015 and Mid Suffolk 1.632m units on 29 October 2015. The valuations are based on the number of units owned.

### 3.8 Table 8.1 CCLA Performance

CCLA	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.791	0.841	5.631	(0.928)	4.703
<b>Cumulative Net Interest received from date of initial investment</b>	<b>1.230</b>	<b>0.182</b>	<b>1.412</b>	<b>0.204</b>	<b>1.615</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.213</b>		<b>0.182</b>		<b>0.204</b>
Average Rate of Return for year	<b>4.26%</b>		<b>3.64%</b>		<b>4.07%</b>

CCLA	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.717	0.828	5.544	(0.914)	4.630
<b>Cumulative Net Interest received from date of initial investment</b>	<b>1.167</b>	<b>0.179</b>	<b>1.347</b>	<b>0.201</b>	<b>1.547</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.210</b>		<b>0.179</b>		<b>0.201</b>
Average Rate of Return for year	<b>4.20%</b>		<b>3.58%</b>		<b>4.01%</b>



3.9 Babergh and Mid Suffolk both invested into the Schroder Income maximiser fund on 10 February 2017.

3.10 **Table 8.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.540	0.167	1.707	(0.091)	1.616
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.555</b>	<b>0.110</b>	<b>0.665</b>	<b>0.122</b>	<b>0.786</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.095</b>		<b>0.110</b>		<b>0.122</b>
Average Rate of Return for year	<b>4.76%</b>		<b>5.49%</b>		<b>6.08%</b>

Schroder Maximiser Fund	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.540	0.167	1.707	(0.091)	1.616
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.555</b>	<b>0.110</b>	<b>0.665</b>	<b>0.122</b>	<b>0.786</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.095</b>		<b>0.110</b>		<b>0.122</b>
Average Rate of Return for year	<b>4.76%</b>		<b>5.49%</b>		<b>6.08%</b>

3.11 Babergh invested in the UBS Multi Asset income fund on 26 November 2015, whilst Mid Suffolk invested in the fund on 28 March 2017.

3.12 **Table 8.3 UBS Performance**

UBS	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.831	(0.094)	1.736	(0.288)	1.448
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.452</b>	<b>0.083</b>	<b>0.535</b>	<b>0.101</b>	<b>0.637</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.090</b>		<b>0.083</b>		<b>0.101</b>
Average Rate of Return for year	<b>4.48%</b>		<b>4.15%</b>		<b>5.06%</b>

## Appendix C cont'd

UBS	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.828	(0.094)	1.733	(0.287)	1.446
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.356</b>	<b>0.083</b>	<b>0.439</b>	<b>0.101</b>	<b>0.540</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.090</b>		<b>0.083</b>		<b>0.101</b>
Average Rate of Return for year	<b>4.48%</b>		<b>4.14%</b>		<b>5.05%</b>

3.13 Both Councils invested in Funding Circle on 1 November 2015 and has varied the amounts invested since, gradually reducing the amount as loans have been paid off.

### 3.14 Table 8.4 Funding Circle Performance

Funding Circle	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested - National	0.166	(0.061)	0.105	(0.050)	0.055
<b>Total Amount Invested</b>	<b>0.166</b>	<b>(0.061)</b>	<b>0.105</b>	<b>(0.050)</b>	<b>0.055</b>
Bad debts to date	(0.046)	0.002	(0.044)	0.002	(0.042)
Accrued Interest	0.005	(0.003)	0.002	(0.002)	0.000
<b>Valuation</b>	<b>0.125</b>	<b>(0.062)</b>	<b>0.063</b>	<b>(0.050)</b>	<b>0.014</b>
Income received	0.119	0.002	0.121	0.000	0.121
Servicing costs	(0.014)	0.000	(0.014)	(0.000)	(0.014)
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.105</b>	<b>0.002</b>	<b>0.107</b>	<b>(0.000)</b>	<b>0.107</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.013</b>		<b>0.002</b>		<b>0.000</b>
Average Rate of Return for year	<b>3.14%</b>		<b>4.30%</b>		<b>0.00%</b>

Funding Circle	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested - National	0.162	(0.061)	0.101	(0.045)	0.056
<b>Total Amount Invested</b>	<b>0.162</b>	<b>(0.061)</b>	<b>0.101</b>	<b>(0.045)</b>	<b>0.056</b>
Bad debts to date	(0.050)	0.003	(0.047)	0.001	(0.046)
Accrued Interest	0.005	(0.004)	0.001	(0.001)	0.000
<b>Valuation</b>	<b>0.117</b>	<b>(0.062)</b>	<b>0.055</b>	<b>(0.045)</b>	<b>0.010</b>
Income received	0.119	0.002	0.121	0.001	0.122
Servicing costs	(0.014)	0.000	(0.014)	(0.000)	(0.014)
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.105</b>	<b>0.002</b>	<b>0.107</b>	<b>0.001</b>	<b>0.108</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.005</b>		<b>0.001</b>		<b>0.000</b>
Average Rate of Return for year	<b>2.98%</b>		<b>4.20%</b>		<b>0.00%</b>

3.15 Both Councils invested in the Ninety-One Diversified Income I Fund (formerly Investec) on 24 May 2019. This fund aims to provide monthly income with the opportunity for long-term capital growth, investing in equities, fixed income investments (e.g., corporate or government bonds) as well as cash and money market funds.

3.16 **Table 8.5 Ninety-One Series i Performance**

Ninety One Series i Diversified Income Fund	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.995	(0.097)	1.898	(0.103)	1.796
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.149</b>	<b>0.071</b>	<b>0.221</b>	<b>0.070</b>	<b>0.291</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.074</b>		<b>0.071</b>		<b>0.070</b>
Average Rate of Return for year	<b>3.72%</b>		<b>3.57%</b>		<b>3.49%</b>

Ninety One Series i Diversified Income Fund	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.995	(0.097)	1.898	(0.103)	1.796
<b>Cumulative Net Interest received from date of initial investment</b>	<b>0.149</b>	<b>0.071</b>	<b>0.221</b>	<b>0.070</b>	<b>0.291</b>
<b>Annual Performance</b>					
Net Interest received in year	<b>0.074</b>		<b>0.071</b>		<b>0.070</b>
Average Rate of Return for year	<b>3.72%</b>		<b>3.57%</b>		<b>3.49%</b>

**4. Compliance Report**

4.1. It should be noted that both Council's treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that both Councils have complied with all the Treasury Management Indicators for this period, except:

- Investments: On 21 April 2022, Mid Suffolk's bank account balance went above the limit by £508,000 due to receiving £809,000 in completion funds for the sale of 3 properties. Funds were received after the cut-off point for investing into the money market funds but were invested the next day.
- Interest rate exposure: these limits were set in the Treasury Management Strategy when interest rates, and predicted interest rates, were very low. The majority of Babergh's borrowing was at the end of 2022/23 when interest rates had risen to their highest rate since 2020. It resulted in the net upper limits on the one-year revenue impact, which had been set at £15,000, being exceeded as the actual impact was £32,000.

4.2. Compliance with the authorised limit and operational boundary for external debt is shown in Table 9 below.

4.3. **Table 9: Debt Limits**

Total Borrowing	2022/23 Maximum £m	31.03.23 Actual £m	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied
Babergh	124.853	124.843	183.000	198.000	✓
Mid Suffolk	135.335	122.729	246.000	261.000	✓

4.4. 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.

4.5. **Table 10: Investment Limits**

Compliance with specific investment limits is demonstrated in Table 10 as follows and the one item of non-compliance has been explained in 4.1 above.

Babergh	2022/23 Maximum £m	31.03.23 Actual £m	2022/23 Limit £m	Complied
Any single organisation, except the UK Central Government	1.841	1.716	2.000	✓
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.105	0.055	1.000	✓
Any single Money Market Fund	2.000	2.000	2.000	✓

Mid Suffolk	2022/23 Maximum £m	31.03.23 Actual £m	2022/23 Limit £m	Complied
Any single organisation, except the UK Central Government	2.509	1.097	2.000	x
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.101	0.056	1.000	✓
Any single Money Market Fund	2.000	2.000	2.000	✓

## 1. Treasury Management Indicators

1.1. The Councils measure and manage their exposure to treasury management risks using the following indicators:

1.2. **Security:** Babergh and Mid Suffolk have adopted a voluntary measure of their exposure to credit risk by monitoring the value-weighted average credit score of their investment portfolios. 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. These are shown in Table 11 that follows.

### 1.3. Table 11: Credit Scores

Credit Scores	31.3.23 Actual	2022/23 Target	Complied
Babergh Portfolio average Credit Score	4.90	7.00	✓
Mid Suffolk Portfolio average Credit Score	4.85	7.00	✓

1.4. **Interest Rate Exposures:** This indicator is set to control the Councils exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates are shown in Table 12 that follows.

### 1.5. Table 12: Interest rate exposure

Interest rate risk indicator	31.3.23 Actual £m	2022/23 Limit £m	Complied
Babergh upper impact on Revenue of a 1% increase in rates	0.032	0.015	x
Mid Suffolk upper impact on Revenue of a 1% increase in rates	0.029	0.073	✓

1.6. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

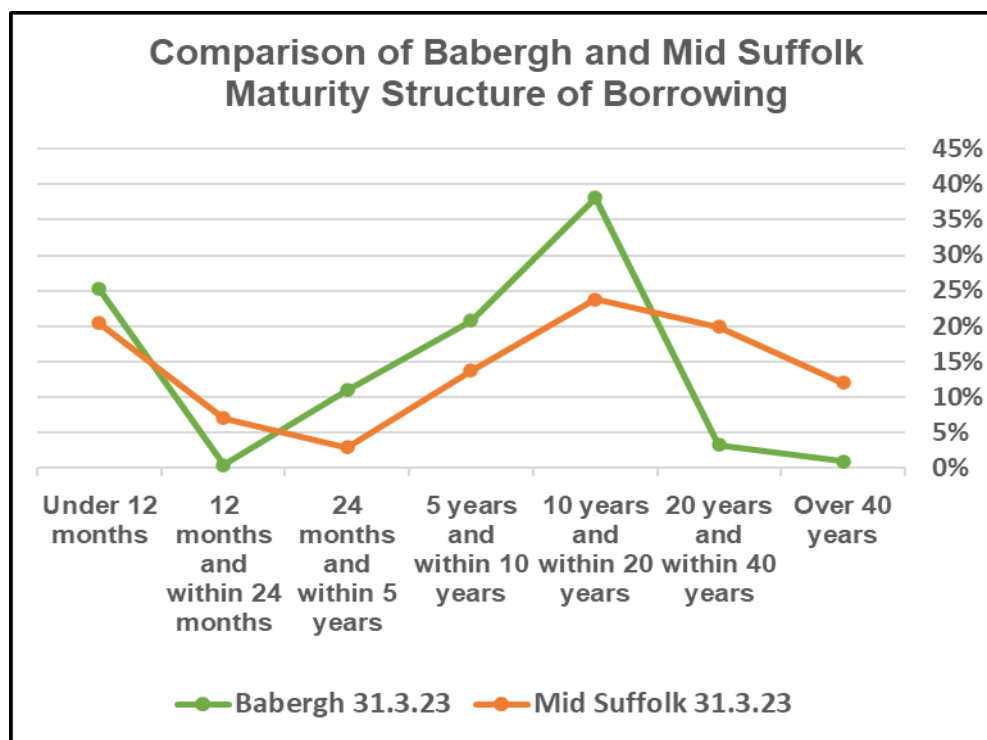
1.7. **Maturity Structure of Borrowing:** This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are shown in Table 13 as follows.

### 1.8. Table 13: Maturity Structures

Age Profile of Maturity	Babergh 31.3.23 Actual	Mid Suffolk 31.3.23 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	25.28%	20.47%	0%	50%	✓
12 months and within 24 months	0.46%	7.05%	0%	50%	✓
24 months and within 5 years	11.04%	2.91%	0%	50%	✓
5 years and within 10 years	20.79%	13.77%	0%	100%	✓
10 years and within 20 years	38.16%	23.80%	0%	100%	✓
20 years and within 40 years	3.27%	19.93%	0%	100%	✓
Over 40 years	1.00%	12.07%	0%	100%	✓

1.9. 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.

1.10. **Table 13 Chart: Maturity Structures**



1.11. **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of investments. The limits on the long-term principal sum invested to final maturities beyond the period end are shown in Table 14 that follows.

1.12. **Table 14: Principal Sums**

Babergh	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

Mid Suffolk	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

1.13. Whilst the investments that have been made in UBS, Schroder, Ninety-One (formerly Investec) and Funding Circle are intended to benefit from longer term higher returns, they can be redeemed on a short-term basis. CCLA requires 90 days' notice.

## 1. Prudential Indicators

### 1.1. Introduction

1.2. The Local Government Act 2003 requires the Councils to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that Councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.3. This report compares the approved indicators with the outturn position for 2022/23. Actual figures have been taken from, or prepared on a basis consistent with, the Councils draft Statements of Accounts for 2022/23.

### 1.4. Capital Expenditure

1.5. The Councils capital expenditure and financing for 2022/23 compared to budget is summarised in Table 15 that follows.

### 1.6. **Table 15: Capital Expenditure and Financing**

<b>Babergh District Council</b>			
<b>Capital Expenditure and Financing</b>	<b>2022/23 Budget including c/fwds £m</b>	<b>2022/23 Actual £m</b>	<b>Variance Adverse / (Favourable) £m</b>
General Fund	23.628	5.728	(17.900)
HRA	22.644	11.490	(11.154)
<b>Total Expenditure</b>	<b>46.272</b>	<b>17.218</b>	<b>(29.054)</b>
Capital Receipts	3.540	2.472	(1.068)
Grants and Contributions	1.510	0.696	(0.814)
Revenue Contributions	2.630	2.633	0.003
Revenue Reserves	6.310	0.405	(5.905)
Major Repairs Reserve	4.280	4.830	0.550
Borrowing	28.002	6.182	(21.820)
<b>Total Financing</b>	<b>46.272</b>	<b>17.218</b>	<b>(29.054)</b>

Mid Suffolk District Council			
Capital Expenditure and Financing	2022/23 Budget including c/fwds £m	2022/23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	35.135	12.318	(22.817)
HRA	43.123	21.962	(21.162)
<b>Total Expenditure</b>	<b>78.258</b>	<b>34.280</b>	<b>(43.979)</b>
Capital Receipts	4.440	5.357	0.917
Grants and Contributions	1.880	1.086	(0.794)
Revenue Contributions	1.280	1.058	(0.222)
Revenue Reserves	4.020	0.935	(3.085)
Major Repairs Reserve	3.910	4.622	0.712
Borrowing	62.728	21.222	(41.506)
<b>Total Financing</b>	<b>78.258</b>	<b>34.280</b>	<b>(43.978)</b>

## 2. Prudential Indicator Compliance

### 2.1. Capital Financing Requirement

2.2. The Capital Financing Requirement (CFR) measures the Councils underlying need to borrow for capital purposes.

### 2.3. Table 16: Capital Financing Requirement

Babergh District Council			
Capital Financing Requirement	31.03.23 Budget £m	31.03.23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	91.959	75.646	(16.313)
HRA	90.997	94.419	3.422
<b>Total CFR</b>	<b>182.956</b>	<b>170.065</b>	<b>(12.891)</b>

Mid Suffolk District Council			
Capital Financing Requirement	31.03.23 Budget £m	31.03.23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	124.331	84.925	(39.406)
HRA	120.859	105.839	(15.020)
<b>Total CFR</b>	<b>245.190</b>	<b>190.764</b>	<b>(54.426)</b>



- 2.4. The CFR increased during the year by £4.48m for Babergh and decreased by £4.75m for Mid Suffolk, being the movement in the balance of capital expenditure financed by debt against resources put aside for debt repayment. These figures are shown in Appendix A Table 1.

### 3. Actual Debt

- 3.1. The Councils actual debt on 31 March 2023 was as follows:

#### 3.2. Table 17: Total Debt

Total Debt	31.03.23 Budget £m	31.03.23 Actual £m	Variance (Adverse) / Favourable £m
Babergh District Council	(138.730)	(124.843)	13.887
Mid Suffolk District Council	(199.896)	(122.729)	77.167

### 4. Gross Debt and the Capital Financing Requirement

- 4.1. In order to ensure that over the medium-term debt will only be used for a capital purpose, the Councils should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.
- 4.2. The total debt remained below the CFR during the forecast period, which shows compliance with the indicator.
- 4.3. Table 18: Debt and Capital Financing Requirement

Babergh District Council		
Debt and CFR	31.03.23 Actual £m	31.03.23 Estimate £m
Capital financing requirement	170.065	182.956
Total Debt	(124.843)	(138.730)
<b>Headroom</b>	<b>45.222</b>	<b>44.226</b>

Mid Suffolk District Council		
Debt and CFR	31.03.23 Actual £m	31.03.23 Estimate £m
Capital financing requirement	190.764	245.190
Total Debt	(122.729)	(199.896)
<b>Headroom</b>	<b>68.035</b>	<b>45.294</b>

### 5. Operational Boundary for External Debt

- 5.1. The operational boundary is based on the Councils estimate of the most likely (i.e., prudent but not worst case) scenario for external debt. It links directly to the Councils

estimates of capital expenditure, the capital financing requirement, and cash flow requirements, and is a key management tool for in-year monitoring.

## 5.2. Table 19: Operational Boundary and Total Debt

Operational Boundary and Total Debt	31.03.23 Limit £m	31.03.23 Actual Debt £m	Complied
Babergh District Council	(183.000)	(124.843)	✓
Mid Suffolk District Council	(246.000)	(122.729)	✓

## 6. Authorised Limit for External Debt

6.1. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Councils can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

## 6.2. Table 20: Authorised Limit and Total Debt

Authorised Limit and Total Debt	31.03.23 Limit £m	31.03.23 Actual Debt £m	Complied
Babergh District Council	(198.000)	(124.843)	✓
Mid Suffolk District Council	(261.000)	(122.729)	✓

## 7. Ratio of Financing Costs to Net Revenue Stream

7.1. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income (shown as a percentage).

## 7.2. Table 21: Ratio of Financing Costs to Net Revenue Stream

Babergh District Council			
Ratio of Financing Costs to Net Revenue Stream	31.03.23 Budget %	31.03.23 Actual %	Variance Adverse / (Favourable) %
General Fund	(7.86)	(5.68)	2.18
HRA	18.05	14.65	(3.40)

Mid Suffolk District Council			
Ratio of Financing Costs to Net Revenue Stream	31.03.23 Budget %	31.03.23 Actual %	Variance Adverse / (Favourable) %
General Fund	(16.69)	(14.78)	1.91
HRA	19.31	18.00	(1.31)

**8. Adoption of the CIPFA Treasury Management Code**

- 8.1. Both Councils adopted the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice 2011 Edition" in February 2012.

**9. HRA Limit on Indebtedness**

- 9.1. The limit imposed on the Council's HRA borrowing by the Ministry for Housing, Communities and Local Government (MHCLG) has been removed.

**Glossary of Terms**

BPS	Base Points. A unit of percentage measure equal to 0.01%. Basis points are commonly used when discussing changes to interest rates, equity indices, and fixed-income securities.
CDS	Credit Default Swap. In effect, insurance against non-payment. Through a CDS, the buyer can mitigate the risk of their investment by shifting all or a portion of that risk onto an insurance company or other CDS seller in exchange for a periodic fee. In this way, the buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the debt security.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CCLA	Churches, Charities and Local Authority Property Fund
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MHCLG	Ministry of Housing, Communities and Local Government. This is a ministerial department.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
Ninety-One	Ninety-One (formerly Investec) Diversified Income Fund (UK) – a pooled fund.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
Schroder	Schroder Income Maximiser Fund
SONIA	Sterling Overnight Index Average. Replacing LIBOR (the London Interbank interest rate) as the Bank of England's preferred short term interest rate benchmark for the UK.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

# Agenda Item 8

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> JAC/23/03
<b>OFFICER:</b> John Snell – Corporate Manager – Internal Audit	<b>DATE OF MEETING:</b> 31 July 2023

### LOCAL CODE OF CORPORATE GOVERNANCE AND JOINT ANNUAL GOVERNANCE STATEMENT 2022/23

#### 1. PURPOSE OF REPORT

- 1.1 All local authorities are required by the Accounts and Audit Regulations 2015 to maintain a Local Code of Corporate Governance and to produce, in line with proper practice and guidance, an Annual Governance Statement.
- 1.2 This report provides 1) a review of the Local Code of Corporate Governance, which sets out and describes the Councils' commitment to corporate governance, and identifies the arrangements that have been made, and will continue to be made to ensure its effective implementation and application in all aspects of the Councils' work and 2) the Councils' joint Annual Governance Statement 2022/23.
- 1.3 The Joint Audit and Standards Committee has responsibility for being satisfied that the Local Code of Corporate Governance and joint Annual Governance Statement (AGS), to accompany each Council's financial accounts 2022/23, accurately reflects the risk environment and any actions required to improve it.

#### 2. OPTIONS CONSIDERED

- 2.1 The Committee could request further information on which to base its views. Failure to act will weaken corporate governance and could have an impact on service delivery and lead to adverse comments from the External Auditor and other inspectorates and impact on how the Councils demonstrate good governance to its residents.

#### 3. RECOMMENDATIONS

- 3.1 That Councillors satisfy themselves that the Local Code of Corporate Governance and joint Annual Statement (AGS) 2022/23 (Appendix A and B respectively to this report) accurately reflects the governance environment and any actions to improve it.
- 3.2 That subject to 3.1 above, the AGS be endorsed subject to the Director – Law & Governance and Monitoring Officer being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.
- 3.3 Further that approval of any significant amendments identified by the Director – Law & Governance and Monitoring Officer be delegated to him in consultation with the Chairs of this Committee and the Leaders of each Council.

- 3.4 That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

#### **REASON FOR DECISION**

The preparation and publication of the Local Code of Corporate Governance and the Annual Governance Statement will meet the statutory requirement of the Accounts and Audit Regulations 2015 which require an authority to, each financial year, conduct a review of the effectiveness of its system of internal control, and to prepare an annual governance statement. It is the responsibility of the Audit Committee to review the Council's Corporate Governance arrangements.

#### **4. KEY INFORMATION**

- 4.1 The preparation and publication of a Local Code of Corporate Governance and AGS is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015.
- 4.2 Governance is about how each Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.
- 4.3 This committee is responsible for overseeing each Council's work around corporate governance.
- 4.4 The Authority approved and adopted a Code of Corporate Governance in February 2017 which is consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government published in April 2016. The Code is reviewed annually and if needed updated appropriately including considering guidance such as the CIPFA statement on the Role of the Chief Financial Officer (2010), the CIPFA statement on the Role of the Head of Internal Audit (2010) and the CIPFA code of practice on Managing the Risk of Fraud and Corruption (2014). The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016.
- 4.5 The Annual Governance Statement explains how the Councils have complied with the Local Code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.
- 4.6 The core governance principles under the Code are as follows:
- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
  - b) Ensuring openness and comprehensive stakeholder engagement;

- c) Defining outcomes in terms of sustainable economic, social and environmental benefits;
  - d) Determining the interventions necessary to optimise the achievement of the intended outcomes;
  - e) Developing the Council's capacity, including the capability of all of its officers and councillors for leadership;
  - f) Managing risks and performance through robust internal control and strong public financial management; and
  - g) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 4.7 The seven core principles each have a number of supporting subprinciples, which in turn have a range of specific requirements that apply across the Councils' business.
- 4.8 The Code incorporates the 'three lines of defence' model which has been used as the primary means to demonstrate structure, roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance and assurance.
- 4.9 **First Line of Defence** – The Councils are responsible for ensuring that a risk and control environment is established as part of day-to-day operations. Operational managers are responsible for, and thus should be adequately skilled in, making risk assessments (including proactive review, update and modification). The first line of defence provides management assurance and informs the Joint Audit and Standards Committee by identifying risks and organisational improvement actions, implementing controls, and reporting on progress.
- 4.10 **Second Line of Defence** – The Councils' Oversight Functions (e.g., Finance; Human Resources (HR); Information Technology (IT); Assets and Investments; Information Governance; Procurement etc.) are responsible for designing policies, setting direction, introducing best practice, and providing assurance oversight for the Senior Leadership Team and Councillors.
- 4.11 **Third Line of Defence** – Independent assurance providers, including Internal Audit, External Audit and other inspectors, help the Councils by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This entails independent challenge, the audit of key controls, formal reporting on assurance, and, where applicable, the audit of assurance providers' controls.
- 4.12 All three lines of defence have specific tasks in the internal governance framework. This Committee has a role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes as well as internal audit activities.
- 4.13 The outcome of this review forms the basis of the AGS which is prepared on behalf of the Leader of each Council and the Chief Executive. The committee must be satisfied that the AGS is supported by reliable evidence and accurately represents the internal control environment.

- 4.14 This committee receives this statement for consideration and review prior to it accompanying each Council's 2022/23 Statement of Accounts which will be approved by this committee later in 2022. Any changes / comments this committee wishes to make to the AGS will be made before it is signed.
- 4.15 To reflect the 'three lines of defence' model, the AGS also includes assurance statements from various officers representing the oversight functions, as well as the annual audit opinion from the Corporate Manager – Internal Audit.
- 4.16 The AGS provides an assurance of the effectiveness of the Councils' system on internal control. There is an acknowledgement that the control environment in some areas requires strengthening. We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.

**5. LINKS TO CORPORATE PLAN**

- 5.1 Governance touches all aspects of the Councils' activities. To ensure the successful delivery of the Corporate Plan it is essential that the principles of good governance are applied consistently across the Councils.

**6. FINANCIAL IMPLICATIONS**

- 6.1 A sound system of internal controls forms a significant part of the framework and is essential to underpin the effective use of resources.

**7. LEGAL IMPLICATIONS**

- 7.1 Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 requires the Councils to conduct an annual review of its systems of internal control and following the review, the Councils must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

**8. RISK MANAGEMENT**

- 8.1 A strong internal control environment contributes to the overall effective management of each Council and will help minimise the risks of each Council failing to achieve its ambitions and priorities, and service improvements.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to regularly monitor and improve the Council's arrangements could weaken corporate governance, have an impact on service delivery and lead to adverse comments	Highly Unlikely (1)	Bad (3)	Internal and External Audit help ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.



from the External Auditor.			
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**9. CONSULTATIONS**

9.1 The AGS was prepared following input from key senior officers and those various officers representing the oversight functions, as well as the annual audit opinion from the Head of Internal Audit.

**10. EQUALITY ANALYSIS**

10.1 Equality and diversity implications have been considered within the AGS arrangements and an Equality Impact Assessment (EIA) is not required.

**11. ENVIRONMENTAL IMPLICATIONS**

11.1 There are no environmental implications associated with this report.

**12. APPENDICES**

Title	Location
(a) Local Code of Corporate Governance	Attached
(b) Joint Annual Governance Statement 2022/23	Attached

**13. BACKGROUND DOCUMENTS**

13.1 CIPFA/SOLACE framework – ‘Delivering good Governance in Local Government 2016’.

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## Babergh and Mid Suffolk District Councils

Local Code of Corporate Governance 2022/23

(Based on the new CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016)

### Introduction

The main principle underpinning the development of the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is a clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance.

The term 'Local Code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes and documents.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Babergh and Mid Suffolk District Councils are committed to the principles of good governance and demonstrates this commitment through development, adoption and implementation of this Local Code and will ensure that adequate arrangements are made with regard to its continued implementation, monitoring and review.

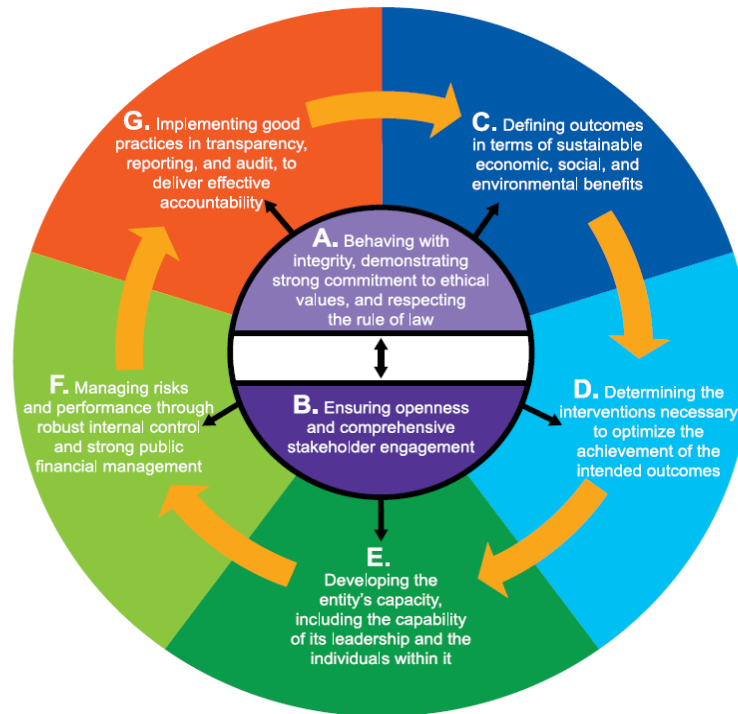
### **Core Principles of Good Governance**

The seven principles of good governance set out in the Framework are:

- A. Strong commitment to integrity, ethical values, and the rule of law.
- B. Openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended outcomes.
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency and reporting to deliver effective accountability.

The diagram from the *International Framework*, below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

**Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times**



This code takes each of the principles of good governance in turn and sets out the systems, processes and principles the Councils have put in place to ensure good corporate governance.

## **Responsibilities for Corporate Governance**

All Members and officers have a responsibility for upholding the principles of good governance. It is a key responsibility for the Leaders of each council and the Chief Executive Officer.

The statutory officers of Babergh and Mid Suffolk District Councils, those being the Director of Law and Governance & Monitoring Officer, the Director for Corporate Resources (S151 Officer) and the Chief Executive (Head of Paid Service), are responsible for the development, delivery and review of robust corporate governance arrangements.

The Extended Leadership Team have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions, which will be reflected in service plans.

The Joint Audit and Standards Committee has responsibility for monitoring and reviewing the Councils' corporate governance arrangements.

The Leader of each council and the Chief Executive will ensure that an annual review of corporate governance arrangements is completed and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Corporate Manager for Internal Audit produces an Annual Report to the Joint Audit and Standards Committee on the adequacy and effectiveness of the Councils' systems of internal control and governance.

The Annual Governance Statement is produced following a review of the effectiveness of the Councils' corporate governance arrangements, as outlined in this Code. Any significant governance weaknesses are highlighted and an action plan developed to address these issues, which is monitored by the Joint Audit and Standards Committee.

## **Monitoring and Review**

The Local Code is subject to an annual review to ensure its integrity and adequacy, and its effectiveness will be assessed as part of the annual review process that will lead to the production of the Council's Joint Annual Governance Statement.

## Applying the principles of Good Governance

Each of the seven core principles above has a number of sub principles, which in turn, translate into a range of specific behaviours and actions that apply across the various aspects of the organisation that demonstrate good governance. The table below (extracted from the CIPFA/SOLACE Framework) show how each of these principles should be applied. The third column describes how the Councils apply the principles.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Sub principles	Behaviours and actions that demonstrate good governance	Demonstrated by:
Behaving with integrity	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.	<ul style="list-style-type: none"> <li>• The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.</li> <li>• We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution.</li> <li>• We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers, which are promoted when joining the Council.</li> <li>• We maintain a Joint Audit and Standards Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Councils' culture.</li> </ul>
	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).	
	Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.	
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed	

	on a regular basis to ensure that they are operating effectively.	<ul style="list-style-type: none"> <li>• We have put in place arrangements to ensure that Members and staff of the Councils are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests, reporting of gifts and hospitality and anti-corruption policies.</li> <li>• We ensure that systems and processes for financial administration and control together with protection of the Councils' resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.</li> <li>• We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.</li> <li>• The Councils have a Commissioning and Procurement manual designed to meet the Councils' wider objectives and Contract Procedures Rules designed to deliver robust and fair procurement processes.</li> <li>• Through the Scheme of Delegation officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.</li> <li>• Officers will observe all specific legislative requirements placed upon the Councils as well as the requirements of general law, and in particular integrate the key principles of</li> </ul>
Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the organisation's ethical standards and performance.	
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.	
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.	
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.	
Respecting the rule of law	Ensuring members and staff demonstrate a strong commitment to the law as well as adhering to relevant laws and regulation.	
	Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.	
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.	
	Dealing with breaches of legal and regulatory provisions effectively.	



	<p>Ensuring corruption and misuse of power are dealt with effectively.</p>	<p>administrative law – rationality, legality and natural justice into the procedures and decision making.</p> <ul style="list-style-type: none"> <li>• Committee forward plans, agendas, reports (including implications from specialist advice as part of a Pre-Committee Approvals and Sign-off Sheet process, decisions taken and declaration of interests) are posted on the Councils website in a timely fashion.</li> <li>• The Councils have a comprehensive Equalities and Diversity Policy, which sets out the Councils' commitment to promoting equality and diversity, including through its role as an employer and a provider of services to the public.</li> <li>• We have put in place effective systems to protect the rights of staff. We ensure that policies for whistleblowing which are accessible to staff and those contracting with the Councils, and arrangements for the support of whistle-blowers, are in place.</li> <li>• Counter fraud and corruption arrangements are in place and documented within the Councils' Prevention of Financial Crime Policy.</li> <li>• Established systems are in place for reporting compliments, comments and complaints, which help us improve service delivery and relationships to our customers.</li> <li>• We will publish an Annual Governance Statement, signed by the Chief Executive and both Leaders of each Council to confirm that we are satisfied that we have effective governance arrangements in place.</li> </ul>
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Core Principle B: Ensuring openness and comprehensive stakeholder engagement		
Sub principles	Behaviours and actions that demonstrate good governance	Demonstrated by:
Openness	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.	<ul style="list-style-type: none"> <li>We will ensure that the Councils' vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</li> <li>Demonstrated through the Councils' five corporate Values.</li> <li>We will maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what.</li> <li>We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. E.g., through tenant engagement activities and our 'Open for Business' programme.</li> </ul>
	Making decisions that are open about actions, plans, resource use, forecasts outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.	
	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/course of action.	
Engaging comprehensively with institutional stakeholders	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.	<ul style="list-style-type: none"> <li>In December 2022, each Council produced an 'End of Term' report highlighting their achievements. The report was promoted through a press release, social media and on the Councils' home page website.</li> <li>The Councils seek to publish Freedom of Information requests and responses openly on</li> </ul>
	Developing formal and informal partnerships to allow for resources to be	

	used more efficiently and outcomes achieved more effectively.	<p>its' website through the 'Disclosure Log' wherever possible and practicable to do so. We will deliver effective scrutiny of the Councils' business as appropriate and produce an annual report on the activities of scrutiny function.</p> <ul style="list-style-type: none"> <li>• We will ensure that the Councils as a whole are open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.</li> <li>• The Councils hold their meetings, and those of its committees and working groups in public unless there are good reasons for confidentiality. The public are allowed to ask questions at all Council and committee meetings.</li> <li>• The Councils record the deliberation of the Overview and Scrutiny Committee and the reasons for Cabinet and Regulatory decisions and makes agenda papers and minutes available on the Councils' website. The Councils also records and publishes on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</li> <li>• Officers use standard report templates for committee and cabinet reports to help ensure that readers are provided with information that is</li> </ul>
	Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.	
Engaging with individual citizens and service users effectively	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.	
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.	
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.	
	Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.	
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.	

	<p>Taking account of the impact of decisions on future generations of taxpayers and service users.</p>	<p>accurate, complete and unbiased. Reports make it clear the options available so that the implications of all decisions and risks can be assessed before those decisions are made.</p> <ul style="list-style-type: none"> <li>• The Councils promote the role of the Members and make the public know who the Members are, what roles they have on the Council and how to contact them.</li> <li>• The publication of the forthcoming decisions list will give a minimum of 28 days' notice of proposed key decisions to be made by the Cabinet or by officers under delegated authority.</li> <li>• The Councils make clear through its website through its website and other council publications the services that they are responsible for, how people can contact the council and the service standards they can expect.</li> <li>• The Councils ensure its meetings are accessible by webcasting.</li> <li>• The Councils set out in its collective agreements, employment policies and procedures, and terms of reference for forums and meetings involving Trade Unions, and how it consults with staff and Trade Unions.</li> <li>• The Councils ensure compliance with the requirements under the Transparency Code – published on the Councils' website.</li> <li>• The Councils publish their Annual Statement of Accounts and Annual Auditors report to inform stakeholders and service users of the previous year's achievements and outcomes.</li> </ul>
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<b>Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>		
<b>Sub principles</b>	<b>Behaviours and actions that demonstrate good governance</b>	<b>Demonstrated by:</b>
Defining outcomes	Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.	<ul style="list-style-type: none"> <li>• We will make a clear statement of the Councils' purpose and vision and use it as a basis for corporate and service planning.</li> <li>• We will publish an annual report on a timely basis to communicate the Councils' activities and achievements, its financial position and performance.</li> <li>• We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</li> <li>• Within the Councils, each directorate identifies how they will deliver their services. This is set out in their service plans.</li> <li>• We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services. This is</li> </ul>
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.	
	Delivering defined outcomes on a sustainable basis within the resources that will be available.	
	Identifying and managing risks to the achievement of outcomes.	
	Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.	

Sustainable economic, social and environmental benefits	Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decision about service provision.	<p>against a backdrop of developing a new performance management framework so that we are clear what success will look like and how we measure it.</p> <ul style="list-style-type: none"> <li>• We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.</li> <li>• The Councils have a Risk Management Strategy and framework in place to identify, report and manage corporate and operational risks to help ensure outcomes are achieved.</li> <li>• We ensure compliance with the CIPFA codes regarding: a Prudential Framework for Capital Finance and Treasury Management; applying the principles and practices of accounting required to prepare the Statement of Accounts</li> <li>• We have produced a Joint Medium Term Financial Strategy (MTFS) which sets out the Councils' approach for delivering our strategic priorities and the management of our finances.</li> <li>• We also place reliance on the work performed by our External Auditors to ensure we have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.</li> <li>• The Councils actively considers the environmental impact of the Councils' decisions before those decisions are made.</li> <li>• We will ensure that economic, social and environmental impacts are considered in the</li> </ul>
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.	
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.	
	Ensuring fair access to services.	

		<p>Specification of Requirements for suppliers, services and works and selection of suppliers.</p> <ul style="list-style-type: none"> <li>• The Councils' have in place a Carbon Reduction Management Plan, which includes associated controls to manage the Councils' deadlines and ambition of becoming carbon neutral by 2030.</li> <li>• The Environmental Delivery Plan is regularly reviewed and monitored by the Service Improvement Advisor for Environment &amp; Commercial Partnerships and each individual proposal and activity has a designated Project Lead that manages each project.</li> <li>• The Senior Leadership Team and Cabinet Leads have a monitoring and quality control role.</li> </ul>
<b>Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>		
<b>Sub principles</b>	<b>Behaviours and actions that demonstrate good governance</b>	<b>Demonstrated by:</b>
Determining interventions	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided.</p>	<ul style="list-style-type: none"> <li>• The annual business planning process is used to agree the priorities for the Councils. The Corporate Plan expresses the strategic objectives for the Councils over the financial year and beyond.</li> <li>• Alongside each of the objectives are detailed the particular outcomes to be achieved and performance measures that provide evidence that the outcomes have been achieved.</li> <li>• This information enables members and the services contributing to the delivery of the plan to be clear about the priorities for the Councils and</li> </ul>
	<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p>	

Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	<p>assists in decisions about where resources should be focussed.</p> <ul style="list-style-type: none"> <li>Established systems are in place for reporting compliments, comments and complaints, which help us improve service delivery and relationships to our customers.</li> <li>Corporate Managers have developed their service plans indicating how they will meet objectives set out in the corporate plan and setting out their priorities and work programme for the year ahead.</li> <li>The Councils' overall spending plans are set out in an annual Budget Setting report for both revenue and capital expenditure.</li> <li>There are arrangements in place for regular budget monitoring and the reporting of significant variances to senior management.</li> <li>The Councils work to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using providers where these are the best options. Periodic internal audit reviews consider the effectiveness of controls and efficiency of processes.</li> <li>The Council seeks expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services.</li> </ul>
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.	
	Considering and monitoring risks facing each partner when working collaboratively, including shared risks.	
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.	
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.	
	Ensuring capacity exists to generate the information required to review service quality regularly.	
	Preparing budgets in accordance with objectives, strategies and the medium-term financial plan.	
	Informing medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.	



Optimising achievement of intended outcomes	Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints.	<ul style="list-style-type: none"> <li>• The Councils have a well established Joint Audit and Standards Committee and an Overview and Scrutiny Committee that provides a level of oversight and challenge.</li> <li>• Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve on the Councils operations.</li> <li>• We have risk management arrangements in place including mitigating actions to support the achievement of the Councils' intended outcomes, both at a corporate and operational level.</li> <li>• We will ensure that there are effective arrangements in place to monitor service delivery.</li> <li>• We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.</li> <li>• We have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during an emergency.</li> <li>• We will provide senior managers and Members with timely financial and performance information.</li> <li>• Our performance framework is developing in order to provide a strong evidence base for organisational improvement and transformation, better decision making and the efficient use of our resources.</li> </ul>
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.	
	Ensuring the medium-term financial strategy sets the context for ongoing decision on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.	
	Ensuring the achievement of "social value" through service planning and commissioning.	

		<ul style="list-style-type: none"> <li>• We ensure that budget calculations are robust and reserves are adequate as defined in the policy and budget framework.</li> <li>• We have produced a Joint Medium Term Financial Strategy (MTFS) which sets out the Councils' approach for delivering our strategic priorities and the management of our finances.</li> <li>• The Councils' budget and policy framework is contained within the respective Constitution.</li> </ul>
<b>Core Principle E: Developing the entity's capacity, including the capacity of its leadership and the individuals within it.</b>		
<b>Sub principles</b>	<b>Behaviours and actions that demonstrate good governance</b>	<b>Demonstrated by:</b>
Developing the entity's capacity	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.	<ul style="list-style-type: none"> <li>• Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Councils' Cabinet Committee and the Members individually.</li> <li>• We have set out a clear statement of the respective roles and responsibilities of the Councils' other committees and senior officers.</li> <li>• We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.</li> <li>• The Councils' Chief Executive is its Head of Paid Service responsible and accountable to the authority for its operational management.</li> <li>• We are developing protocols to ensure effective communication between Council Members and officers in their respective roles.</li> </ul>
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.	
	Recognising the benefits of partnerships and collaborative working where added value can be achieved.	
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.	
Developing the capability of the entity's leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a	

	<p>shared understanding of roles and objectives is maintained.</p>	<ul style="list-style-type: none"> <li>• We have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.</li> <li>• We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.</li> <li>• We will ensure that effective management arrangements are in place at the top of the organisation.</li> <li>• The Chief Financial Officer, who is also the Councils' Section 151 Officer, is the Director Corporate Resources and is a member of the Councils' Senior Leadership Team (SLT), with access to the Chief Executive and other members of the leadership team.</li> <li>• The Section 151 Officer is responsible to the Councils for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</li> <li>• We have appointed a professionally qualified and experienced Director Corporate Resources, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic,</li> </ul>
<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</p>		
<p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.</p>		
<p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risk by:-</p> <ul style="list-style-type: none"> <li>- Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.</li> <li>- Ensuring members and offices have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities and ensuring that they are</li> </ul>		

	<p>able to update their knowledge on a continuing basis.          - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</p>	<p>efficient and effective use of funds, together with professional accountability for finance staff throughout the Councils.</p> <ul style="list-style-type: none"> <li>• The Monitoring Officer is responsible to the Councils for ensuring that the constitution is adhered to.</li> <li>• We will assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.</li> <li>• The Councils encourage and facilitates Members to have appropriate training or briefing before performing certain roles – e.g., dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).</li> <li>• The Councils have Job Descriptions for all its employees. We will assess the skills required by officers through the annual appraisal process and monthly 121s and address any training gaps, to enable roles to be carried out effectively.</li> <li>• It agrees appropriate remuneration for officers based on an agreed framework of national and local agreements which include job evaluation.</li> <li>• We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</li> <li>• We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these</li> </ul>
<p>Ensuring that there are structures in place to encourage public participation.</p>		
<p>Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p>		
<p>Holding staff to account through regular performance reviews which take account of training or development needs.</p>		
<p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>		

		<p>roles are properly understood throughout the Councils.</p> <ul style="list-style-type: none"> <li>• We provide the Director Corporate Resources with the resources, expertise and systems necessary to perform the role effectively within the Councils.</li> <li>• We provide an induction programme for Councillors and officers as well as training and development through the OD Plan.</li> </ul>
<b>Core Principle F: Managing risks and performance through robust internal control and strong public financial management</b>		
<b>Sub principles</b>	<b>Behaviours and actions that demonstrate good governance</b>	<b>Demonstrated by:</b>
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.	<ul style="list-style-type: none"> <li>• The Councils have a Risk Management Strategy, supplemented by procedures and guidance. The Strategy sets a risk appetite, which considers both opportunity and risk management.</li> <li>• It undertakes systemic risk assessments in all areas of the Councils' activities, including those covered by Health and Safety legislation.</li> <li>• It maintains a Corporate Risk Register detailing the Councils' significant risks and individual service/operational risk registers, both of which are reviewed regularly.</li> <li>• The Councils continue to ensure that risk management is embedded into the culture of the Councils; with managers at all levels recognising that risk management is part of their role.</li> <li>• Risk management is incorporated into all reports to Cabinet and Committees. The officer leading</li> </ul>
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.	
	Ensuring that responsibilities for managing individual risks are clearly allocated.	
Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.	
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.	

	<p>Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.</p> <p>Providing members and senior management with regular reports on service delivery plans on progress towards outcome achievement.</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g., financial statements).</p>	<p>on risk management has the opportunity to comment on the risk section of each report as part of the 'sign-off' process.</p> <ul style="list-style-type: none"> <li>• We will maintain an effective Joint Audit and Standards Committee which is independent of the cabinet and scrutiny functions. Part of their role and function is to consider the effectiveness of the joint risk management arrangements.</li> <li>• Our outcome performance framework looks to measure the impact the Councils (and partners) are having on improving community conditions and quality of life. This includes measuring the desired results and outcomes of our key projects, activities and services that deliver the agreed priorities and ambitions of the Councils.</li> <li>• Councillors can monitor achievement of important impacts and outcomes through half-yearly reporting with self-service of traditional output measures.</li> <li>• A risk based Annual Internal Audit Plan is produced, which is consistent with each Council's priorities and is an essential part of ensuring probity and soundness of each Council's internal controls, risk exposure and governance framework.</li> <li>• In line with the Councils' Internal Audit Charter the plan has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to</li> </ul>
Robust internal control	<p>Align the risk management strategy and policies on internal control with achieving objectives.</p> <p>Evaluate and monitor risk management and internal control on a regular basis.</p> <p>Ensure that effective counter fraud and anti-corruption arrangements are in place.</p> <p>Ensure that additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>Ensure an audit committee which is independent of the executive and accountable to the governing body.</p>	
Managing Data	<p>Ensure that effective arrangements are in place for the safe collection, storage, use and sharing data, including processes to safeguard personal data.</p>	

	<p>Ensure that effective arrangements are in place and operating effectively when sharing data with other bodies.</p> <p>Review and audit regularly the quality and accuracy of data used in decision making and performance.</p>	<p>produce an annual Head of Internal Audit opinion.</p> <ul style="list-style-type: none"> <li>• The construction of the Audit Plan has been developed to support both the Joint Annual Governance Statement and the Councils' Strategic Priorities.</li> <li>• The PSIAS require the Corporate Manager – Internal Audit to report at least annually to senior management and the Joint Audit and Standards Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.</li> <li>• The Annual Audit Letter highlights the key issues arising from the External Auditor's work over the year, including from their review of our financial statements. In it, the auditor also makes a 'value for money conclusion'; that is, whether we have proper arrangements to secure economy, efficiency and effectiveness in our use of resources.</li> <li>• Internal Audit produces an annual report to the Joint Audit and Standards Committee that details the current arrangements in place across both Councils to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provides details of proactive work undertaken by Internal Audit to deter, prevent and detect fraud and corruption.</li> </ul>
Strong public financial management	<p>Ensure that financial management supports both long-term achievement of outcomes and short-term financial and operational performance.</p>	
	<p>Ensure that well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</p>	

		<ul style="list-style-type: none"><li>• Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and Corporate Managers believe the Councils are susceptible to fraud. The register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the audit planning process.</li><li>• The Councils are committed to ensuring that the opportunity for fraud and corruption is minimised, which is supported by the Prevention of Financial Crime Policy, which includes Whistleblowing and Anti-Money Laundering arrangements.</li><li>• To help fight fraud and corruption locally each Council across Suffolk have nominated a representative to sit on the Suffolk Counter Fraud Group and meet regularly.</li><li>• Internal Audit take a leading role in co-ordinating the National Fraud Initiative (NFI) exercise across both Councils and with the Shared Revenues Partnership (SRP) working across service areas to support staff in providing data and subsequently investigating and recording the results of matches.</li><li>• The Councils' Information Governance Officer has drafted an Information Governance Framework which captures how we intend to cover the six aspects of information governance (Information Governance Management; Data Quality; Information Compliance; Information Security; Information Sharing; and Records Management). It also includes a workplan</li></ul>
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		<p>capturing the tasks needed to address any concerns. This is a 'live' document which can be continuously updated to address any issues and mitigate against any impact they may have on the council.</p> <ul style="list-style-type: none"> <li>• The Information Governance Framework will also review existing IT Policies to ensure they continue to be fit for purpose.</li> <li>• Members and staff receive GDPR training with refresher training planned.</li> <li>• The Councils respect the personal data of its residents, employees, suppliers and others the Councils communicate with in line with the principles of the Data Protection legislation and makes this clear in its own Data Protection Policy.</li> <li>• The Councils respect the privacy of members of the public when carrying out investigations and ensures that privacy is only interfered with when the law permits and there is clear public interest justification.</li> <li>• The Council has in place the following related policies and procedures which are published on the website: Data Protection Policy; Complaints Procedure; Freedom of Information (FOI); Environmental Information Regulations (EIR); Procedure for Recognising and Responding to a Data Subject Access Request; Privacy Statement; and Regulation of Investigatory Powers Policy.</li> <li>• The Head of Finance is the Councils' Director Corporate Resources and S151 Officer,</li> </ul>
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		<p>responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of financial control.</p> <ul style="list-style-type: none"> <li>• We will enable the Director Corporate Resources to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.</li> <li>• We will ensure our arrangements for financial and internal control and management of risk are formally addressed within the Annual Governance Statement.</li> <li>• We will ensure effective internal control arrangements exist for sound financial management systems and processes as set out within the Councils' Constitution on Financial Regulations and Contract Standing Orders.</li> <li>• We ensure that budget calculations are robust and reserves are adequate as defined in the policy and budget framework.</li> <li>• We have produced a Joint Medium Term Financial Strategy (MTFS) which sets out the Councils' approach for delivering our strategic priorities and the management of our finances.</li> <li>• The Councils' budget and policy framework is contained within the respective Constitution.</li> <li>• A self-assessment against the requirements of the Chartered Institute of Public Finance and Accountancy Funding Model (CIPFA FM) code has been undertaken and an action plan compiled.</li> </ul>
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		<ul style="list-style-type: none"> <li>• Finance Transformation plan and implementation of a new finance system later in the year will enable an improved and more efficient service to our customers (other services) within our available resources. Improved information to services and embedding of the Business Partner approach will enable other services to better manage their budgets.</li> <li>• A delivery plan will be created that supports the MTFS and budgets that align to the corporate priorities to ensure the council can afford to deliver its aspirations.</li> <li>• Approval of the Treasury Management Strategy and reporting as required under the CIPFA Code of Practice on Treasury Management (“the Code”).</li> <li>• Established Joint Audit and Standards Committee whose role and functions include: Undertake the Council’s responsibilities in relation to financial governance issues; Receive Internal Audit’s charter, annual plan and progress against the plan that includes an annual report from the Corporate Manager - Internal Audit; Consider the effectiveness of the joint risk management arrangements, the control environment and associated anti-fraud and anti-corruption; and Be satisfied that the joint Annual Governance Statement properly reflects the risk environment and any actions taken to improve it.</li> <li>• The Councils have developed and maintained an effective Scrutiny process, through its committee,</li> </ul>
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		that encourages constructive challenge and enhances the Councils' performance.
Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.		
Sub principles	Behaviours and actions that demonstrate good governance	Demonstrated by:
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	<ul style="list-style-type: none"> <li>• The Councils make sure members of the public have access to information about the workings of the Councils. It makes clear what information is routinely published through its Freedom of Information publication scheme and responds promptly to requests for information.</li> <li>• Standard templates are used for public reporting.</li> <li>• Forward Plans, agendas and key decisions and minutes for all Committee meetings are available publicly via ModGov on the Councils' website.</li> <li>• Website streaming of Cabinet and Committee meetings and public questions.</li> <li>• We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</li> <li>• We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.</li> <li>• We comply with the local government transparency code and publish all required information in a timely manner.</li> </ul>
	Striking a balance between providing the right amounts of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.	
Implementing good practice in reporting	Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.	
	Ensuring members and senior management own the results reported.	
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).	

	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.	<ul style="list-style-type: none"> <li>• Compliance with the Publication Scheme as directed by the Information Commissioners Office.</li> </ul>
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.	<ul style="list-style-type: none"> <li>• Publication of the Councils' Joint Annual Governance Statement to accompany each Council's Statement of Accounts.</li> <li>• Publication of each Council's Annual External Audit Report and Letter.</li> </ul>
Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon.	<ul style="list-style-type: none"> <li>• We have established a Medium-Term Financial Strategy for business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review. This is supported by a detailed budget book.</li> </ul>
	Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.	<ul style="list-style-type: none"> <li>• We have put in place effective transparent and accessible arrangements for dealing with complaints.</li> </ul>
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.	<ul style="list-style-type: none"> <li>• We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Councils' performance overall.</li> </ul>
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.	<ul style="list-style-type: none"> <li>• We will maintain an effective Joint Audit and Standards Committee which is independent of the Cabinet and Scrutiny committee.</li> </ul>
	Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	<ul style="list-style-type: none"> <li>• Shared service arrangements with other local authorities or partners document their governance arrangements, which are clear, open and accountable. Business plans and performance is reported to shared service boards.</li> </ul>

		<ul style="list-style-type: none"> <li>• We will ensure an effective internal audit function is resourced and maintained.</li> <li>• The Councils maintain an independent Internal Audit function, with a risk-based annual plan, designed to test regularly that the Councils' policies and procedures operate in practice and that the Councils comply with legislation and good practice.</li> <li>• The Corporate Manager for Internal Audit produces an annual opinion on the Councils' internal control environment and the risk management framework to meet the requirements of the Public Sector Internal Audit Standards.</li> <li>• The Corporate Manager for Internal Audit's annual opinion is used to inform the Councils' Joint Annual Governance Statement, which is signed off by the Chief Executive and Leader of each Council after being approved by the Joint Audit and Standards Committee.</li> <li>• Recommendations arising from internal audit and external audit and inspection processes are used to inform future decision-making.</li> <li>• The following information is reported annually to Members and is available on the Councils' website: <ul style="list-style-type: none"> <li>➤ Performance in delivering the Councils' priorities</li> <li>➤ Statement of Accounts</li> <li>➤ Annual Internal Audit Report</li> <li>➤ Managing the Risk of Fraud and Corruption</li> </ul> </li> </ul>
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		<ul style="list-style-type: none"> <li>➤ Annual External Audit Letter</li> <li>➤ Annual Governance Statement</li> <li>• We have arrangements in place for whistleblowing to which staff and all those contracting with the Councils have access.</li> <li>• We follow the CIPFA code of practice for the Statement of Accounts which is aiming for comparability with other authorities.</li> <li>• We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Councils.</li> <li>• We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.</li> <li>• We have in place information management policies and processes.</li> <li>• The Councils have a compliments, comments and complaints policy.</li> </ul>
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### Annual Review and reporting

Each year the Councils will carry out a review of their Governance arrangements to ensure compliance with this Code in accordance with CIPFA/SOLACE “Delivering Good Governance in Local Government” (2016) Framework. The purpose of the review will be to provide assurance that governance arrangements are adequate, operating effectively and to identify action for improvement.

The outcome of the review is factored into the joint Annual Governance Statement prepared on behalf of the Leaders of each Council and the Chief Executive. It will be submitted to the Joint Audit and Standards Committee for their consideration and review.

A copy of this Local Code of Corporate Governance will be made available to the public on the Councils' website, as will a copy of the Annual Governance Statement.





Babergh & Mid Suffolk District Councils

# Annual Governance Statement

2022 - 2023



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# Scope of Responsibility

Babergh and Mid Suffolk District Councils are responsible for ensuring that its business is conducted in accordance with the law and proper standards to secure continuous improvement in the way in which its functions are exercised. It is also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

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

The Councils have approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) / SOLACE (the Society of Local Authority Chief Executives) Framework: 'Delivering Good Governance in Local Government Framework (2016 Edition)'.

This document explains how the Councils have complied with the code and meet

the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The governance arrangements over the Councils' wholly owned companies are incorporated within this Annual Governance Statement.

Good governance is important in ensuring good decision making and leadership in local authorities. Weakness in governance can have far reaching implications for individual councils and the people they serve.

It is therefore important for councils to have a way to work through what good governance looks like for them, to understand how the risk of weak governance can be minimised and be fully aware of the attitude and behaviours that underpin this.

The Leaders of each Council and the Chief Executive all recognise the importance of having good rules, systems and information available to guide the Councils when managing and delivering services to the communities of Babergh and Mid Suffolk.

Each year the Councils are required to produce an Annual Governance Statement which describes how its corporate governance arrangements have been working.

## What is Corporate Governance?

Good governance is about: "Achieving the intended outcomes while acting in the public interest at all times."

Governance is about how the Councils ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner.

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Councils' governance framework aims to ensure that in conducting its business it:

**Operates in a lawful, open, inclusive, and honest manner**

**Makes sure public money is safeguarded, properly accounted for, and spent wisely.**

**Has effective arrangements in place to manage risk?**

**Meets the needs of both districts' communities.**

**Strives to continuously improve the way it operates**

# The purpose of the Governance Assurance Framework?

The governance framework includes a set of legislative requirements, governance principles and management processes which the Councils follow:

## Principles of corporate governance

### Principle A: Integrity and Values

- Staying true to our strong ethical standards of conduct.
- Respecting the rule of law.
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities.
- Ensuring fraud, corruption and abuse of position are dealt with effectively.
- Ensuring a safe environment to raise concerns and learning from our mistakes.

### Principle B: Openness and Engagement

- Keeping relevant information open to the public and continuing their involvement.
- Consultation feedback from the public is used to support service and budget decisions.
- Providing clear rationale for decision making – being explicit about risk, impact and benefits.
- Having effective scrutiny to constructively challenge what we do and decisions made.

### Principle C: Defining Outcomes

- Having a clear vision and strategy setting out our intended outcomes for citizens and service users.
- Balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.

### Principle D: Optimising the Achievement of the intended Outcomes

- Ensuring best value is achieved however services are provided.
- Ensuring arrangements are flexible so that

mechanisms for delivering services can be adapted in changing circumstances.

- Monitoring key performance indicators.
- Ensuring the achievement of 'Social Value' through service planning and commissioning.

### Principle E: Capability

- Clear roles and responsibilities for Council leadership.
- Maintaining a development programme that allows Councillors and officers to gain the skills and knowledge they need to perform well in their roles.
- Evaluating Councillors' and officers' performance, complaints and compliments to enable results (outcomes) to be measured and enable learning.

### Principle F: Managing Risk and Performance

- Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units.
- Having well developed assurance arrangements in place – including any commercial activities.
- Having an effective Audit Committee.
- Effective counter-fraud arrangements in place.

### Principle G: Transparency and Accountability

- Having rigorous and transparent decision-making processes in place.
- Maintaining an effective scrutiny process.
- Publishing up to date and good quality information on our activities and decisions.
- Maintaining an effective internal and external audit function.

This framework is used to examine the services being provided and whether they are satisfying the objectives set. The governance framework has been in place at the Councils for the year ended 31st March 2023 and up to the date of approval of the annual report and Statement.

## How the Councils work

1. Elected Councillors set the Councils' strategic leadership by developing and keeping under review the corporate priorities of the Councils. The priorities give a clear direction of what is important politically and how that will drive the work of Council services every day.
2. There is an established integrated planning process which ensures the Councils' services are delivered in accordance with the Councils' priorities and represents the best use of resources.
3. Performance is measured against corporate objectives.
4. Each Council has a written Constitution in place which specifies the roles and responsibilities of the executive, non-executive, scrutiny, and officer functions, setting clear delegation arrangements and protocols for effective communication.
5. Codes of Conduct have been developed which define the standards of behaviour for Councillors and employees.
6. The Constitution, Scheme of Delegation to members and officers, Financial Procedure Rules and other supporting procedures clearly define how decisions are taken and highlight the processes and controls required to manage risks, with appropriate review procedures.
7. The Joint Audit and Standards Committee promotes and maintains high standards in relation to the operation of the Councils' Code of Corporate Governance ensuring that the Councils operate within the law, in accordance with the Councils' internal procedures and follow the framework and guidance issued by CIPFA. The Committee is also responsible for monitoring the risk management framework and control environment to ensure the Councils' financial and non-financial performance is properly monitored.
8. Statutory officers support and monitor the Councils' governance arrangements, ensuring expenditure is lawful and the Councils continue to comply with relevant laws and regulations, internal policies, and procedures.
9. There are arrangements for whistleblowing and receiving and investigating complaints from the public, supporting the measurement of the quality of services for users.
10. The Councils seek to keep communities informed, giving local people the opportunity to get involved in the decision-making process, promoting local democracy, supporting and shaping places and local communities.

## Key roles

The key roles and responsibilities for developing and maintaining the Governance Framework are:

<b>The Council</b>	<ul style="list-style-type: none"> <li>• Approves the Corporate Plan</li> <li>• Approves the Constitution (including the Financial Regulations)</li> <li>• Approves key policies and budgetary framework.</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• The main decision-making body of the Council</li> <li>• Made up of the Leader of the Council and a number of Cabinet members with responsibility for different portfolios.</li> </ul>
<b>Joint Audit and Standards Committee</b>	<ul style="list-style-type: none"> <li>• Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</li> <li>• Promotes high standards of Member conduct and approves the Annual Statement of Accounts and Annual Governance Statement.</li> </ul>
<b>Joint Scrutiny Committee</b>	<ul style="list-style-type: none"> <li>• Supports and challenges the Council in carrying out its responsibilities</li> </ul>
<b>Senior Leadership Team</b>	<ul style="list-style-type: none"> <li>• The Chief Executive has overall accountability for the governance framework.</li> <li>• Implements the policy and budgetary framework set by the Councils and provides advice to Cabinets and the Councils on the development of future policy and budgetary issues and oversees the implementation of the Councils' policy.</li> <li>• Accountability for developing and maintaining the Councils' governance and risk framework.</li> </ul>
<b>Director of Corporate Resources (S151 Officer)</b>	<ul style="list-style-type: none"> <li>• Leads and directs the financial strategy of the Councils and ensures the Councils' control and manage their money well, being suitably qualified and experienced, and ensures the Finance Team is fit for purpose.</li> <li>• Contributes to the effective corporate management and governance of the Councils.</li> </ul>
<b>Director of Law and Governance (Monitoring Officer)</b>	<ul style="list-style-type: none"> <li>• Advises the Councils on ethical issues, standards, and powers to ensure the Councils operate within the law and statutory Codes of Practice.</li> <li>• Contributes to the effective corporate management and governance of the Councils.</li> </ul>

The key roles of those responsible for developing and maintaining the Governance Framework are:

<p><b>Internal Audit</b></p>	<ul style="list-style-type: none"> <li>• Provides independent assurance and opinion on the adequacy and effectiveness of the Councils’ governance, risk management and control framework.</li> <li>• Delivers an annual programme of risk-based audit activity, including counter-fraud and investigation activity.</li> <li>• Makes recommendations for improvements in the management of risk.</li> </ul>
<p><b>External Audit</b></p>	<ul style="list-style-type: none"> <li>• Audits / reviews and reports on the Councils’ financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency, and effectiveness in the use of resources (the value for money conclusion).</li> </ul>
<p><b>Extended Leadership Team</b></p>	<ul style="list-style-type: none"> <li>• Responsible for developing, maintaining, and implementing the Councils’ governance, risk, and control framework.</li> <li>• Contribute to the effective corporate management and governance of the Councils.</li> </ul>

## Review of Effectiveness

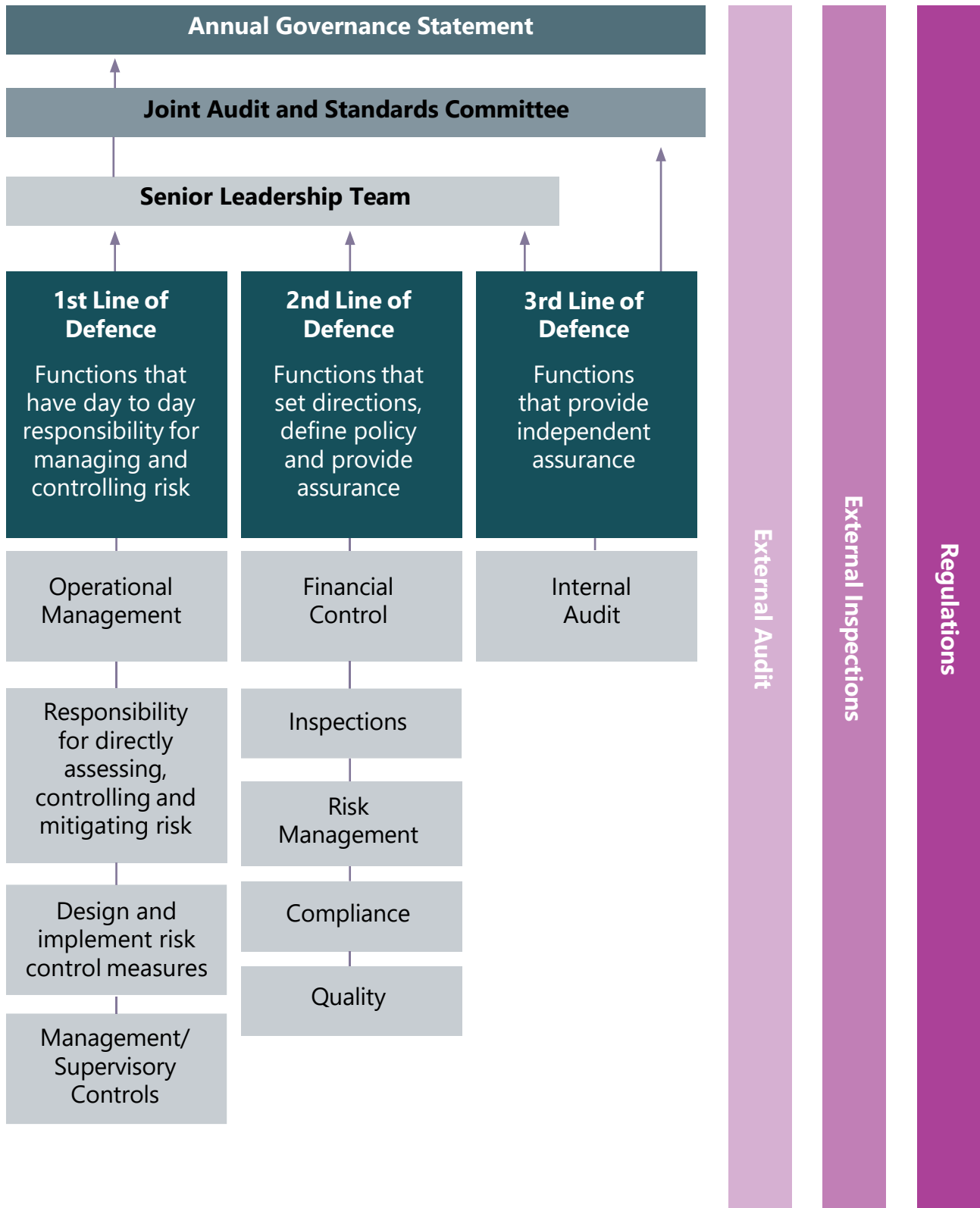
In preparing the Annual Governance Statement the Councils have:

- Reviewed the Councils’ existing governance arrangements against the revised CIPFA/ SOLACE ‘Delivering Good Governance in Local Government framework – 2016 Edition’ good practice guidance.
- Reviewed the Councils’ Local Code of Corporate Governance to ensure it reflects this guidance, including the revised seven principles of good governance and associated required actions and behaviours taken by the Councils that demonstrate good governance.
- Obtained assurance statements from officers relating to their areas of responsibility, including actions from the 2021/22 Annual Governance Statement.



The review of effectiveness is informed by the three lines of defence (i.e., from senior management within the Councils who have responsibility for the development and maintenance of the governance environment; the Corporate Manager responsible for Internal Audit; inspections made by external auditors and other review agencies and inspectorates).

This is demonstrated here:



The roles and responsibilities are applied in a pragmatic real-world manner. In reality a significant amount of policy, associated guidance, training and tools are provided at second line with a proportionate risk-based application of assurance and compliance activity.

Internal Audit use a risk-based methodology to determine their annual programme to support the application of the governance model within the organisation.

This allows the second and third lines of defence to put emphasis in the right place and work effectively and efficiently to help management achieve organisational objectives through delivery, support and challenge.

## Governance Framework Assurance

The key sources of assurance that inform this review and where they are obtained from are outlined below:

<b>WHERE DO WE NEED ASSURANCE?</b>	<b>WHERE CAN / DO WE GET ASSURANCE FROM?</b>
Compliance	Complaints System, Counter Fraud and Whistleblowing
Democratic Engagement & Public Accountability	Independent and External Sources, e.g., Published agendas and minutes of council meetings; live streaming of council meetings; external audit of the Council's Statement of Accounts.
Management of Risk	Risk Management Strategy and Framework
Financial Management	Medium Term Financial Strategy
Members and Officers Roles and Responsibilities	Constitution
Standards of Conduct and Behaviour	HR Policies and Codes of Conduct
Action Plans Approved and Reported on	Joint Audit and Standards Committee, Council, Cabinet and Joint Scrutiny Committee
Effectiveness of Internal Controls	Internal and External Audit
Services Delivered	Performance Management System



## Introduction from the Deputy Chief Executive

This year's Annual Governance Statement conveys the ongoing efforts of officers and councillors to comply with and uphold the standards of public services and delivery at a time of increasing uncertainty around financial sustainability.

The report identifies the importance of appropriate arrangements for setting and managing budgets and the necessary control mechanisms to ensure compliance with the law and good practice.

The Actions moving forward set out the additional actions we will be taking alongside our ongoing stewardship of the Councils and underlines the importance of good judgement in balancing governance, with the investment in and delivery of services for the people of Babergh and Mid Suffolk District Councils.

## Opinion of the Director – Law and Governance and Monitoring Officer

### Overall Assurance Statement

The Monitoring Officer's overall assessment is that the Councils have complied with their Constitutions, governance arrangements and statutory obligations. The governance framework is sound and the Councils have adequate arrangements for making urgent, delegated decisions. Councillors and Officers have access to adequate support and training to assist them with fulfilling their duties and ensuring the highest standards of conduct. The Councils have complied with the requirements for openness and transparency.

The Monitoring Officer has sufficient resources including sufficient Deputy Monitoring Officer provision and is assured that there is an effective internal audit function in place.

## Governance Framework

The Councils have each adopted Constitutions which are based on the Model Constitution. The Councils have effectively adopted identical Constitutions with a few minor variations between them (relating mainly to planning protocols).

The Constitutions provide the ethical framework for lawful and transparent decision-making, including those decisions made by officers under delegation. The Constitutions also set out the conduct frameworks for Officers and Councillors.

Decisions are undertaken by the Full Council, Committees of the Council, the Cabinet (Executive functions) and Officers. All decisions are supported by formal written reports which include legal, financial, risk, equalities and environmental impact considerations.

Formal minutes of the meetings are produced and published promptly after each meeting. In respect of Cabinet decisions, a decisions notice is produced and published within 48 hours of the meeting.

### Action for 2023/24:

The Monitoring Officer is required to regularly review the Councils' constitutions and it is their intention to convene a Constitution Working Group during 2023/24 to review the Constitutions.

In particular to update the Contract Standing Orders (and consequent Financial Procedure Rules) and more generally to ensure fitness for purpose given the new administration changes.

In March 2022, Babergh District Council considered whether to revert to the Committee style of governance or to retain the Leader-Cabinet model. It was decided to retain the Leader and Cabinet model and that position has not changed for 2023/24. In both Councils there are discussions to improve the way that the Cabinets engage with the wider Council memberships.

The Monitoring Officer will be working with the Leader and Cabinet Members in 2023/24 to implement and evaluate any governance changes.

### Statutory Officers

The Statutory Officers; Monitoring Officer, Head of Paid Service and S.151 Officer, and the Corporate Manager for Internal Audit meet bi-monthly to consider any issues relating to governance matters. This enables us to proactively identify any potential issues and share recent legislative and best practice updates.

### Employee Induction

The Monitoring Officer runs a workshop on Political Awareness and Decision-Making as part of the Employee Induction Programme. This includes information about the constitution, the decision-making structure of the Councils, the employee code of ethics and working within a political environment.

### Councillor Development

A Councillor development working group has again been established for this new electoral term and includes Councillors from both Councils and representing a range of political groups to oversee the four-year Councillor Development Programme.

This programme includes a comprehensive induction process which is a blend of internal and external training, e-learning, face to face training sessions and virtual training sessions. There is an emphasis on face-to-face practical training for example in relation to Planning Committees.

Councillors that sit on regulatory (planning and licensing) committees are required to complete technical training at least every 2 years and to have carried out mandatory training before taking a seat. We also hold regular Joint Councillor Briefings to help keep Councillors up to date with information to support them in their roles as decision makers and community leaders.

## Transparency

The Councils are committed to the highest levels of openness and transparency in all their activities.

The Forthcoming Decisions List is published weekly and includes not just Cabinet business but also upcoming Council decisions. Wherever possible meetings are held in the Council Chamber which enables the meeting to be recorded and audio-visual footage to be live streamed to the Councils' YouTube channel.

This footage is available to be viewed again after the meetings. Live streaming has made the formal meetings of the Council, Cabinet and Committees much more accessible to the public.

### Action for 2023/24:

Hybrid meeting technology has been successfully trialled and implemented, which now enables public speakers and other non-voting participants to join and contribute to meetings virtually.

The Councils are exploring other technology that will enable the live streaming of meetings held within the districts.

## Standards

The Councils promote the highest levels of ethical behaviour and conduct. In 2019 the Councils adopted a set of behavioural values for employees which have been incorporated into the Councils' annual performance reviews. The Constitution sets out a code of conduct for employees which includes requirements in respect of registering interests and gifts and hospitality.

In March 2022, the Councils adopted the LGA's model code of conduct as their new Local Code of Conduct for Councillors.

Training and support is currently being programmed for district and town and parish Councillors to ensure that the provisions of the new code are fully understood and to maximise compliance with the code.

The Monitoring Officer has appointed a deputy to assist with responding to code of conduct complaints and to provide advice and guidance to district Councillors and Town and Parish Councils about general governance matters.

All complaints are dealt with in accordance with the Councils' adopted code of conduct complaints procedure. We are currently reviewing the online complaints form to ensure that it is accessible and easy to complete.

The Councils have formally appointed a pool of Independent Persons who are consulted at various stages in the complaints process.

## Covid-19 repercussions

The Councils have continued to adapt and evolve following learning from Covid-19 and moving forward decision-making meetings have been enabled to continue in person as required by law.

We have however utilised virtual meeting technologies for informal meetings and briefings at every opportunity which has contributed towards our carbon reduction ambitions.



## Opinion of the Director – Corporate Resources (S151 Officer)

The statutory role of the Chief Finance Officer (CFO) in relation to financial administration and stewardship of the Council and their role in the organisation are both key to ensuring that financial discipline and strong public financial management is maintained. Financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government (2016).

Local authorities are subject to a range of safeguards to ensure they do not over-commit themselves financially. These safeguards include the statutory duties of the Chief Finance Officer which are set out in the Financial Regulations that form part of the Councils' Constitution. The statutory duties include the requirement to report to Council if there is, or is likely to be, unlawful expenditure or an unbalanced budget (under Section 114 of the Local Government Act 1988).

Alongside the statutory role of the Chief Finance Officer, the Councils have in place several financial management policies and controls which are set out in the Financial Regulations. Internal financial controls include separation of duties, management supervision, relevant staffing structures including appropriately skilled, trained, or qualified staff, and a system of delegation and accountability.

Other safeguards which ensure that strong public financial management is in place include:

- a) the statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment;
- b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93); and
- c) the external auditor's consideration of whether the authority has made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources (the value for money conclusion).

The Joint Audit and Standards Committee is responsible for undertaking the Councils' responsibilities in relation to financial governance issues, they support the Chief Financial Officer in their statutory role in connection with financial probity and they review and approve the Annual Statement of Accounts.

## Statement of Accounts and Audit

The published Annual Statement of Accounts is the statutory summary of each Councils' financial affairs for the financial year. Its purpose is to give clear information on the income and expenditure of the Councils and to demonstrate the Councils' stewardship of public money for the year.

The last Annual Audit Letter from Ernst & Young (EY) dated July 2021 gave the Councils an unqualified opinion on their 2019/20 statement of accounts and issued an unqualified value for money conclusion.

The auditors were satisfied that the accounts had been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Work has been undertaken on the areas for improvement that were identified as part of the audit of the 2019/20 accounts, but the outcome from this will not be known until the 2020/21 audit is complete.

There have been significant delays to the 2020/21 audit, the audit commenced in February 2022, but due to the scheduling of audits for the NHS and the need for EY to prioritise that work the audit was paused.

Work commenced again in the summer of 2022 but once again was unable to be completed due to resourcing issues.

From the work undertaken to date, no major issues have been raised, so it is anticipated that an unqualified opinion on the accounts and value for money conclusion will again be the outcome.

These delays have had a knock-on impact on the 2021/22 and 2022/23 accounts and audits, with publishing deadlines proving extremely difficult to meet, as has been the case for many other councils across the country.

The Councils are in discussion with EY to agree a time for the 2020/21 outstanding audit work to be completed and to schedule the 2021/22 and 2022/23 audits.

## Financial Planning

The Councils take an annual approach to service planning, allowing a close link between services and financial planning. The approach over the medium term is to continue to transform the Councils by continuously reviewing, remodelling, and reinventing the way the Councils operate.

The Joint Medium Term Financial Strategy focuses on;

- internal efficiencies and improvements
- continuously streamlining work and reducing waste in processes
- greater cross-functional working and multi-skilling
- improving ways of working to move away from 'professional silos' and toward integrated services for the public.
- customer demand understood, analysed, and met through new services and business models.
- demand is re-shaped and managed while engaging service users to ascertain priorities.

The Councils have a record of setting balanced budgets, no history of overspending, modest increases in council tax and no significant reductions in service levels during reductions in government funding.

For 2022/23 stretching, but realistic, assumptions were used when putting budget proposals together across both expenditure and income. However, global events, rising inflation and interest rates and the national pay award have created an unprecedented financial challenge for the Councils. In anticipation of this a £500k earmarked reserve was created in 2021/22 for each Council.

Further cost reductions and additional income was identified respectively for the 2023/24 budgets without again having any significant impact on the level of services provided to the public.

As part of the budget setting process for 2023/24 the Overview and Scrutiny Committee reviewed and challenged the budget assumptions, the pressures, and the savings.

During 2023/24 the finance team will work closely with service managers to continue to identify savings and pressures and build the MTFs on a rolling cycle, so the financial forecast is as up to date as possible.

The Councils Section 25 report on the robustness of estimates and adequacy of reserves provides a risk-based approach to the assumptions made within the budget and the appropriate level of reserves.

The Councils Joint Investment, Capital and Treasury Strategies were approved in February 2023. This demonstrated that the Councils Capital programmes and associated borrowing limits are set at a prudent and affordable level.

## CIPFA'S Financial Resilience Index

CIPFA's Financial Resilience Index, made publicly available for the first time in 2019, aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index can undertake comparator analysis drawing their own conclusions. The tool is based on a series of indicators relating to the sustainability of reserves, external debt, fees and charges and income from local taxation (business rates and council tax).

The 2022 index, which provides the relative position for the 2021/22 financial year, is the most up to date index currently available. Councils' performance is ranked relative to those in the selected 'comparator group.'

Both Councils are seen as having higher risks around the level of external debt, interest payable and the proportion of fees and charges income against total revenue expenditure. The external debt includes that associated with the HRA, so the Council will always be seen as a higher risk compared to those councils without housing stock, but it is balanced against the value of the housing stock on the Councils balance sheet.

The other elements are all linked to the investment that the Councils made in CIFCO by increasing General Fund debt levels, higher interest payments, but also higher investment income coming back to the Councils and is secured by charges on the properties acquired by CIFCO.



## Financial Performance and Monitoring

The Councils report financial performance quarterly to the Senior Leadership Team (SLT), Portfolio Holders and Cabinet, and half yearly for treasury performance including the prudential indicators to Joint Audit and Standards and Full Council.

A robust system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it enforces financial discipline, strategic allocation of resources, efficient service delivery and accountability.

This is demonstrated in the draft Outturn report for 2022/23, which showed an overall surplus for each Council for the General Fund despite very challenging external financial pressures.

The draft outturn for both Councils Housing Revenue Account (HRA) shows an in-year deficit which was balanced by contributions from HRA reserves. The deficit was primarily due to the significant inflationary increase in materials costs and an increase in voids, along with the additional costs associated with the new regulatory pressures Councils are now facing.

During 2023/24 a complete re-write of the 30-year business plan will be undertaken, various scenarios will be modelled, and stress testing will be undertaken along with the review of the capital programme for new build, and investment in the Councils existing stock including compliance and retrofit.

Further work will be undertaken during 2023/24 to enhance the reporting to align to outcomes and closer links with risk and general performance reporting.

## Transformation work

Internal Audit undertook a budgetary control review in 2021/22 to provide management with insight as to how the processes could be improved. The audit focused on how the finance system could be used to drive reports, use of check totals,

the processes and procedures to produce reports including the timetable and the role of the Finance Business Partners.

A number of recommendations were made, and these are being implemented via the finance transformation plan. Progress against the plan is reported monthly to the Finance and Commissioning & Procurement Transformation board as well as a highlight report to the Change and Efficiency board which reports into SLT.

During 2022/23 the Councils undertook a competitive tender for a new finance system, the contract was awarded to Unit 4.

The benefits expected from the new system are;

- **Better Budget Setting & controls based on real time information.**
- **Provision of high- quality business support to the Councils' services.**
- **Devolution of processing to services & self-service approach.**
- **Automated processes where possible.**
- **Streamlining & standardisation of processes.**
- **Greater service resilience across the Councils.**

The project milestones are on track and go live is planned for October 2023. This is a significant change project for the organisation and with that in mind 22 change champions across the Councils are supporting the project to help embed the new system and ensure success along with the finance and commissioning & procurement team.

In October 2019, CIPFA issued a new Financial Management Code, which includes principles of good financial management including several associated standards the Councils need to achieve.

These are the benchmarks against which all financial management will be judged in future. Work to assess the Councils' current position against the standards was undertaken during 2021/22 and the actions required to ensure that all standards are being complied with are included within the finance transformation plan.

Towards the end of 2021/22, the Councils invited the Local Government Association to undertake a corporate peer challenge. The report concluded that both councils are financially stable, and have a simple practical approach to cost sharing, CIFCO has delivered financial returns, there are some early successes from the Growth Companies, and we have adapted investment strategies in light of changes to the Prudential Code.

Some areas for consideration were also identified on improved capital planning and forecasting, these are being addressed through the transformation plan.

## Conclusion

The opinion of the Chief Finance Officer is that the Councils continue to operate robust internal controls and good public financial management.

Action is taken to manage the financial pressures and develop strategies to meet any immediate and long-term financial challenges that the Councils face.

This is evidenced by both internal and external audit reports, together with regular reporting on budgetary control.

There has been no re-course for the Chief Financial Officer to exercise her statutory powers and the Councils comply with their financial regulations and procedures together with relevant codes of practice and guidance.



## Opinion of the Corporate Manager – Finance and Commissioning & Procurement

Both Councils total annual supplier spend is approximately £57m, of this 56% is with 10 suppliers and there are 82 contracts stored on the Councils' central online contract register.

The team has set up over 600 new suppliers during 2022/23 after completing the necessary due diligence checks.

The Commissioning and Procurement Business Partners (BPs) have brought an enhanced professional focus on the higher value and higher risk contract activities and several complex tenders have been awarded throughout the year. A range of guidance materials, templates and training via Microsoft Teams is available to help anyone undertaking their own procurement. This is backed up by professional advice and support from the Business Partners as required.

During 2022/23 training in contract management and purchase to pay has been provided for any staff new to the organisation or who need refresher training in these areas.

Effective contract management is crucial to the future success and stability of the Councils. Contract management is devolved across the Councils, with central support and coordination. During 2022/23 an internal audit was undertaken to review contract management with a focus on adherence to the required policies and procedures in the devolved process. The scope of the audit was as follows:

- The use of Contract Change Control Register including its benefit and level of details to be included therein.
- Contract Register for central oversight and support for department going through the procurement process.
- Contract Management Policies and procedures including value for money and social value of contracts.

- Setting and monitoring of contracts' key performance indicators and documentation of action taken in respect of poorly performing contracts, including lessons learnt from existing contract management processes.
- Contract Management best practices across the sector.
- Implementation of action plan from East of England Local Government Associations (EELGA) review and previous outstanding internal audit recommendations.
- Regular Contract Management Training programme for relevant staff members.

The audit identified several action points, of which three were given the highest priority of 'urgent' and eleven the next highest of 'important'.

The key strategic findings from the audit are set out below –

- **There is no agreed Performance and Contract Management Framework that outlines overarching responsibility, scrutiny and oversight.**
- **The documentation in place would benefit from review, update, rationalisation and simplification.**
- **Governance around managing the procurement, exemptions and conflicts of interest requires review and enhancement.**
- **There is not a formal process to ensure that off contract spend is identified and the need for formal contract documentation is considered and addressed.**

In March 2023, a new commissioning and procurement transformation lead was appointed to work with the change and transformation leads delivering a programme to address the findings from the internal audit report.

This includes a training programme and guidance for managers on effective procurement and contract management, embedding social value and climate change when commissioning, and exploring shared contract collaboration arrangements.

The Councils contract standing orders and commissioning and procurement manual have been updated and are currently being reviewed by the Director of Corporate Resources and the Monitoring Officer.

Work is underway on reviewing the Councils' annual spend data to ensure we have contracts in place for all areas of significant spend and looking for synergies across services. Significant work has been undertaken to create an effective pipeline with service managers.

By having a robust pipeline, the Councils will be in a position to properly plan and resource procurements and reduce the number of exemptions coming through.

One service area that has been struggling to manage its high-volume procurement pipeline is Building Services. This has resulted in a widespread use of exemptions to ensure unbroken, quality and safe service provision to tenants and a backlog of procurements. To reduce this backlog, the new Director of Housing has engaged consultants to support and conduct procurements. This represents a significant weakening of the overall control environment and reduces transparency.

To balance this reduction in control, Internal Audit will need to regularly review the process being followed and the outcomes of the procurements. This will be essential to protect the Councils from challenges and ensure that value for money is achieved.

Work will continue to ensure the Councils are compliant with the current regulations and ready for the new regulations that come into effect later in the year.

To ensure the increased level of focus required on commissioning and procurement, a new dedicated improvement Board chaired by the Deputy Chief Executive (and including other SLT Officers) is currently being established. It will oversee the progress of the transformation plan and will also have the following responsibilities:

- Making recommendations on requests over £150k;
- Reviewing high value contracts (goods and services greater than £150k per year and works greater than £1m) at the end of stage 5 and at stage 9 of the Commissioning and Procurement Cycle.

In the 2023/24 budget round additional funding was made available for a dedicated Commissioning and Procurement Corporate Manager and this post will be recruited to shortly.

The Corporate Manager for Finance and Commissioning and Procurement is not satisfied that the systems and processes in place during 2022/23 were adequate to enable the Councils contracts to be effectively let and managed. The issues identified above will be addressed through the implementation of the transformation plan, the work of Internal Audit and the Commissioning and Procurement Board.



## Opinion of the Corporate Manager – Internal Audit

Internal Audit is an independent and objective function with all audit work carried out in this capacity and in accordance with the Audit Charter, Code of Ethics and Public Sector Internal Audit Standards.

The work of Internal Audit is resourced from existing staff and from an external audit partner reporting directly to the Corporate Manager for Internal Audit. This arrangement still allows a direct internal provision plus the commissioning of external skills and capacity and provides a blend of resources from within the Councils and from an external partner of services. This arrangement also provides access to valuable and diverse specialised skills as needed and achieves a level of flexibility which can be critical in effectively dealing with a range of operational issues.

The internal audit team recently underwent their second external review. The review (which is conducted by an external assessor every five years) was carried out through a process of interview and document review and included an examination of seven audits carried out during the 2021/22 and 2022/23 financial years. In addition, several key documents including the Internal Audit Charter, Strategy and Manual and reports to the Joint Audit and Standards Committee (JASC) were also reviewed.

The external assessor found that the internal audit function at Babergh and Mid Suffolk Councils conforms with the Public Sector Internal Audit Standards. No areas of non-compliance were identified with the standards that would affect the overall scope or operation of the internal audit activity and the service is valued and well-regarded across the Councils. Some minor improvement changes were identified to fully demonstrate adherence to the Standards, and these are currently being addressed.

The Corporate Manager for Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Councils' governance, risk and control framework and therefore the extent to which the Councils can rely on it.

An internal audit review of the Councils' compliance to the seven core principles of good governance, underpinned by the risk management arrangements, assurance & governance audits, has shown that there are sound governance arrangements in place.

82% of Internal Audit work completed during 2022- 23 has yielded an acceptable level of assurance (substantial or reasonable) over the design and operation of the services, systems and processes audited. For those audit reviews that have presented significant concern, actions have been agreed to improve controls and are closely monitored until such time as they are addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit.

The Corporate Manager for Internal Audit is responsible for the delivery of an audit opinion and report that can be used by the Councils to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Corporate Manager for Internal Audit has performed his duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit.

The Corporate Manager for Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk, and control framework and therefore the extent to which the Council can rely on it. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.

Based on the findings of the managed audit and governance reviews carried out throughout 2022-23 and evidence from other assurance providers, and considering the current climate in which the Council is operating, it is the opinion of the Corporate Manager for Internal Audit that the Councils' governance, risk and control environment provides reasonable assurance that the significant risks facing the Councils are addressed. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

**The Corporate Manager for Internal Audit does not consider there to be any areas of significant corporate concern.**



## Anti-Fraud and Corruption

The Senior Leadership Team has committed to tackling fraud and corruption affecting the Councils, aiming to adopt a culture in which all employees maintain a proactive attitude towards preventing fraud. The Financial Regulations and Procedures within each Council's Constitution state that the Corporate Manager – Internal Audit is responsible for:

- the development and maintenance of a Prevention of Financial Crime Policy and ensuring that Councillors and staff are aware of its contents.
- ensuring that there is a pro-active approach to fraud prevention, detection and investigation and promote a council-wide anti-fraud culture across both organisations.

All officers are responsible for giving immediate notification to the Corporate Manager – Internal Audit on fraud matters where there are grounds to suggest that fraud or corruption have occurred.

Fraud and corruption risks are identified as part of the annual planning process and contributes to the overall formation of audit coverage. Under the Public Sector Internal Audit Standards (PSIAS) Internal Audit consider aspects of fraud risk in planning all audits.

The Joint Audit and Standards Committee receive an annual report entitled 'Managing the Risk of Fraud and Corruption.' This report explains the current arrangements in place across both Councils to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provides details of proactive work

undertaken by Internal Audit to deter, prevent and detect fraud and corruption.

Internal Audit has an important role to play in ensuring that management has effective systems in place to detect and prevent corrupt practices within an organisation. This is part of its normal role of supporting Management and the Joint Audit and Standards Committee oversight of risk management.

Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and Corporate Managers believe the Councils are susceptible to fraud. The register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the audit planning process.

The Corporate Manager for Internal Audit is the Money Laundering Reporting Officer (MLRO) and is responsible for ensuring that proper procedures are in place to combat the possibility of the Councils being used for money laundering purposes.

This has included raising Money Laundering awareness through a series of presentations to all Corporate Managers, which was followed up with a compulsory online e-learning module for all staff to complete. This training will enable employees to recognise suspicious transactions and what to do if they identify them.

The completed module will automatically be filed on everyone's personal records. This will also form part of the induction programme for new employees.



CIPFA's Code of Practice for Managing the Risk of Fraud and Corruption (the Code) sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response. The Councils use the Code annually to assess the adequacy of arrangements which are reported annually to the Joint Audit and Standards Committee and action is taken where weaknesses have been identified.

Internal Audit take a leading role in co-ordinating the bi-annual National Fraud Initiative (NFI) exercise across both Councils and with the Shared Revenues Partnership (SRP) working across service areas to support staff in providing data and subsequently investigating and recording the results of data matches.

Although both Councils have traditionally encountered low levels of fraud and corruption, the risk of such losses both internally and externally is fully recognised as part of each Council's operations that need to be managed proactively and effectively.

The opinion of the Corporate Manager – Internal Audit is that there are adequate arrangements in place to manage the risks of fraud and corruption, and further work is planned to strengthen these through the work of Internal Audit. This will be monitored, and progress reported.

## Looking ahead/Future developments

Some areas where a focus can be expected for 2023/24 follows:

- Continue ongoing National Fraud Initiative exercise;
- Supporting both Councils to improve levels of awareness of fraud risks amongst staff;
- Continue collaborating with neighbouring councils to share knowledge and expertise on anti-fraud and corruption measures through the Suffolk Fraud Group.
- Continue to coordinate and manage the online fraud referral platform on our website and through Customer Services to mitigate fraud within our districts.



## Opinion of the Director – Assets and Investments

Babergh & Mid Suffolk District Councils operate 2 Holding Companies (BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd) and 5 trading companies.

They are:

1. CIFCO Capital Ltd – a company owned jointly by BDC & MSDC (Suffolk Holdings) Ltd which invests in commercial property for an income return;
2. Gateway 14 Ltd, which is wholly owned by MSDC (Suffolk Holdings) Ltd which has acquired 150 acres of commercial development land on the outskirts of Stowmarket to bring forward a commercial development scheme;
3. Stowmarket Estates Limited, which is a dormant company, wholly owned by Gateway 14 Ltd to manage services for the completed Gateway 14 development in due course;
4. Babergh Growth Ltd, a jointly owned company established with Norse Group Holdings Ltd as the co-owner to deliver residential and commercial development within the district including the redevelopment of the former HQ premises in Hadleigh;
5. Mid Suffolk Growth Ltd, a jointly owned company established with Norse Group Holdings Limited as the co-owner to deliver residential and commercial development within the district including the redevelopment of the former HQ premises in Needham Market.

Each of the companies has a board of directors that are supported by a common Executive Team. The Holding Companies are there to oversee the trading companies' performance against business plans and key performance indicators and to support the growth, synergy opportunities and development of the companies in alignment with the Council Shareholders.

The Council companies trade and operate independently but remain closely linked with the Councils as the Shareholders. They each support key priorities of the Councils and provide income to the Councils by way of interest payments on loans and in due course via dividends.

The Companies use Council staff and premises to deliver services, the costs of which are fairly apportioned by the Councils and recharged to the companies. Loan agreements and equity subscriptions between the Council shareholders and companies are documented and managed. During 22/23 the Councils' internal audit team instructed TIAA to undertake assurance reviews of the Growth Companies.

TIAA concluded that they had substantial assurance with regard to the governance and operation of the Growth companies. It is proposed that further audits will be undertaken in respect of the trading companies over the next 2 years.

Financial audits are undertaken by external auditors, Ensors, annually for each of the companies resulting in the production of year end accounts and financial statements being submitted to Companies House in accordance with the Companies Act 2006.

Assurance and governance of the Companies is managed closely ensuring that Articles of Association are followed and robust decision making and recording. A code of conduct for Directors is in place across the company structures and further training provided in respect of directors' responsibilities and financial requirements. The code includes the Nolan principles of public life. Director training will be

offered to all new Councillors as part of the Councillor induction programme and will be a requirement for any Councillors with Council directorships.

The trading companies report quarterly to the Holding Companies with updates and present updated business plans for approval by the holding companies annually. In turn the Director for Assets & Investments reports quarterly to Joint Cabinet Briefings and the Senior Leadership Team on behalf of the Holding Companies.

The Holding Companies also approve the appointment of any new directors to the boards of the trading companies and the drawdown of capital. Quarterly Holding Company meetings are attended by members of the Senior Leadership Team including the Chief Executive, Deputy Chief Executive, S151 Officer, Monitoring Officer and Director for Assets & Investments as required.



## Opinion of the Head of Human Resources and Organisational Development

To ensure compliance and guidance for our staff, we have a comprehensive range of people policies and associated supporting guidance and procedures. These are all available to employees and line managers through our intranet system, Connect, and are supported by toolkits providing useful information, templates, and best practice. As ways of working have evolved since the start of the pandemic, detailed guidance is also available to enable and support our staff to work in a hybrid way. All this information is regularly monitored to ensure that changes in legislation are incorporated and that they reflect and support the Councils' priorities.

Performance against relevant indicators such as absence is monitored and presented at the relevant Cabinet and Senior Leadership Team meetings. A further breakdown of individual departmental performance is shared with the respective Corporate Manager. Examples of areas monitored include days lost, numbers of people, long term, and mental health related absence. We monitor absence on a weekly basis to allow for support mechanisms to be put in place where required. We also receive monthly reports from our Employee Assistance providers. The data is anonymised, but we are also able to identify trends. To support staff wellbeing, we provide monthly webinars which explore different ways to focus on physical and mental health.

We use Menti to gather anonymised feedback from these sessions too. Through this routine performance reporting and feedback, the Councils can identify areas of interest and concern. This allows for further scrutiny and for steps to be put in place, where appropriate, to mitigate any abnormal variances and to support our people.

We have a robust recruitment process in place, supported by appropriate policies and procedures. We regularly monitor spend relating to temporary and contract workers. Our right to work checks and referencing are thorough to ensure that we are complying with the required legislation. We are a Disability Confident employer, have robust processes in place to ensure we are a menopause friendly employer, and all our recruitment policies and practices are inclusive to ensure fairness and consistency for all applicants.

We monitor and publish gender pay in line with legislation and have an action plan in place with the aim of reducing the pay gap across the organisation.

We have also developed our internal Equality, Diversity, and Inclusion strategy with commitments to further nurture inclusion, promote diversity and cultivate equality across the organisation. We commissioned an Equality, Diversity, and Inclusion specialist to facilitate focus groups with our staff to understand how culture is experienced by all our employees; how inclusive the councils are and the impact this has on diversity; and what influences career progression in our councils. Actions resulting from the learning from those workshops is ongoing.

One of those actions related to ongoing training and development. We have recently carried out updated Equality, Diversity & Inclusion awareness training for SLT and Corporate Managers, which also included a significant focus on neurodiversity. We will be facilitating more detailed workshops in the coming 12 months with all employees.

Our induction programme for new recruits is a mixture of service-based learning and a corporate group programme. Line Managers are supplied with all the detail they require to ensure that their new starters are welcomed and inducted into the organisation. Links and modules are provided to ensure that some of the key learning areas around how we operate and our processes and policies, can be accessed and completed online. Our code of conduct and our values and behaviours are readily available to our people and are included in our employee induction process.

There is a 3-year People Plan in place and this outlines the strategic workforce priorities for the Councils. This includes the people transformation programme and incorporates how the Councils' values and behaviours will continue to be embedded into the organisation. The strategy is underpinned by a detailed action plan with associated timescales.

We have a performance review process in place that incorporates measurable objectives, with a thread from strategic priorities to service plans and individual objectives, as well as measures around the values and behaviours.

A behavioural framework is in place for the purpose of providing the required guidance and is available on our intranet, Connect. Our staff are now able to upload their reviews onto our new HR Information System for ease of reference and access. Spot checks are carried out by the HR Team to ensure that regular 121s and reviews are taking place.

We have traditionally carried out Staff Surveys on a bi-annual basis, the last one of this format having taken place at the end of 2019/20.

We recognised that the analysis of these surveys, due to the size, took a long time and therefore are now carrying out much smaller pulse surveys several times per year so that we can respond to feedback in a much more dynamic way and can measure the temperature of the organisation at a set moment in time.

Our most recent pulse survey identified areas of high performance along with areas that require focus, and the HR & OD Team is continuing to work with Directorates to ensure that action plans are in place to address some of the areas that require focus.

In addition to our comprehensive toolkits on our intranet, hands on support for teams to deliver their services is provided by HR and OD Partners and Advisors and our HR Support Team for recruitment and transactional services.

**In the coming 12 months we will continue to work with interns, graduates, and apprentices to ensure we are supporting the local economy and developing our talent pipelines.**

We also make full use of the apprenticeship levy to not only support our apprentices but also to offer apprenticeships within the organisation. As part of the performance process, we also agree learning and development plans with our people for the year ahead. The Councils have a Learning and Development Plan in place that sits as part of the overall People Plan. We have recently implemented a new HR Information system and are currently developing the learning management system element of this which will allow the recording of all learning and development to ensure compliancy and identify potential skills gaps.

Following completion of the previous leadership programme for SLT and Corporate Managers run by SOLACE, a new leadership programme has now been agreed. There will be three distinct elements to this programme that will focus on:

- **Aspiring leaders;**
- **New leaders; and**
- **More experienced leaders.**

During lockdown, the Councils introduced a Wellbeing programme for all our people with regular support sessions made available virtually with expert external facilitation. These have continued to be very popular with high numbers of staff engaging in the programme. Feedback is monitored to understand further key areas of support and to ensure continual improvement. This programme of virtual support will continue in 2023/24. We have also made available a learning programme for our line managers and our employees aimed at supporting wellbeing across the organisation. A Wellbeing Hub has been developed and is available on our intranet system, Connect, providing a wide range of support and signposts to relevant external agencies. We have also developed an employee Wellbeing strategy. Financial wellbeing is a key focus for us over the coming 12 months and we have developed a page, on our Wellbeing Hub, that details support available for our employees.

Our employee assist programme has been further developed and a more comprehensive offer has been put in place to include support and signposting relating to financial wellbeing. We have also provided webinars around financial support and will continue to offer these over the coming months.

The current recruitment market provides challenges for all. To ensure that we are an attractive employer we are undergoing an all staff pay and reward review and have recently completed over 300 job evaluations. The process will be completed later in this calendar year. The base budget for salaries was uplifted at Budget Councils in February 2023 to positively support this review.

We are currently re-designing our recruitment process to build in a proactive search capability rather than waiting for people to apply. Our new HR Information system has facilitated a revised application process for candidates which we hope will also increase applications for available positions. We recognise the importance of the development and retention of an engaged workforce and we will continue to look at different ways of attracting early talent through our early careers approach alongside a continued focus on internal development for established staff.

Communication and flexible, agile ways of working with supporting policies, processes, tools and people development, will continue to be key for the future and we will continue to retain a focus on these areas.

The Head of HR & OD is satisfied at this stage that there are sound processes and procedures in place to ensure that the workforce is managed effectively, however, recognises that because of the current social and economic concerns, policies, processes and support, some of which have already been put in place as referenced in the statement, will require continual review.





# Opinion of the Corporate Manager Policy, Performance, Insight, Risk and Improvement

## Performance

In January 2022, the Cabinets agreed a new outcomes framework for the councils that was embedded into service planning for 2022/23. Work is ongoing to drive that cultural change further for service planning in 2023/24. The outcomes are those we expect to achieve for our residents and communities by 2027.

We took a theory of change approach to the Framework meaning these long-term outcomes are underpinned by up to twelve 1–2-year outcomes for each of the six priorities and each of these have actions and measures. The current Corporate Plan was adopted in 2019. Although adopted as a longer term 8-year plan it was always intended to revisit the plan in 2023 with new political term/potential new administrations. Our approach and direction for 'Resetting our Corporate Plan' is detailed in the 'Actions Plan moving forwards' section of the Statement.

The Councils had their five-year LGA Corporate Peer Challenge in March 2022 that led to 10 recommendations and a number of areas for consideration. As part of this work, we published the report and agreed an action plan with the LGA. The Councils went a step further and developed a three-year improvement plan bringing together 70 actions that are part of the follow-up to the LGA Corporate Peer Challenge, these include those areas we identified as part of the preparation for the visit as well as the formal recommendations and areas for consideration.

The plan was developed with SLT in improvement workshops and its delivery is being managed through the Policy, Performance, Insight, Risk and Improvement team. The LGA revisited in January 2023 to review progress in delivering improvement. They identified that the improvement plan is a serious indication of the continuous improvement journey the councils are on and there is clear evidence of resourcing the plan and sticking to it.

A continuous improvement roadmap is under development that will use the new performance management key performance indicators (KPIs) to drive improvement. The new KPIs linked to the Tier 1,2 & 3 outcomes, will allow resources to be provided to those areas most needing support, enabling the effective delivery of Tier 4 action.

During 2022/23 the Councils have continued to report performance against the six strategic priorities to SLT and Cabinet on a quarterly basis. Our Councils are highly ambitious and want to see significant improvement for the wellbeing of our residents and communities.

Over Summer 2022 we started work to drive the cultural change required to adopt an outcomes focused approach to performance by socialising the framework as part of the annual staff conference. Work to develop tier 4 measures aligned to the short-term outcomes started with service teams in Q3. We also delivered the first annual representative resident survey (3,400 residents) for both councils. Results fed into the new Communication and Engagement Strategy, informed service improvement and new performance measures to track outcomes and understand our residents' priorities.

End of term reports were published in December 2022 - our digital End of Term reports, one for each district showing our achievements delivered since 2019, against our six strategic priorities. These integrated resident facing reports present a consistent narrative of improvement and performance over the last four years for the six strategic priorities and the enablers of change which tell a clear story to residents. This approach will make it easier to celebrate our successes and show the direction of travel.

A new lead for Performance and Business Planning started in January 2023 and a Performance Improvement Officer started last December, together these officers are developing effective KPIs working with service teams. They are also developing new performance reporting through the procurement of performance and risk software to implement outcome reporting and improve data quality across the councils. The new software will provide tailored dashboards for performance and risk for SLT, Portfolio Holders and Corporate Managers and drive the join-up between performance, risk and finance.

Our approach to service planning for 2023/24 reflects the adoption of the Outcomes Framework. We refined the standard template for service planning to enable shared ownership, consistency and to enable us to plan and support services more effectively. Service plans are written by Corporate Managers with their teams and are agreed by Directors and shared with Portfolio Holders. Accountable Officers for Tier 3 outcomes had these embedded into their service plan template.

The Corporate Managers with shared accountabilities for each Tier 3 outcome were asked to work together to discuss actions and measures to join-up across the organisation. Service plans are a vital link between our joint Corporate Plan and Outcomes Framework and our Personal Development Scheme (PDS).

Work has begun to develop the new annual State of the Districts reports; one for each Council using national and regional insight and data. These reports will be debated by members in summer 2023 and used to inform the planned Corporate Plan reset.



## Risk Management

Risk management provides early warning on key / emerging matters to enable transparent, timely decision-making and intervention at appropriate levels. It improves decision-making allowing intelligent 'informed' risk-taking, helps to prioritise, protects assets, people and the Council's reputation, supports consistent good governance and internal control and allows better informed financial decision making leading to greater financial and budget control.

In 2020/21, TIAA, the Councils' business assurance provider was asked to review the Councils' risk management arrangements. In April 2021, TIAA reported good practice in our approach. All risks in the strategic risk register all had risk owners, Cabinet member leads, mitigation actions and all other areas of the strategic risk register was completed.

They also found that risks included within the strategic risk register recorded original, current and target risk scores, and said that the strategic risk register is structured so that risks are articulated in terms of risk, cause, and impact. Mitigations are included along with further actions necessary to reduce the risk. However, TIAA also suggested some improvements:

- review risk management strategy to include how the strategic risk register links to the Councils' corporate objectives. To address this, a new risk management policy and strategy was published in Q1 2023 having been agreed by both Cabinets on 9 January and previously shared for comment with the Joint Audit and Standards Committee in November 2022.
- embed sources of assurance in the strategic risk register and reflect in the Risk Management Policy and Strategy. This improvement area was addressed by the Senior Leadership Team (SLT) in 2021/22 and we are confident that the strategic risk register does now include assurances. In Q3/Q4 of 2022,

we also embedded assurances into the expectation of our operational risk registers and reflected assurances in the new policy and strategy.

- review strategic risks where they have met their 'Target Risk,' to decide if they can be de-escalated or closed. This improvement area was addressed by the SLT in 2021/22, is now a regular discussion point and related to our operational risk registers in 22/23.
- be specific with planned completion dates to make it easier for SLT and Members to monitor and understand any gaps between the current and target scores. This improvement area was addressed by the SLT in 2021/22 and during Q3/Q4 22 was embedded into our operational risk registers.
- review and update the Risk Management Strategy to include the review, moderation and approval process for new risks for both the strategic risk register and the operational risk registers. The new risk management policy and strategy published in Q1 2023 addresses the above process which is now being embedded across the Councils.

Risk management is a key strategic element in our decision making and operation that in line with the new policy and strategy is being actively promoted across the organisation and joined-up with performance and finance. Each service is responsible for owning an operational risk register and the policy and strategy provides a clear line of sight between strategic and service risk with an escalation and de-escalation process in place.

The LGA Corporate Peer Challenge in March 2022, identified strengths and weaknesses of our existing risk management approach and we have since improved our risk management practice through our revised strategy, our risk framework, and our strategic risk register.

An SLT strategic risk workshop in January 2022 initiated the improvement needed in this area including the need to have a holistic approach to risk aligned to the HM Government Orange Book – Management of Risk Principles and Concepts. In February 2022, SLT began the preliminary work to develop detailed risk appetite and tolerances for each of the 13 risk types identified by the Orange Book. This work will continue in 2023 following the May 23 elections and will be embedded in our strategy at the annual risk meeting with JASC in November 2023.

As part of the new approach to service planning that was launched with the Extended Leadership Team in February 2022, we revised the operational risk registers to ensure they also reflected the improved strategic risk register including the need to capture assurances, include end dates, and align with the Orange Book principles.

We also recognise the need to embed risk into our organisational culture to protect and enhance the health of the organisation and to help our staff and members recognise the relationship between the health of the organisation and the communities we serve.

In summer 2023, we plan to hold a workshop with the Extended Leadership Team to explore the importance of integrating risk into strategic decision making and the necessity for a positive risk culture in line with the Corporate Peer Challenge recommendations, supported by further risk training in autumn 2023.

## Equalities

As a public authority, the Councils have a duty to comply with our legal duties under Section 149 of the Equality Act 2010, the Public Sector Equality Duty (PSED); and the Equality Act 2010 (Specific Duties) Regulations 2011. The Senior Leadership Team receive and discuss updates and has oversight of the Councils' activities for this area of work.

To ensure the Councils are paying due regard to the PSED, the Equality Impact Assessment (EQIA) process is used to support good decision-making by ensuring the Councils consider how different people will be affected by our activities, helping to deliver policies and services which are efficient and effective; accessible to all; and which meet different people's needs. EQIAs are reviewed, and advice provided to EQIA authors.

The Councils are committed to equality monitoring to improve our services and ensure all our residents can access and use them. We undertake equality impact assessments for service changes and for staff restructures and use data to inform targeted service delivery: for example, in Housing where we developed services for complex housing needs customers and in Communities where we used data focus school holiday support.

We also consider equality and diversity in strategy development: for example, most recently in our Wellbeing Strategy.

We recognise the shift in the equality, diversity and inclusion (EDI) agenda to include intersectionality. An example of that is the work we are leading on digital access and digital skills for those residents who are at risk of digital exclusion. However, we need consistency in how we apply EDI considerations in our decision-making which we are addressing in our three-year Corporate Improvement Programme.

The Director of Customers, Digital Transformation and Improvement is satisfied that processes are in place to enable the Councils to meet the requirements of the Equality Act 2010.





## Opinion of the Corporate Manager – Information and Computer Technology and Programmes

The IT Strategy for Babergh and Mid Suffolk District Councils was formally adopted in November 2020 and enables the wider ambitions of the two organisations, specifically focussing on key customer outcomes and the ongoing resilience of the two councils.

The strategy, being aligned with that of our key provider, Suffolk County Council, enables us to ensure relationships with partners and our opportunity to effectively collaborate in strategically important areas of ICT continues.

Cybersecurity remains the most pressing risk facing ICT. Working with partners we focussed on our Cyber security efforts and gained our latest Public Services Network Accreditation (PSN) in December 2022. With the help of Microsoft, we reviewed our security configurations for key Microsoft toolsets providing assurance that the relevant configuration is adequate, and where improvements were identified, they are actively being progressed. Through focussed sessions at Directorate Management Teams and Overview and Scrutiny, we have ensured a better corporate understanding of both our approach to Cybersecurity and what elements service areas need to take direct responsibility for to ensure their own ongoing operational effectiveness.

Other ways ICT have supported the ongoing operational effectiveness of the organisation are by completing a refresh of core end-user compute devices during 2022/23, replacing more than 400 devices. In addition to this refresh of core end-user compute we also refreshed over 100 smartphones.

ICT supported colleagues across the organisation in their plans to modernise by playing key roles in the replacement of Enterprise Resource Planning toolsets, including a new HR system and the procurement of a new Finance system. In addition to the modernisation of systems, ICT supported the delivery of the tools, assets, and information to deliver a modernised work environment – one which is fit for a post-pandemic, hybridisation enabled, collaboration focussed workplace.

ICT remained focussed on financial rigour and strategic alignment of delivery in 2022/23. We continue to refine our understanding of the Total Cost of Ownership for ICT and are able to identify the revenue cost associated with staff growth and have put forward a 5-year capital plan thus supporting the organisations MTFS.

We continue to leverage value from our Microsoft 365 estate by implementing and automating a “Good Start Board”, an approach to increase transparency and improve opportunities for success of new and existing projects. By providing easy digital access to key project and programme information we also improve opportunity for corporate oversight and governance.

This ongoing focus on improving digital access is supported by the procurement of a new Digital Platform, which will, in 23/24, replace our outmoded and outdated public facing websites with more modern and efficient sites and improve our capabilities to support the end-to-end digitisation of processes.

Senior Leadership Team agreed to introduce a refreshed programme approach to support better oversight of key organisational outputs and outcomes and provide an improved, evidence-based understanding of where resources are being utilised and how best to prioritise them. Following on from this a portfolio of 4 corporate programmes was agreed in 2022/23, based around the following themes:

- People – this programme aims to ensure that Babergh and Mid Suffolk District Councils are recognised as great places to work, to learn and to grow. Places where our people are encouraged, energised and enabled to deliver our ambitions.
- Data – this programme aims to ensure that Babergh and Mid Suffolk District Councils understand and manage data consistently so that it supports

the organisations, services and staff to make insight-driven, evidence-based decisions.

- Environment – the programme aims to ensure that we meet and exceed the expectations set out in the Carbon Management Reduction Plan and address other impacts to our environment such as the loss of biodiversity.
- Change and Efficiency – ensuring we improve our services and make them as efficient as possible so that we can meet the very real changes in the needs of our residents, staff and the organisation itself.

This approach will continue to mature during 2023/24 and will be supported by a review of the project management framework to make it more pragmatic and proportionate.

**It is the opinion of the Corporate Manager for IT and Programmes that technology assets of the Councils are run effectively, efficiently and economically and that organisational maturity around Programme and Project management continues to improve.**





## Opinion of the Data Protection Officer

Information Governance in Babergh and Mid Suffolk District Councils is overseen by the Councils' Statutory Officers Group which meet every two months. The primary purpose of the meeting is to drive and oversee the ongoing development of strategies to ensure the Councils have effective information governance and assurance arrangements in place. The Information Governance Officer (IGO – employed by West Suffolk Council) is part of the Shared Legal Services Team which provides Legal and Information Governance services to the Councils' (as well as West Suffolk Council) as part of a shared arrangement.

The Councils have key individuals who have specific roles and responsibilities regarding information governance, including:

- Senior Information Risk Owner – Deputy Chief Executive with overall responsibility for the councils' information risk policy
- Director – Law & Governance and Monitoring Officer, is the Data Protection Officer who is responsible for overseeing data protection strategy and ensuring compliance with legislative requirements.
- Service Manager – Legal and Governance, acts as the Deputy Data Protection Officer and leads the Information Governance Team that develops the overall information policy and assurance framework, provides information, advice, guidance and training for staff, and monitors compliance.
- Information Governance officer – provides a comprehensive advice service to the councils in respect of Information Governance, Data protection, Data management, Freedom of Information and Environmental Information Regulations.

The Councils also have an informal network of representatives across the organisation who promote and encourage best practice within their service areas on information management.

They also act as the liaison officers for their service areas for the processing of Freedom of Information (FOI), Environmental Information Regulations (EIR) requests and maintaining and updating their datasets in the Information Asset Register. Training for them is provided on an ongoing basis.

Information, advice, guidance and support relating to different aspects of information governance is available on the Councils' intranet and internet, and bespoke advice is available for members and staff from the Information Governance Officer.

The Information Governance Officer also works closely with colleagues from other Suffolk local authorities and partners via the Suffolk Information Governance Group and the Suffolk Office of Data Analytics (SODA) to ensure that information can be shared safely and appropriately between organisations with a consistent approach to data protection being followed across the Suffolk Local Authorities.

Examples of this collaborative work is the documentation produced to cover off the Energy Bills Support Scheme Alternative Funding Payments which the councils' have administered on behalf of government (Department for Business, Energy & Industrial Strategy), in response to the cost of living crisis; and the drafting of documentation to support the Serious Violence Duty another government strategy which requires the involvement of local authorities (Home Office).

**Information governance continues to hold a higher profile than ever before since the implementation of new data protection legislation which came into force in May 2018, and the Councils continue to drive improvements to data security and compliance.**

Examples of specific activities undertaken throughout the year are:

- Service support in drafting of new processes or updating refreshing existing, for example:
- ECINS – case management system for recording anti-social behaviour
- Council Tax Energy Rebate
- Digital Journey
- Tenant Satisfaction Survey
- Suffolk County Linked Data Sets
- FOI/EIR procedure reviews in response to customer complaints
- Responding to an Information Commissioner’s Office Review
- Delivery of 24 training sessions for staff covering GDPR and DPA 2018
- Completion of the Information Governance Framework covering:
  - Information Governance Management
  - Data Quality
  - Information Compliance
  - Information Security
  - Information Sharing
  - Records Management
- Review of the information held under the Control of Patient Information (COPI) and its destruction in the summer of 2022.
- Joint working with SODA and all Suffolk public authorities (SIGG) to provide an ongoing joined up approach to data driven service improvements and projects.

### **Four key aims for 2023/24 are:**

- Refresh the councils’ policies and procedures to reflect new proposals for data protection reform expected later this year.
- To work within the project group supporting the councils’ Data Programme
- Liaise with the councils’ Learning and Development Team to source an up to date and fit for purpose online GDPR training module for all staff to complete on an annual basis.
- Train and support new Councillors in an understanding of GDPR and DPA 2018 commensurate with their role (by end of May 2023).



## Opinion of the Corporate Manager – Communications and Engagement

The Communications team supports all council service areas with both external and internal communications.

This includes issuing proactive media releases and reactive statements, offering communications advice, creating content on our social media channels, photography and video, design services, as well as providing internal, member and stakeholder communications.

We help our residents, staff, members and partners feel informed about council services and priorities, and to see our positive impact on communities - building trust and enhancing our reputation.

In 2022, we issued more than 90 media releases and managed more than 300 media inquiries.

This included positive coverage about our work to tackle climate change, highlighting our visions for Sudbury and Stowmarket, and supporting our cost-of-living action plan.

Our Facebook posts had a reach of 270,000 across both councils in 2022, while we have also helped to produce new-look End of Term reports highlighting the achievements of our councils in the last four years.

Meanwhile, our Communications and Engagement Strategy has been developed, with further engagement and actions planned in 2023/24.



## Priorities for coming year / areas for improvement

The Communications team will continue to work with colleagues across the organisation to ensure we are keeping them, our residents, Councillors and partners informed about our services and priorities.

Our work will remain aligned to our corporate priorities, and we will continue to help the administrations to articulate these, demonstrating the positive impact they are having in the communities we serve.

We will cater for a range of audiences across multiple internal and external channels, ensuring our communications are tailored for them.

These audiences include staff, residents, councillors, local media, housing tenants, businesses, parish and town councils, other local authorities in the region, partner organisations, community groups, MPs, charities and voluntary groups, and potential visitors to our districts.

The services we will offer include media relations, internal communications, councillor communications, design, photography and video, branding, communications training, communications advice, wider external communications, crisis communications, social media development, publications, and events advice.

Our communications will focus on the principles of being open, honest, and timely, using plain English. This will ensure we are transparent and our work is of the highest integrity. We will also ensure our staff, members and people impacted hear council news first where possible.

The Communications and Engagement Strategy will see us refresh our approach in a number of ways.

We will support the development of our internal communications channels, with the aim of providing more dynamic and engaging platforms. This includes our external website launch due late summer 2023.

We will enhance our social media channels and launch new ones, with a clear strategy to connect with different and new audiences online. This will include developing more visual content – pictures and video – which will better engage our audiences and help us convey our key messages.

We will ensure we are communicating in the right way at the right time for different audiences. We will also encourage more meaningful engagement and dialogue, which our councils can use to enrich decision-making.

Councillors who are the trusted voice of the council in the communities we serve, will be supported with information being provided at the right times. We will also offer media training for portfolio holders and a social media guide.

Using the expertise of the communications team, we will build a culture of good comms practice across the councils through training and workshops.

And we will gauge our success through evaluation where possible, including the feedback from our Residents' Survey, Pulse Survey, social media analytics, and assessing sentiment in media coverage.

We are also recruiting an apprentice digital content producer and remain committed to developing the skills within our team.

A digital programme of work is continuing focused on improving our customers' online experience. This includes our new, external facing website which will be launched in late Q1 2023/24.

**By continuing to invest in our communications, we can ensure that our communities understand our direction, our vision and the rationale for future proposals, and understand how they can have their say, as part of a fully transparent democratic process.**



## Opinion of the Corporate Manager for Health & Safety, Emergency Planning and Business Continuity

To meet the requirements of Section 2(7) of the Health & Safety at Work Act 1974, the councils have a Health & Safety Board (H&SB). This is chaired by the Chief Executive Officer and includes members of the Senior Leadership Team, Head of HR & OD, Trades Union representatives and the Health and Safety Team.

The H&SB oversees and reviews the measures taken to ensure the health, safety and wellbeing of staff and those affected by the Councils' activities on behalf of the Senior Leadership Team. In particular, it agrees the H&S Service Plan. This sets the strategic direction for H&S along with a more detailed work programme for the next 12 months.

The H&SB normally monitors progress of this on a quarterly basis. However, any significant H&S issues are shared with the H&SB, along with plans for remedial action via M/S Teams between meetings.

Performance measures are reported to the H&SB and the Senior Leadership Team. In addition to the H&SB, the councils operate a Health and Safety Workgroup. This is a consultative body with the recognised trade unions and with non-union staff health and safety representatives. The H&S Workgroup are consulted on H&S policies and they are advised of the main H&S issues.

The Health & Safety service provides the competent advice to the Councils as required by Regulation 7 of the Management of Health and Safety at Work Regulations 1999.

The Councils' health and safety management function is subject to Health and Safety Executive (HSE) scrutiny. Any reportable incident including accidents, injuries and near misses are captured and reported via the RIDDOR system. During 2022/23 there was 1 RIDDOR reported to the Health and Safety Executive.

## Annual Governance Statement 2022-2023

The Corporate Manager for Health & Safety is satisfied that governance arrangements for H&S are suitable and sufficient. The H&S service plan highlights the specific aspects which require on-going improvement.

This statement focuses on 2022/23. Operationally during this period the H&S team has worked with reduced capacity due to long term sickness. As a consequence, this has led to continuation of the reduced assurance activity (previously caused by the impacts of the COVID 19 pandemic during 2021/22) carried out by the team. This has been addressed in the 2023/24 Service Plan.

The internal review of H&S structures and approach currently being carried out by the interim Corporate Manager may lead to changes in the future operational focus of the team and the governance arrangements for H&S within the two councils.

Following issues with landlord H&S Compliance and our self-referral to the Social Housing Regulator, performance on Health and Safety compliance is regularly reported to and monitored by SLT, Cabinet and the Building Services Transformation Board. Additionally, officers meet with the Social Housing Regulator monthly and the regulator continues to confirm that they are happy with our progress and the actions that have been taken to address H&S compliance in both the short term and the long term.

Additional permanent capacity to support health and safety compliance has also been built into the new staffing structure for Building Services. Long term governance arrangements are yet to be determined. Refer to the Action Plan moving forwards section within the Statement.

## Actions moving forward

### Resetting our Corporate Plan

Why are we reviewing our Corporate Plan?

Our Corporate Plan gives the Councils direction on what we want to achieve for our residents, businesses, visitors, stakeholders and partners, and of course all Councillors and staff. The current Corporate Plan was adopted in 2019.

Although adopted as a longer term 8-year plan it was always intended to revisit the plan in 2023 with new political term/potential new administrations. This is especially relevant given the huge amount of international, national, and local change since the Corporate Plan priorities were adopted. The reset will ensure the Councils are prioritising the right issues for today and the foreseeable future. It will also help identify how we will achieve our outcomes, providing that golden thread through our organisation to give a clear vision on how we all achieve our shared outcomes.

### What is our approach?

Some of the principles that will under the approach to the corporate plan are:

- Longer term planning, not just immediate goals and political-term thinking
- Use community and stakeholder engagement to help shape priorities, identify how and who can deliver those priorities.
- Consider the role of local authorities, and whilst providing direct services also consider how we can influence and engage more to achieve wider outcomes with our communities and stakeholders.
- Identify and resolve inherent tensions between ambitions.
- Work will enable reset of values and behaviours and connect to budget consultation.

The new corporate plan will set out:

- What is distinctive about Babergh and Mid Suffolk
- Ensure the plan is relevant and meaningful, whilst ensuring simplicity to the plan
- Our joint councils' vision and mission
- Our strategic principles and missions
- How we nurture diversity of our places & people ensuring we adapt to the needs of our rural and urban communities.
- Our ways of working
- harnessing the strengths of others (community groups & partners), focusing on convening services for our places and co-designing, co-creating and co-delivering.
- achieving our outcomes through working with, and influencing, our partners. This will include how we will seek to influence the wider system using whole systems commissioning levers.
- How we will know if our plans are working – high level targets for 2031.

We will go about this through engagement with our Councillors, all staff, stakeholders and partners and residents, businesses and visitors.



## What will be the outcomes of this work?

The Joint Corporate Plan will be adopted in 2024 and cover the time period from 2024-2031. Following this we will review the Outcomes Framework to ensure we are effectively monitoring our performance against this plan, in the form of an Annual Corporate Delivery Plan. And we will review our strategies and plans to ensure they are aligned with the Joint Corporate Plan and Outcomes Framework, and that the clear golden thread can be seen through the organisation from missions of the council through to our actions on a daily basis to deliver these for our communities.

## Local Elections

The Councils have continued its business with local elections set to take place on 4th May 2023. This will be followed up by an extensive induction programme for new and returning councillors, and the development of the Corporate Plan as described above.

## Building Services Transformation and Improvement Programme

We are currently carrying out an in-depth review of the Councils' Building Services, which maintains our housing stock. As part of this, two experienced specialists, working alongside our own officers, have been looking at a number of key areas and assessing our compliance with regulatory standards. Their initial findings identified a number of areas requiring improvement. We take the health and safety of our tenants seriously and the teams are already carrying out urgent work to address these issues.

As our current position does not meet the required health and safety obligations, we, as responsible landlords, voluntarily referred ourselves to the Regulator of Social Housing. Following a review by the Regulator, we were given a regulatory judgement which required us to carry out urgent actions to bring our properties back into compliance. As our diagnostic review had already identified failings, the process of improvement had already begun. We are meeting with the Regulator on a monthly basis and provide details on our compliance actions. They are happy with our progress. Monitoring will continue until we have reached a position of compliance.

We are being transparent about this process to show our commitment to the health and safety of our tenants and demonstrate our understanding of our regulatory responsibilities. Although a regrettable situation, we are committed to not just taking Building Services through these challenges but transforming it into an excellent service for tenants in the future.

Our transformation and improvement programme has made significant progress, our compliance structure has been agreed, staff have been consulted, and we are now working towards recruiting to positions in our new structure. The DLO business case and restructure proposal has been presented to our Transformation Board and following a small number of changes, the final version will be presented in mid-July.

It should be noted that there have been significant, and welcome, changes in the way social housing is regulated in the last two years, meaning all councils have now been brought in line with other Registered Providers to adhere to the regulator's same requirements and processes. If we are not 100% compliant, we are obligated to refer ourselves to the regulator, which is not unusual, particularly with local authorities new to this housing regulation.

## Peer Review

In March 2022, the Local Government Association Peer Challenge Review team visited us. They spoke to more than 200 people, including officers, councillors, stakeholders, and partners in order to provide us with a sense check on how we are performing and suggest some improvement opportunities.

The key headlines are that the Peer Challenge team say that Babergh and Mid Suffolk District Councils are well run and deliver good core services to our residents.

They describe our officers as being highly dedicated, committed, and loyal to the organisation; and praised the workforce for delivering above and beyond, particularly during the pandemic.

The team found excellent partnership working at strategic level to deliver positive outcomes on health, wellbeing, housing, stimulating economic growth and shared services – and we were described by our partners as “punching above our weight.” We are ambitious. The redevelopment of our former council offices, the regeneration of our key market town centres and Gateway 14 are given as examples of our “bold aspirations for place, housing, economic development, skills and innovation” together with our commitment to wellbeing and climate change.

But with so much ambition the team feel we need greater prioritisation to ensure we can manage delivery within our resources and capacity. The team commended our action on climate change, including conversion of our waste vehicle fleet to run on hydro treated vegetable oil (HVO) and our £2.8m investment in solar schemes at our leisure centres.

They noted the strong relationships that are starting to be forged with our communities and that, in turn, our communities have proven over the past two years that they can step up and deliver locally within their neighbourhoods.

But they also pointed out that we do not have the capacity, resources, and – in some cases – the expert knowledge, to deliver everything, so should harness the skills and capacity available from others within our communities and networks.

The team found our finances to be sound, with balanced budgets, and no significant funding gaps over the short term. Our commercial ventures are profitable, with CIFCO delivering financial returns for both councils and the growth companies delivering new homes. They were impressed with our investment in the development and wellbeing of our workforce; however, they also heard some examples of poor behaviour in dealings between councillors and officers and recommend that these relationships are ‘reset’ to ensure unacceptable behaviour is ‘called out’ without fear of consequences.

Finally, the team found that Babergh and Mid Suffolk’s shared partnership is successful and continues to deliver benefits to the residents of both districts. Councillors from all parties confirmed to the team that they want to continue to work together in partnership, but not to merge.

The Peer team raised a number of observations and suggestions resulting in 10 recommendations. In response to the recommendations we have developed an action plan showing how we intend to take these recommendations forward.

The Peer Review has been a very beneficial exercise and has helped to shape and finesse the improvements we need to continue to make to ensure our organisation remains fit for purpose and relevant into the future, able to tackle the new challenges facing our communities and residents.

**The report from the Peer Review team also highlights and praises us for how far we have already come and how much we have to celebrate.**

## Social Value

A draft Social Value Policy to support delivery of the Council's refreshed Corporate Priorities and associated strategies will be presented to SLT and will then be considered for adoption by Full Council, its precise timing will ensure we have clarity of purpose and a shared understanding of how we can embed our approach to developing achievable social value principles (social, economic and environmental) in every element of our activity. We will therefore be applying a social value lens to everything we do. We are mindful of the wider benefits that can be generated for our local communities.

We will measure and collate key performance indicators, which we will review periodically, to enable us to measure and monitor an identified set of internal KPIs based on themes, outcomes and measures (TOMs) not only through our procurement practices but making sure we achieve more meaningful leverage from all our public spending across all our services.

Our financial and contractual procedure rules will also be revised to create the flexibility to support local contracting and easier routes to market and a revised process for waiver from the contractual procured rules.

Robust evidence-based analysis will allow us to report progress on individual projects. We will also publish an Annual Summary Report of all projects delivered across the year and a Corporate Report will allow us to provide a more detailed summary of Social Value delivery over the year across the organisation.

A task and finish group will be set up to ensure Social Value is at the forefront of all activity, achieving value for money on a whole life basis for the council, communities and the economy, whilst protecting the environment.

## Approval of the Annual Governance Statement

The Annual Governance Statement provides an assurance of the effectiveness of each Council's system on internal control. There is an acknowledgement that the control environment in some areas requires strengthening. We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements.

We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.



**Cllr David Busby**  
Leader of Babergh  
District Council



**Cllr Andrew Mellen**  
Leader of Mid Suffolk  
District Council



**Arthur Charvonia**  
Chief Executive of Babergh  
and Mid Suffolk  
District Councils



# Agenda Item 9

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> <b>JAC/23/04</b>
<b>FROM:</b> Corporate Manager – Internal Audit	<b>DATE OF MEETING:</b> 31st July 2023
<b>OFFICER:</b> Corporate Manager – Internal Audit	<b>KEY DECISION REF NO.</b> N/A

### ANNUAL INTERNAL AUDIT REPORT 2022/23

#### 1. PURPOSE OF REPORT

- 1.1 The work of Internal Audit is governed by the Accounts and Audit Regulations 2015 and relevant professional bodies. The UK Public Sector Internal Audit Standards (PSIAS) require that the Corporate Manager – Internal Audit must deliver an annual audit opinion and report that can be used by the Councils' to inform its Annual Governance Statement.
- 1.2 The Annual Internal Audit Opinion must conclude on the overall adequacy and effectiveness of the Councils' control environment – framework of governance, risk management and internal control.
- 1.3 In addition, the Accounts and Audit Regulations 2015 require the Councils, each year, to 'conduct a review of the effectiveness of the system of internal control'.
- 1.4 The annual report must therefore incorporate:
  - a. The annual opinion on the overall adequacy and effectiveness of the Councils' governance, risk and control framework.
  - b. A summary of the work that supports the annual opinion.
  - c. The performance of Internal Audit against its performance measures and criteria.
  - d. A statement on conformance with the PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme (QAIP).
  - e. Disclosure of any qualifications to the opinion, together with reasons for the qualification.
  - f. Disclosure of any impairments or restriction in scope.
- 1.5 This report also provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

#### 2. OPTIONS CONSIDERED

- 2.1 This is a regulatory report and there are no options to consider.

### **3. RECOMMENDATIONS**

3.1 The Committee is asked to:

3.1.1 Consider and support the conclusion that the Councils' system of internal control is effective; and

3.1.2 Confirm that the 2022/23 opinion of the Corporate Manager – Internal Audit, based on his assessment of effectiveness, can be relied upon as a key source of evidence in the Annual Governance Statement.

#### **REASON FOR DECISION**

This recommendation is within the Committee's term of reference, which includes receiving an annual report from the Corporate Manager – Internal Audit.

### **4. KEY INFORMATION**

4.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.'

4.2 The Regulations also require a committee of the relevant authority, each financial year, to 'conduct a review of the effectiveness of the system of internal control.'

4.3 The PSIAS define the way in which the Internal Audit Service should be established and undertake its functions. The Councils' Internal Audit Service carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to the Joint Audit and Standards Committee.

4.4 The PSIAS also require that an independent and objective opinion be given on the overall adequacy and effectiveness of the control environment, comprising risk management, control, and governance, from the work undertaken by the Internal Audit Service.

#### **Responsibilities**

4.5 Management is responsible for establishing and maintaining appropriate risk management processes, control systems and governance arrangements.

4.6 The primary role of Internal Audit is to provide independent assurance and challenge to the management and Councillors that the Councils maintain an effective control environment that enables it to manage its risks, governance arrangements and its internal control processes and that they are operating effectively.

4.7 Internal Audit is not the only source of assurance for the Councils. There are a range of external audit and inspection agencies as well as management processes which also provide levels of assurance. These are set out in the Councils' Local Code of Governance and within its Annual Governance Statement.

#### **Internal Audit Report and Corporate Manager – Internal Audit Opinion**

4.8 The annual audit report summarises the results of internal audit work carried out during 2022/23 and, as required by the Accounts and Audit Regulations 2015, gives an overall opinion on the Councils' control environment.

- 4.9 The annual report also covers the effectiveness of the Internal Audit function.
- 4.10 The annual opinion of the Corporate Manager – Internal Audit is based on the overall adequacy and effectiveness of the Councils’ framework of governance, risk management and control in accordance with the PSIAS. It is one of the main sources of assurance for the Annual Governance Statement.
- 4.11 In accordance with professional standards the Corporate Manager – Internal Audit’s opinion is independent and objective. The opinion reflects the work carried out during the year and summarises the main findings and conclusions together with any specific concerns that the Corporate Manager – Internal Audit may have.
- 4.12 The overall opinion of the Corporate Manager – Internal Audit for 2022/23 is:

**I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of both Council’s internal control environment.**

**In my opinion both Council’s framework of governance, risk management and control is ‘Reasonable’ and the results of audit work has demonstrated controls to be working in practice.**

**This is based on the findings of the audit work carried out throughout 2022/23 and evidence from other assurance providers. Where weaknesses have been identified, we have worked with management to agree appropriate corrective actions and timescale for implementation.**

**I do not consider there to be any areas of significant corporate concern.**

### **Effectiveness**

- 4.13 With regard to ‘effectiveness of the system of internal control’ the Committee can take assurance that there is an effective Internal Audit function. This is demonstrated through compliance with PSIAS, Accounts and Audit Regulations and CIPFA guidance and the results of customer satisfaction surveys show good levels of effectiveness are being achieved.
- 4.14 All public sector internal audit services are required to assess their performance on conforming to the standards and this is achieved by undertaking periodic self-assessments and an external quality assessment at least once in a five-year period. The most recent external quality assessment, in the form of a full assessment, was undertaken in February 2023. The external assessor was able to report that the Internal Audit function at Babergh and Mid Suffolk Councils conform with the PSIAS. No areas of non-compliance were identified that would affect the overall scope or operation of the internal audit activity and the function is valued and well-regarded across the Councils. Fuller details are contained within the main body of the annual report.

## **5. LINKS TO CORPORATE PLAN**

- 5.1 The delivery of a comprehensive Internal Audit service supports the strategic priorities within the Councils’ Corporate Plan, in particular ensuring the right people are doing the right things, in the right way, at the right time, for the right reasons.
- 5.1 Appendix A provides a summary of the work undertaken under the relevant strategic priorities. This work will contribute to the 2022/23 overall Internal Audit opinion on the

Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.

## 6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

## 7. LEGAL IMPLICATIONS

7.1 There are no direct legal implications arising from this report.

## 8. RISK MANAGEMENT

8.1 This report is not directly linked with any one of the Councils' Significant Risks. The key risk, however, is set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
Internal controls within each Council may not be efficient and effective.  As a result, each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely 2	Bad 3	Councillors receive and approve the Internal Audit work programme and other reports on internal controls throughout the year.  The work programme is based on an assessment of risk for each system or operational area.	Internal Audit Risk Register – Risk reference no. 5.
Issues raised by Internal Audit are not appropriately actioned by management leading to weak systems of internal control and potential risk of theft and fraud.	Unlikely 2	Bad 3	Reporting of internal audit main findings and tracking of high priority recommendations.	Internal Audit Risk Register – Risk reference no. 3.
Audit programme slippage leading to the approved programme of work not being delivered.	Unlikely 2	Bad 3	Regular reporting on internal audit progress.	Internal Audit Risk Register – Risk reference no. 6.

## 9. CONSULTATIONS

- 9.1 The 2022/23 Internal Audit Plan was approved by the Joint Audit and Standards Committee on 28<sup>th</sup> March 2022 (Paper JAC/21/21), having previously been endorsed by the S151 Officer and the Senior Leadership Team.
- 9.2 As part of the preparation for this Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Corporate Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions.
- 9.3 During preparation, this report has been shared with both Chairs of the Joint Audit and Standards Committee and the Senior Leadership Team, including the Section 151 Officer and the Interim Director, Law and Governance and Monitoring Officer.

## 10. EQUALITY ANALYSIS

- 10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

## 11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no environmental implications arising from this report.

## 12. APPENDICES

Title	Location
(a) Appendix A - Overview of Internal Audit Work	Attached

Authorship:

John Snell  
Corporate Manager – Internal Audit

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## Appendix A

### INTERNAL AUDIT ANNUAL REPORT 2022 TO 2023

#### Contents

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## 1 Role of Internal Audit

- 1.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2025, which states that a relevant body must:
- ‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.***
- 1.2 The role of Internal Audit is best summarised through its definition within the Public Sector Internal Audit Standards (PSIAS) as an:
- ‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***
- 1.3 The Corporate Manager – Internal Audit is responsible for effectively managing the internal audit activity in accordance with the Standards, which are mandatory, and encompass the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.
- 1.4 The Councils are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Councils that these arrangements are in place and operating effectively.
- 1.5 The Councils’ response to Internal Audit activity should lead to the strengthening of the control environment and therefore, contribute to the achievement of the organisations’ objectives.

## 2 Internal Audit Approach

- 2.1 To enable effective outcomes, Internal Audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.
- 2.2 The full range of work undertaken forms the annual Internal Audit opinion together with the work of other assurance providers, to the extent that it can be relied on.
- 2.3 To ensure internal audit work meets the needs of the Councils during these challenging times, Internal Audit seeks to ensure sufficient coverage is directed to assess identified key control areas, which involves a risk-based approach to our work.
- 2.4 All formal internal audit assignments result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Councils on the framework of internal control, risk management and governance in operation and to make recommendations for improvement.



2.5 Each audit report is given an audit opinion, which is evidence-based, and levels of assurance awarded take into account not just control issues or risks raised, but also the adequacy of evidence which has been subject to audit review and testing. The audit opinion is also subject to the professional judgement of the Corporate Manager – Internal Audit.

**Audit Opinions:**

<b>Substantial Assurance</b>
A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance
There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>
Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

2.6 Each audit recommendation is given a risk rating, which supports the overall audit opinion.

**Risk Definitions:**

Risk	Definition
<b>High</b>	A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected.
<b>Medium</b>	A control process that contributes towards providing an adequate system of internal control
<b>Low</b>	These issues would contribute towards improving the system under review.

### 3. Corporate Manager – Internal Audit - Audit Opinion

- 3.1 The Corporate Manager – Internal Audit has a responsibility under PSIAS to provide an independent annual internal audit opinion on the overall adequacy and effectiveness of the Councils’ governance, risk and control framework and therefore the extent to which the Councils can rely on it and inform Annual Governance Statement.
- 3.2 No system of internal control can provide absolute assurance against material misstatement/loss or eliminate risk, nor can Internal Audit give that assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls.
- 3.3 An internal audit review of the Councils’ compliance to the seven core principles of good governance, underpinned by the risk management arrangements, assurance and governance audits, has shown that there are sound governance arrangements in place.
- 3.4 82% of Internal Audit work completed during 2022- 23 has yielded an acceptable level of assurance (substantial or reasonable) over the design and operation of the services, systems and processes audited. For those audit reviews that have presented significant concern, actions have been agreed to improve controls and are closely monitored until such a time they are addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit.
- 3.5 As the Councils’ Corporate Manager – Internal Audit I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Councils’ governance, control and risk processes.
- 3.6 I have performed my duties in accordance with CIPFA’s guidance on the role of the Head of Internal Audit.
- 3.7 Annual Internal Audit Opinion:

#### **Annual Internal Audit Opinion 2022/23**

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Councils’ internal control environment.

In my opinion the Councils’ framework of governance, risk management and control is ‘Reasonable’, and the results of audit work has demonstrated controls to be working in practice.

This is based on the findings of the managed audit and governance reviews carried out throughout 2022/23 and evidence from other assurance providers, and considering the current climate in which the Councils are operating.

Where weaknesses have been identified, we have worked positively with management to agree appropriate corrective actions and timescale for improvement.

I do not consider there to be any areas of significant corporate concern.

John Snell – Corporate Manager Internal Audit

3.8 In assessing the level of assurance to be given, I have based the opinion on:

- Written reports on all internal audit work completed during the year – assurance and consulting engagements.
- Results of follow up exercises undertaken.
- The anticipated outcome from audits currently in draft.
- The results of work of other review bodies where appropriate.
- The extent of resources available to deliver the internal audit work.
- The quality and performance of the Internal Audit Service and the extent of compliance with the Standards.

#### 4. Internal Audit Coverage and Planning

##### Planning

4.1 The 2022/23 Internal Audit work generated from the assurance and planning approach methodology (see also Section 2 – Internal Audit Approach) was based on:

- Data obtained from risk registers.
- The Councils' priorities to ensure that audit work is aligned to the overall organisational objectives and required outcomes.
- The skills, knowledge and experience of audit staff.
- Detailed discussions held with all members of the Senior Leadership Team representing all areas of the Councils – this is critical to ensuring the audit work is aligned to the management of the key risks across the Councils and focus on the key control processes that support the mitigation of those risks.
- Horizon scanning – changes to/new legislation.
- Information taken from other assurance processes within, and external to, the Councils.

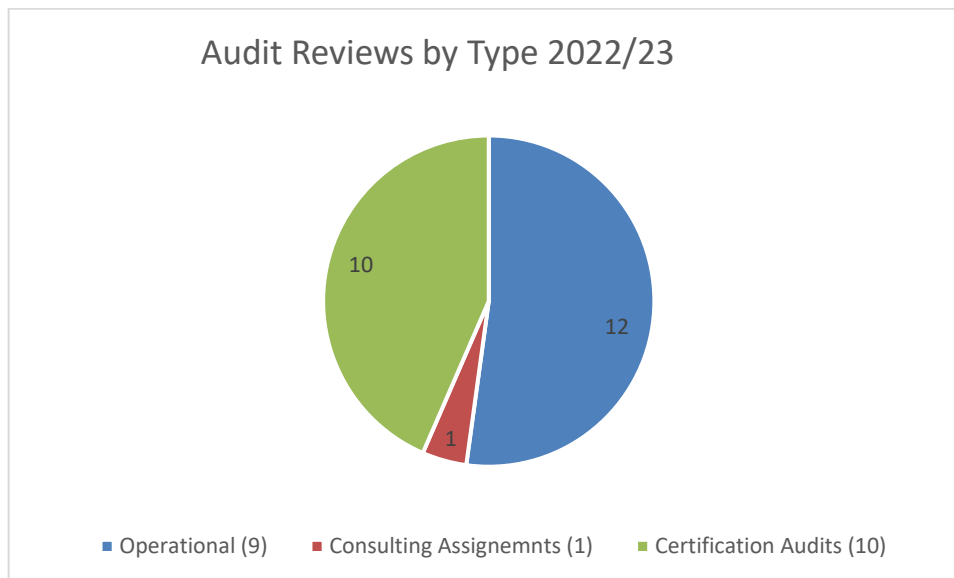
4.2 The following factors are considered when assessing and selecting the audit work to be undertaken:

- **Materiality** – in monetary terms, the relative significance or importance of a particular system or process to the Councils.
- **Corporate importance** – the extent to which the Councils depend on the correct running of the system, whether for legal or regulatory requirements or to meet corporate priorities.
- **Vulnerability** – the extent to which the system is liable to breakdown, open to corruption, loss, error etc.
- **Organisational concerns** – the assessment of the risk to the organisation and the focussing of resources in response to that risk.

#### 5. Summary of Internal Audit Activity

5.1 In 2022/23, a total of 23 specific audit assignments were completed, with a number of assignments currently in progress. The main reason for a number of audits still in progress and deferred to 2023/24 is as a result of unplanned work relating to various government grants requiring certification.

## 5.2 Completed audit reviews by type:



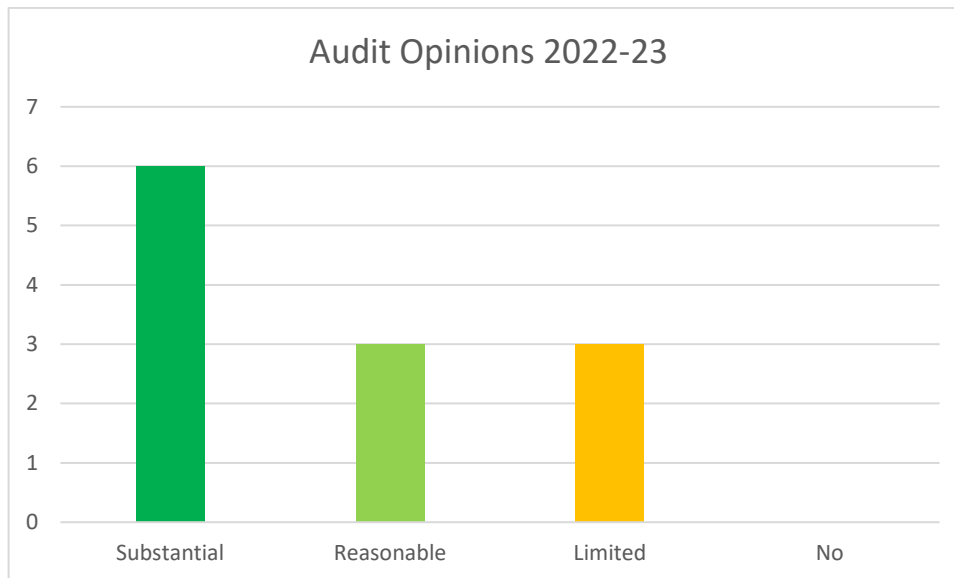
**Operational Audits** – are detailed audit work carried out to evaluate the Councils' effectiveness, efficiency and economy of operations under management's control.

**Consulting Assignments** – consulting engagements are generally advisory in nature. They are generally performed at the specific request of management. Work may include providing advice on new systems and emerging risks, training and representation on working groups. This work reduces the issues that could be raised in future audits and contributes to a stronger control environment.

**Certification Audits** – Internal Audit is required to certify certain government grants.

5.3 The results of audit work carried out in 2022-23 are positive, where an opinion is provided, having an opinion of 'Substantial' or 'Reasonable'. However, there were audits which resulted in more serious concerns over controls; 3 pieces of work had an overall opinion of 'limited Assurance' and are due to be followed up during 2023/24, the results of which will be reported back to this Committee as part of Internal Audit's interim report later in the year.

### 5.3.1 Audit opinions on completed work:



### 5.4 Audits completed:

#### 5.4.1 Health of the Organisation

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Contract Management	<p>The review built on the work undertaken by East of England Local Government Association and their report in 2022. It considered the framework and arrangements for procurement and contract management, focusing on highlighting best practices for the management of contracts across the sector.</p> <p>Note: The audit scope has been extended to include a review of contract spend.</p>	<ul style="list-style-type: none"> <li>A general lack of coordination and central responsibility for ensuring contract management is carried out.</li> <li>Failure to provide adequate training for those staff responsible for managing contracts.</li> <li>Failure to centrally house and control contract management information.</li> <li>Contracts are not let in accordance with procurement regulations, leading to risks to reputation and poor value for money.</li> <li>Lack of robust contract and performance management results in a risk that services are not of high quality and do not offer value for money.</li> </ul>	<ul style="list-style-type: none"> <li>There is no agreed Performance and Contract Management Framework that outlines overarching responsibility, scrutiny and oversight.</li> <li>The documentation in place would benefit from review, update, rationalisation and simplification. Example documents from other councils are provided to support this work.</li> <li>Governance around managing the procurement, exemptions and conflicts of interest requires review and enhancement.</li> <li>There is not a formal process to ensure that off contract spend is identified and the need for formal contract documentation is considered and addressed.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>There is considerable experience and good practice that has been developed by individual Managers. This can be built upon to establish the required Framework.</li> <li>The Councils have agreed an action plan to implement recommendations from the East of England Local Government Association (EELGA). Implementation of</li> </ul>	Undertaken as 'Consultancy work' at the request of the Director – Corporate Resources.

			<p>both the EELGA and Internal Audit recommendations will significantly improve the Councils' Procurement and Commissioning functions.</p> <p>Management have accepted all the recommendations and advised that implementation will be prioritised in the Procurement Transformation Plan and that additional resources are to be recruited to drive the transformation.</p>	
Contract Spend		<ul style="list-style-type: none"> <li>o Expenditure incurred without agreed contract.</li> <li>o Costs incurred without clear business needs assessment of service requirement or optimum service delivery.</li> <li>o Expenditure is incurred in excess of agreed contract levels.</li> <li>o Overruns compromise procurement policy and best practice model.</li> <li>o Misreporting and execution in accounts</li> <li>o Inappropriate allocation between capital and revenue with errors in depreciation and surplus / deficit reporting</li> <li>o Excessive Expenditure by service remains unchecked.</li> <li>o Monitoring and challenge does not identify projection (extrapolation) of consumption and contravention of procurement framework.</li> </ul>	<ul style="list-style-type: none"> <li>o With the resourcing issues and challenges faced within the Commissioning and Procurement (C&amp;P) team the Director of Corporate Resources requested that this piece of work be deferred into 2023/24.</li> <li>o The Director of Corporate Resources reported in April 2023 that resources are now in place and good progress is being made to transform the C&amp;P function, but an embedding period will be required before we will see the changes coming through.</li> </ul> <p>Provision has been made in the 2023/24 Internal Audit Plan to undertake this work.</p>	
General Ledger	<p>To review the controls in operation in both the structure and management of the operating system and the associated key reconciliations between the host and feeder systems to ensure that posting accuracy and financial integrity are assured.</p>	<p>Control accounts and reconciliations are mismanaged or ineffective and mis-posting may go unnoticed.</p>	<ul style="list-style-type: none"> <li>o Reconciliations of the principal control accounts were at the time of testing found to be performed regularly and on a timely basis, however, there was no secondary check to ensure their accuracy.</li> <li>o Management information reporting through the S151 Report continues to be produced although there is no evidence of management oversight.</li> </ul> <p>Management have accepted the recommendations and advised that a review of the whole process around these reconciliations will be undertaken as part of the finance transformation, implementation of balance sheet monitoring and new the finance management system.</p>	<p>Limited Assurance – Follow Up to be undertaken during 2023/24.</p>
Budgetary Control	<p>Process of managing centralised budgets; communication and challenge of budgets spread across services; control of one activity dependent upon another.</p>	<ul style="list-style-type: none"> <li>o There may be inadequate time and resources set aside for preparing the annual budget and assumptions made when preparing the budget may not be clearly defined or supported, leading to inaccurate information being used during the estimates process and the rates not being struck on time.</li> <li>o Budgets may not be effectively monitored or managed by budget holders leading to the inefficient use of Council resources and unnecessary expenditure prior to the year end.</li> </ul>	<p>The Director of Corporate Resources has confirmed that the 2023/24 budget process included oversight by SLT, income focus group, budget challenge group ELT briefings, and Business Partners working closely with Service managers and Directors to set the budget as well as regular briefings with members including Overview &amp; Scrutiny review of the budget assumptions and savings and pressures.</p> <p>Quarterly reporting on the HRA and the GF continued throughout the year as well as half year treasury management performance.</p> <p>The finance transformation work is well on track for delivery and includes enhancing the skills and knowledge of the Business Partners and improvements that will come from reporting in the new financial management system, reducing the reliance on manual spreadsheets. Therefore, at the request of the Director of resources this work has been pushed</p>	

		<ul style="list-style-type: none"> <li>Insufficient financial information may be provided to management and Councillors leading to poor decision making.</li> </ul>	back until the new system is in and BPR is complete in all areas of finance, (currently 80% completed).	
Fees and Charges	The review will focus on the setting of fees and charges strategy, review of regulatory constraints, statutory obligations and market challenges.	<ul style="list-style-type: none"> <li>The Councils do not maximise their income.</li> <li>The Councils do not deliver services in a cost-effective manner.</li> <li>The Councils may overlook market opportunities.</li> </ul>	As a result of the unplanned work around certification of government grants, this work has been deferred to 2023/24.	
Register of Interests, Gifts and Hospitality	To review the adequacy and effectiveness of the Councils' 'Acceptance by Employees of offers of Gifts and Hospitality Policy' and Declaration of Interests.	<ul style="list-style-type: none"> <li>Code of Conduct - The lack of a corporate policy and procedures to guide staff could lead to a breach in Code of Conduct and unethical behaviour.</li> <li>Declaration of Interests and Gifts &amp; Hospitality Procedures - Failure to appropriately declare gifts and hospitality offered or register interests, may result in Staff impartiality being affected resulting in reputational damage and ineffective use of resources.</li> <li>Central Register - The lack of a Central Register that is regularly reviewed, by the appropriate Officer, and published could be open to challenges of not being transparent to all our stakeholders</li> </ul>	This work is currently in progress. A member of the Democratic Services team has been assigned to develop a set of procedures in line with good practice, which will be rolled out to all staff. Moving forwards the existing handwritten forms and registers will be electronically completed and held in Modern.Gov. Oversight of declarations will be undertaken by the Democratic Services team and independently reviewed on an annual basis by Internal Audit.	
Election Costs	The election expenses return for the election held in May 2021 includes all allowable expenditure incurred by the Council in relation to the running of an election.	<ul style="list-style-type: none"> <li>Amounts claimed within the election expense return are not in accordance with the requirements of the election expenses guidance.</li> <li>Claims submitted may be rejected or incorrect, leaving the Councils liable for the costs and may lead to a level 5 fine under the virtue of Section 175 (1)</li> <li>The Summary of Accounts form is not accurate and has not been verified.</li> <li>The Election expenses claim is not consistent and is not supported by accepted supporting documentation</li> </ul>	<ul style="list-style-type: none"> <li>The reconciliations were carried out in isolation with no formal secondary verification.</li> <li>Integra is unable to generate a budget report specifically for the 2021 elections as there is no unique cost centre or identifier to identify costs.</li> <li>It was not possible to use the Electoral Management System (EMS) to its full potential during the 2021 election, resulting in some employees' contact details (and level of experience) not being kept for the upcoming election in 2023.</li> <li>No process notes or Business Continuity Plans were available for the 2021 elections.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>The Summary of Accounts submission was submitted within the agreed time, in accordance with the election expenses guidelines and with supporting evidence of costs.</li> <li>The Corporate Manager has already begun to make improvements to the EMS in terms of data cleansing and capturing up to date Election employee data for future elections, as well as ensuring a comprehensive Business Continuity Plan is in place.</li> </ul>	Limited Assurance – Follow Up to be undertaken during 2023/24.

Support Central Government various Grant Funding Schemes	To ensure that the prescribed criteria in terms of eligibility is met.	<ul style="list-style-type: none"> <li>Failure to comply with the prescribed conditions will result in either the grant being reduced, suspended or being withheld.</li> <li>Any expenditure that fails to comply with the prescribed conditions shall immediately become repayable to the Minister of State.</li> </ul>	<ul style="list-style-type: none"> <li>The conditions attached to the grants requiring Internal Audit certification been complied with.</li> </ul>	Prescribed declarations have been presented to the Ministry for Housing, Communities and Local Government either directly or indirectly if received via Suffolk County Council.
Payroll	To review the robustness of the starters and leavers processes and ensure deductions in salaries were agreed, authorised where necessary, and correct.	<ul style="list-style-type: none"> <li>Errors may be made when an employee leaves the organisation.</li> <li>Arrangements to collect outstanding money/asset may not be made.</li> <li>Loss of money to the Councils.</li> <li>Individuals pay may be incorrect and go unnoticed.</li> <li>Ghost employees may go undetected.</li> <li>Emergency payments may be uncontrolled.</li> <li>Errors in the changing of standing data may go unnoticed, leading to inaccurate pay.</li> <li>Deductions from pay many not be authorised.</li> </ul>	<ul style="list-style-type: none"> <li>All employees tested had complete employee records on file and salary payments were as per job advertisement and signed contract.</li> <li>The leavers process is prompt and accurate and all IT assets are returned to the Councils and access to the networked terminated.</li> <li>All deductions in salaries are agreed and any variances in salaries promptly investigated and corrected, if appropriate.</li> </ul>	Substantial Assurance

## 5.4.2 Environment

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Licensing	To provide assurance that the Councils' Licensing function is operating satisfactory with robust internal controls in place.	<ul style="list-style-type: none"> <li>There may be a lack of adequate policies and/or procedures covering legislation and process for issuing entertainment and dog licences.</li> <li>Entertainment/dog licence may be inappropriately processed and issued impacting on the Council's reputation, the public and health and safety.</li> <li>Income for entertainment/dog licences may not be appropriately received, recorded or accounted for leading to a loss of income to Council.</li> </ul>	As a result of the unplanned work around certification of government grants, this work has been deferred to 2023/24.	

## 5.4.3 Community

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Planning Enforcement – Follow Up – May 2022 and September 2022.	To review the prioritisation of limited resources, ensuring the prompt completion of prioritised investigations and referrals, and that case sign-off's have been correctly exercised.	<ul style="list-style-type: none"> <li>Policies and Procedures - Guide/flowchart is not adhered to.</li> <li>Staff unclear of their responsibilities.</li> <li>Document Management System/Uniform is not used to its full potential or purpose.</li> </ul>	The initial work in November 2021 resulted in an audit opinion of 'Limited Assurance', resulting in a Follow Up audit in May 2022. The findings showed that two of the agreed recommendations, namely,	Substantial Assurance



		<ul style="list-style-type: none"> <li>Performance (Monitoring and Reviewing) - Non-compliance with guide/flowchart, abnormal activity may go undetected and key targets missed</li> </ul>	<ul style="list-style-type: none"> <li>It is not clear from testing whether allocated caseloads are balanced in terms of quantity and complexity. There was no strong correlation between missed case deadlines and officer professional grade.</li> <li>Guidance on the workflow for officers needs to be developed and the significance of key controls explained to officers in the team.</li> </ul> <p>had not been fully implemented and a further concern had been identified relating to the performance management data. The audit opinion therefore remained and another Follow Up audit was carried out in September 2022.</p> <p>The results of this work showed that all recommendations and the concern over the performance data had been addressed, raising the audit opinion to 'Substantial Assurance'.</p> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>Although the introduction of the process flowchart requires further work the Planning Enforcement service area deserves credit for pursuing a transformational approach to embed more efficient and effective working processes.</li> </ul>	
Covid-19 Business Support Grant Schemes	To ensure that the prescribed criteria in terms of eligibility is met and provide assurance in administrating the various grant funding grants.	<ul style="list-style-type: none"> <li>Submission of fraudulent applications.</li> <li>Submission of third-party fraudulent applications.</li> </ul>	<ul style="list-style-type: none"> <li>Work on-going – regular completion and submission of the Councils' priority reconciliation or assurance returns to the Department for Business, Energy and Industrial Strategy (BEIS).</li> </ul>	
Safeguarding	Added to the audit work plan at the request of the Director for Law and Governance - The audit focussed on the legislative duty of the Councils to ensure that their functions, and any services that they contract out to others, have the necessary arrangements in place to help and protect children and adults at risk of abuse or neglect.	<ul style="list-style-type: none"> <li>Safeguarding incidents undermine residents' safety and wellbeing.</li> <li>Lack of staff and member awareness results in a failure to act.</li> <li>Failure of the Councils to meet statutory responsibilities leads to regulatory sanction.</li> </ul>	<ul style="list-style-type: none"> <li>The s11 report is produced but fails to acknowledge the current Safeguarding Policy is 7 years past its review date.</li> <li>There is no Refresher training programme in place.</li> <li>Greater clarity is required over the roles and responsibilities of the Safeguarding Leads.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>HR ensures Safeguarding training is completed as part of the new starter induction process.</li> <li>Taxi and Events Licensing ensures all license holders have DBS checks and where relevant evidence of Safeguarding training.</li> <li>The process for reporting concerns through the Customer Alert List is effective.</li> </ul> <p>Note: Internal Audit can confirm that the Safeguarding policy was presented at SLT on 24 May 2023, where the policy was agreed with</p>	<p>Limited Assurance – Follow Up to be undertaken during 2023/24.</p>

			<p>some minor changes, and includes a section on roles and responsibilities in connection to the Safeguarding functions. The next stage is for the Policy to be discussed by the new Cabinet Members on 6 July 2023 and ratified by Cabinet in summer 2023.</p> <p>However, the finding around refresher training was dependant on the policy being agreed and therefore still remains outstanding.</p> <p>Based up on the current position the audit opinion remains as <b>Limited Assurance</b> and will require a further follow up in Quarter 2 to ensure all findings have been implemented.</p>	
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## 5.4.4 Housing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Disabled Facilities Grants	This audit focused on the administration function to ensure grants are awarded in accordance with the Councils' criteria and the conditions set by Central Government.	Funding is not given to the correct people, meeting the correct criteria, or reclaimed appropriately.	The conditions attached to the Disabled Facilities Capital Grant Determination (2021-22) No [31/5515] have been complied with.	Prescribed declaration presented to the Ministry for Housing, Communities and Local Government via the administering authority, Suffolk County Council.
Council house rent setting	To ensure that the Councils' rent-setting processes are robust so that rents are set correctly, both initially and at re-let, and are increased or decreased in line with requirements with changes adequately reflected in the rent setting processes.	<ul style="list-style-type: none"> <li>The Councils' approach to rent setting is not consistently applied, unfair and lacks transparency.</li> <li>The rents set are not accurately calculated and applied in accordance with the approved policy.</li> <li>Rent increases are not implemented promptly and accurately.</li> </ul>	<p>It is noted that some of the changes made to the rate of rent charged on the rent system resulted in a number of errors in the rent charged by the Councils. Corrective actions be taken to rectify the errors. Management are confident that with the rent integrity work being undertaken, and with the rent and service charge policy now in place, the team are making in-roads to better compliancy and control in future.</p> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>The Rent and Service Charge policy was approved by Mid Suffolk Cabinet and the Babergh Cabinets in July 2022. The policy is due for review in July 2027.</li> </ul>	Reasonable Assurance
Council house letting	To ensure that the current systems and processes in place for tenancy lettings, allocations and assessments are robust, and operating effectively in line with regulatory standards. The audit will also provide management with assurance that the allocation of housing accommodation is only given to persons who are qualified to receive housing from the Councils.	<ul style="list-style-type: none"> <li>The housing allocations policy is out of date and not fit for purpose.</li> <li>The allocations process is not consistently applied in line with the approved policy.</li> <li>Accommodation is given to persons who do not qualify for Council housing.</li> <li>Fraudulent housing applications are submitted to gain council accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>The Allocations Policy was published in October 2022.</li> <li>Copies of identity documents (ID) for all named individuals on a housing register application are not always retained on file.</li> <li>The Councils ID verification process is currently paper based which may result in the Councils missing some applicants' ID information.</li> </ul> <p>Good practice identified:</p>	Substantial Assurance

			<ul style="list-style-type: none"> <li>o Signed tenancy agreements are in place for new tenants.</li> <li>o New tenants are recorded on the Continuous Recording of Lettings and Sales in Social Housing in England system.</li> </ul>	
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### 5.4.5 Customers and Wellbeing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
PCIDSS (Payment Card Industry Data Security Standards)	To provide assurance that the systems of control in respect of the latest PCIDSS is effective and consistently applied.	<ul style="list-style-type: none"> <li>o Non-compliance with the PCI DSS, leading to the imposition of fines, increased transaction charges, or suspension of ability to process card payments.</li> <li>o Equipment, systems or web links may be manipulated, leading to fraud or cardholder data being compromised, imposition of fines, increased transaction charges, or suspension of ability to process card payments.</li> </ul>	<ul style="list-style-type: none"> <li>o The IT Network Security Policy was scheduled to be reviewed on 20th December 2021; however, this is yet to be updated and approved.</li> <li>o Analysis of the IT Patch Management and Vulnerability Scanning Policy noted that the document was published in August 2020, however, there is no indication of when the document will be next updated.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>o Review of the Network Management Policy confirmed the document is up-to-date and reflects current practices.</li> <li>o Testing confirmed that staff with access rights to obtain payments from customers were appropriately set up on Capita system and access right on the system commensurate to their job roles.</li> </ul>	Reasonable Assurance
Shared Revenues Partnership (SRP) – Business Rates and Council Tax, 2021/22.  <b>Note:</b> This work is undertaken by Ipswich Borough Council's Internal Audit Section as the Partnership's host authority.	The objective of the audit was to evaluate the operation of controls and assess their effectiveness in mitigating risks to the business objective relating to Business Rates and Council Tax.	<ul style="list-style-type: none"> <li>o Incorrect multipliers used to calculate business rate billing and inadequate controls over the billing process resulting in under or overcharging rate payers may lead to reputational damage, non-compliance with legislation and financial loss.</li> <li>o Failure to ensure that billing and collection arrangements are robust and adequately applied.</li> </ul>	<ul style="list-style-type: none"> <li>o Valuation Office reports had been reconciled to the Northgate Revenues and Benefits (NRB) system accurately and were completed in a timely manner.</li> <li>o Council Tax Precepts and National Non Domestic Rates (NNDR) NDR Multipliers were input accurately and signed off by a second person.</li> <li>o Collection and refund reconciliations were found to be valid and agree to supporting data.</li> <li>o Automated debt recovery procedures are in place to ensure recovery money due timely.</li> <li>o Write offs were authorised in line with delegated authority.</li> </ul>	Opinion for both Councils relating to Business Rates and Council Tax have been assessed as Effective – defined as - Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met

<p>Shared Revenues Partnership (SRP) – Housing Benefits, 2021/22.</p> <p><b>Note:</b> This work is undertaken by Ipswich Borough Council's Internal Audit Section as the Partnership's host authority.</p>	<p>The objective of the audit was to evaluate the operation of controls and assess their effectiveness in mitigating risks to the business objectives relating to Housing Benefits.</p>	<ul style="list-style-type: none"> <li>○ Failure to have a rigorous assessment process in place to assess and review claims may result in non-compliance with DWP requirements, inconsistency in processing claims and/or invalid claims being paid out leading to irrecoverable overpayments.</li> <li>○ Failure to have robust controls over the payments process may result in unauthorised or invalid payments being made leading to financial loss or errors in posting payments to the accounting system resulting in misstatement of entries.</li> <li>○ Failure to have a robust process in place to manage the identification and classification of overpayments may result in overpayments not being recovered and unnecessarily written off, and the inability of the Council to maximise the subsidy received from the government.</li> <li>○ Failure to have a robust and thorough Quality Assurance (QA) process in place may result in the unnecessary use of extra resources on correcting errors, dealing with complaints, appeals and reconsideration, and losses in subsidy.</li> </ul>	<ul style="list-style-type: none"> <li>○ IBC BACS rejects for rent allowance has not been checked/reconciled between NRB and Agresso on a regular basis.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>○ Local Housing Allowance (LHA) rates set within the NRB system are in accordance with Central Government limits.</li> <li>○ LHA Rates are correctly entered into the Northgate system.</li> <li>○ The amount of award is automatically calculated using the LHA parameters within the NRB system.</li> <li>○ There are documented procedures/guidance for the Localised Verification Framework (which replaced Risk Based Verification in September 2021).</li> <li>○ Supporting documentation has been retained of verification checks undertaken.</li> <li>○ BACS runs are correct and have been appropriately authorised.</li> <li>○ Regular reconciliation of payments from the Northgate system to the relevant finance system is undertaken and discrepancies are investigated (MSDC/BDC).</li> </ul>	<p>Opinion for both Councils relating Housing Benefits have been assessed as Reasonable – defined as - <i>Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</i></p>
<p>Data Quality - Management</p>	<p>The objectives of the audit review are to:</p> <ol style="list-style-type: none"> <li>1) Undertake a current state assessment of the Data Maturity of the Organisation: Assessing the current data maturity level by reviewing data practices and the extent to which key principles and policies are embedded. It will also evaluate team engagement, data literacy, existing processes, risk controls, and their effectiveness. This is likely to include understanding whether data standards are in place and what assurances there are in regards data quality.</li> <li>2) Review Information Asset Register to ensure it is complete and has been created correctly.</li> <li>3) Provide best practice guidance (where possible) on all of the above.</li> </ol>	<ul style="list-style-type: none"> <li>○ Lack of transparency, accessibility and completeness of information.</li> <li>○ The importance of good data quality is not embedded throughout the Council and relayed to other external stakeholders.</li> <li>○ Decisions are made on the basis of inaccurate information.</li> <li>○ Inaccurate performance management information may mask service delivery issues.</li> </ul>	<p>Currently work in progress. Given the size of the work involved it has been agreed with management to spread the work into 2023/24.</p>	

## 5.4.6 Assets and Investments

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<p>Babergh Growth and Mid Suffolk Growth Company's partnership with NORSE Group</p>	<p>The purpose of the audit was to provide assurance that the Councils' property portfolio governance arrangements are sound.</p>	<ul style="list-style-type: none"> <li>○ The actions of the Board, including the development of strategic objectives and legal frameworks, are taken without due consideration of the impact on the organisation.</li> <li>○ Non-executive directors of the Board are unable to give independent, robust challenge.</li> <li>○ The Board does not have sufficient, complete or timely information on which to base its decisions.</li> <li>○ Evidence of the decisions made by the Board, including the challenge process, is not retained and/or is not transparent in confirming the decision process.</li> <li>○ The companies set up by the Board may not fulfil their obligations.</li> <li>○ Communications from the Board are not effective or timely meaning that the Council cannot place reliance on the workings of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>○ The signed Shareholders' Agreement include a Business Plan, and this is revised annually. The revised Plan is reviewed by Norse informally to ensure there are no material changes that require Shareholder agreement.</li> <li>○ Project surpluses are shared equally unless otherwise agreed in the Project Plans. The methodology for calculation of those surpluses is clearly outlined in the agreed Needham Market HQ Project Plan.</li> <li>○ The Needham Market HQ documentation comprises a Project Plan, Development Agreement and Facilities Agreements. The Facilities Agreements align to the agreed Loan amounts as per the Project Plan.</li> </ul> <p>Good practice identified:</p> <ul style="list-style-type: none"> <li>○ The individual Project Plans are supplemented by a Facilities Agreement encompassing the terms and conditions of the Project Loan. The process for draw down of monies was reviewed in 2021/22 and deemed satisfactory.</li> <li>○ Delegations are included in the approved Business Plan. Amendments are via the annual Business Plan review process and require Shareholder Agreement.</li> </ul>	<p>Substantial Assurance</p>
<p>Acquisitions</p>	<p>The purpose of the audit is to provide management with assurances that robust arrangements are in place for the effective oversight on management of assets regarding the recording, reporting, use and maintenance to ensure that they adhered to good practices.</p>	<ul style="list-style-type: none"> <li>○ There may be no formally documented asset management policy in place leading to inconsistencies in how Council assets are managed.</li> <li>○ There may be insufficient controls in place for recording and accounting for fixed asset additions and disposals resulting in incorrect accounting treatment and incomplete asset registers.</li> <li>○ There may be inadequate procedures in place in relation to the monitoring and safeguarding of Council assets leading to increased risk of misappropriation of assets.</li> <li>○ There may be insufficient insurance cover in relation to Council assets resulting in financial loss to the Councils.</li> </ul>	<p>Currently work in progress. This audit was delayed due to staff changes within the Strategic Property team.</p>	

## 6. Independence

In undertaking this work there was due consideration to ensure that Internal Audit maintained its objectivity and independence. The prioritisation of work took account of the requirements of the approved audit plan.

Objectivity was maintained in that the auditors had no personal or professional involvement with or allegiance to the area audited. The determination of appropriate parties to which the details of an impairment to independence or objectivity is disclosed was dependent upon the expectations of the activity and was expressed during the planning of each audit.

Each auditor signs an annual declaration of interest.

## 7. Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Audit Standards (PSIAS), performance and customer feedback.

The purpose of reviewing effectiveness is to ensure that the annual opinion may be relied upon as a key source of evidence in the Annual Governance Statement.

### 7.1 Quality Assurance & Improvement

The Quality Assurance and Improvement (QAIP) is a requirement within ‘the Standards.’

The Standards require the ‘Head of Internal Audit’ to develop and maintain a QAIP to enable the Internal Audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance. The QAIP must include both internal and external assessments.

Internal assessments are both on-going and periodical, and external assessments must be undertaken independently at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the Internal Audit activity, identifying areas for improvement.

The most recent independent External Quality Assessment (EQA) was carried out by TILIA Solutions in February 2023. This was carried out through a process of document review and interviews with the Chief Executive, the Director of Corporate Resources (S151), both Joint Audit and Standards Committee Chairs, a sample of audit clients, and Internal Audit staff. No areas of non-compliance with the standards that would affect the overall scope or operation of the Internal Audit activity were identified and the function is valued and well-regarded across the Councils.

The report has however raised a small number of recommendations and suggestions which have been agreed by the Corporate Manager for Internal Audit – these are largely ‘tweaks’ to existing working practices and have since been implemented.

During 2022/23, the Corporate Manager for Internal Audit has ‘self-assessed’ the activities of Internal Audit against the requirements of the PSIAS and CIPFA’s Local Government Application Note (LGAN) and is satisfied that compliance has been maintained. This has been reviewed by the Director of Corporate Resources (S151).

## 7.2 Audit Networks

It is important to keep abreast of good professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Local Authority Chief Auditors' Network (LACAN), Midland Audit Group (MAG), the Suffolk Working Audit Partnership (SWAPs) and the Suffolk Local Authority Fraud Group.

## 7.3 Quality Control

The following performance indicators are maintained to monitor service delivery:

	Key Performance Indicator	Target	21/22	22/23
1	100% audit recommendations accepted by management.	90%	100%	100%
2	% high priority recommendations implemented.	100%	100%	100%
3	% of individual audit system reviews completed within target days or prior approved extension by the Corporate Manger – Internal Audit.	100%	100%	100%
4	Average Number of days between the issue of Internal audit briefs and commencement of audit fieldwork.	10 working days	5	7
5	Average Number of days between the completion of audit fieldwork and issue of draft report.	10 working days	8	5
6	Average Number of days between the issue of the draft and final report.	15 working days	6	4
7	The % of internal audits completed to the satisfaction of the auditee (source: returned Customer Surveys)	80% 'Satisfactory'	100%	100%
8	Percentage of the audit plan completed - (below target as a result of management's request for continual support within the Business Cell responsible for the administration of business grants)	90%	76%	70%

The reduced percentage of the audit plan delivered is as a result of unplanned work certifying various government grants and management's request for internal audit's continual support to provide a level of assurance to the Business Cell responsible for the administration of business grants.

Customer Feedback – Information obtained from customer surveys provides valuable feedback on Internal Audit processes and informs staff performance reviews. Although the number of returned customer surveys was disappointing, those that did return their survey expressed a high level of satisfaction with the service delivered.

## 8. Other Internal Audit activity

As well as conducting audit reviews Internal Audit had significant involvement within the period in a variety of different Council activities, which include:

### 8.1 Council Governance

8.1.1 Annual Governance Statement (AGS) - Internal Audit has led on the production of the AGS, which was completed as at the end of the financial year 2022/23 and is being presented to this Committee today.

### 8.1.2 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting in his capacity as ‘Head of Internal Audit’ to provide appropriate professional determination on governance matters as they arise.

### 8.2 Probity

8.2.1 Details of the anti-fraud and corruption work undertaken is reported annually to this Committee in a report entitled ‘Managing the Risk of Fraud and Corruption.’ The 2022/23 report was presented to this Committee on 22<sup>nd</sup> March 2023 (Paper JAC/21/46).

In brief the report explained the current arrangements in place across both Councils to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provided details of proactive work undertaken by Internal Audit to deter, prevent and detect fraud and corruption. Of note, was raising Money Laundering awareness through a series of presentations to all Corporate Managers. This was followed up with compulsory online e-learning module for all staff to complete. This training will enable employees to recognise suspicious transactions and what to do if they identify them. The completed module will automatically be filed on everyone’s personal records. This will also form part of the induction programme for new employees.

### 8.3 Business Support Activity

8.3.1 A member of the Internal Audit team is supporting the Councils’ Business Cell by providing assurance over the administering of the various business grants schemes announced by Central Government. The work includes ensuring that the prescribed criteria in terms eligibility is correctly applied and met and managing the risk of fraud using available digital assurance tools, such as ‘Spotlight’ and the National Fraud Initiative platform and assisting in the preparation of mandatory returns to Central Government.

## 9. **Resources**

9.1 The work of Internal Audit continues to be resourced from existing staff and from an external partner. This arrangement still allows a direct internal provision plus the commissioning of external skills and capacity and provides a blend of resources from within the Councils and from an external partner of services.

9.2 The external partner arrangement also provides access to valuable and diverse skills as needed and achieves a level of flexibility which can be critical in effectively dealing with a range of operational issues.

## 10. **Conclusions**

10.1 The Corporate Manager – Internal Audit considers that there are no additional audit related issues that currently need to be brought to the attention of this committee.

### **Draft Circulation:**

John Matthissen Chair of the Joint Audit and Standards Committee – Mid Suffolk

Bryn Hurren Chair of the Joint Audit and Standards Committee – Babergh



Melissa Evans, Director of Corporate Resources

Ifty Ali, Interim Director for Law & Governance and Monitoring Officer

Senior Leadership Team

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# Agenda Item 10

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Joint Audit and Standards	<b>REPORT NUMBER:</b> JAC/23/05
<b>FROM:</b> Monitoring Officer	<b>DATE OF MEETING:</b> 31 <sup>st</sup> July 2023
<b>OFFICER:</b> Ifty Ali – Monitoring Officer	<b>KEY DECISION REF NO.</b> N/A

### ANNUAL COMPLAINTS MONITORING REPORT 2022/23

#### 1. PURPOSE OF REPORT

- 1.1 This report provides the Committee with an overview of the code of conduct complaints that have been received and determined over the last municipal year.
- 1.2 Whilst the matters of each code of conduct complaint is confidential, this report provides general details of the complaints received over the last year so trends in reporting can be identified and assessed by the Committee.

#### 2. OPTIONS CONSIDERED

- 2.1 The Monitoring Officer is required by the constitution to regularly report complaints to the Joint Audit and Standards Committee. An annual report is brought before Councillors at the first committee meeting of every municipal year.

#### 3. RECOMMENDATIONS

- 3.1 That the annual code of conduct complaints monitoring information contained in Paper JAC/23/05 be noted.

#### 4. KEY INFORMATION

- 4.1 The Monitoring Officer receives and investigates code of conduct complaints made against Councillors at both District and Parish level. Upon receipt of a complaint, an initial assessment is carried out to establish whether or not the code of conduct is engaged in the situation detailed by the complainant. If the complaint is considered valid, it is allocated to either the Monitoring Officer or the Deputy Monitoring Officer and is processed in accordance with our adopted code of conduct complaints procedure (Appendix A).
- 4.2 Once a complaint is deemed valid, the Monitoring Officer will contact the Councillor who is the subject of the complaint for a response. The subject member has 14 working days in which to submit their response. This response is not required for the Monitoring Officer to come to a conclusion on the complaint and it is the subject member's own prerogative to respond or otherwise. The subject member will receive full details of the complaint made against them which includes the name of the complainant unless anonymity has been awarded.

- 4.3 The Councils have appointed 5 Independent Persons, as agreed upon by both Councils in September 2022, with whom the Monitoring Officer is required to consult before making a finding of a breach of the code. The Independent Persons will assess the investigation conducted and ensure that the Monitoring Officer has followed procedure when assessing the complaint. It is common practice that the Independent Persons will also be consulted at a number of different stages in the complaints process.
- 4.4 Once a decision has been made, the Monitoring Officer will contact both the complainant and the subject member with a decision notice. The Monitoring Officer may also inform others of the decision reached at their discretion. This decision notice will detail the outcome of the complaint and the sanctions imposed on the complaint subject, if any. The Monitoring Officer's decision on a code of conduct complaint is final and there is no right of appeal against the decision reached.
- 4.5 This report covers the code of conduct complaints received and determined within the last 12 months between 1<sup>st</sup> May 2022 and 30<sup>th</sup> April 2023 across both Babergh and Mid Suffolk.

## OVERVIEW

- 4.6 In total, the Monitoring Officer received 36 code of conduct complaints against Councillors in Babergh and Mid Suffolk at both District and Town / Parish level between 1<sup>st</sup> May 2022 and 30<sup>th</sup> April 2023.
- 4.7 The below table details the outcomes of these 36 complaints:

Number of complaints upheld	8
Number of complaints dismissed	19
Number of complaints where code was not engaged	9
Number of complaints withdrawn	0

- 4.8 The below table details at what stage of the complaints handling procedure each complaint was determined at:

Full Investigation	26
Initial Assessment	10

- 4.9 Where complaints have been upheld and a breach in the code has been identified, the Monitoring Officer has issued appropriate sanctions, if necessary, to the subject member detailing the actions that should be taken to resolve the issues identified. These sanctions are also communicated to the complainant and occasionally the Clerk if the complaint subject is a Parish Councillor.

- 4.10 Where complaints have been dismissed, the Monitoring Officer has found no identifiable breach in the code of conduct. This decision can be made after a complaint goes through an initial assessment or after being processed through a full investigation. Often times, the Monitoring Officer will receive complaints about Councillors where the code is not engaged or it is outside their remit to investigate the issues detailed. If appropriate, and with the complainant's consent, the Monitoring Officer will pass along complaints that do not fall within their remit to the appropriate Officers / department to investigate.
- 4.11 If a complaint is determined at the initial assessment stage, the subject member will often not be informed of the complaint made against them unless there are exceptional reasons for making them aware.
- 4.12 For this annual period, the Monitoring Officer has taken on average 43.2 working days to make a determination on a code of conduct complaint. This duration includes the day that the complaint is received and the day that the decision notice is communicated to the subject member and the complainant. This falls within our allocated investigation time of 49 working days as detailed within our code of conduct complaints procedure.
- 4.13 10 complaints investigated within this period have taken longer than 49 working days to determine. Over the last year, a change in Monitoring Officer, prolonged staff absence, and the relocation of staff resources to assist with the delivery of the 2023 Local Election has caused unavoidable delays to the handling of some code of conduct complaints. The Monitoring Officer at West Suffolk District Council has assisted with the investigation of longstanding complaints when needed.
- 4.14 Complainants can file a complaint under 4 different identity categories. These are Clerk, Councillor, Officer, and a member of the public. The below table details the distribution of these 36 complaints in relation to the complainant identity type:

Complainant Identity	Number of Complaints
Clerk	1
Councillor	16
Officer	0
Member of the Public	19

- 4.15 Complainants can file a code of conduct complaint under 10 different categories. These categories are informed by the local code of conduct and the main areas in which a Councillor is susceptible to breach the code. Complainants have the ability to identify more than one category in their code of conduct complaint and the Monitoring Officer will investigate the issue detailed against all the potential categories of breach identified.

4.16 The below table details the distribution of these 36 complaints in relation to the complaint category:

Complaint Category	Number of Complaints
Bullying, Harassment and Discrimination	3
Complying with the Code of Conduct	0
Confidentiality / Access to Information	4
Declaration of Interests	2
Disrepute	6
Gifts and Hospitality	0
Impartiality of Officers of the Council	1
Respect	13
Use of Position	7
Use of Local Authority Resources / Facilities	0

### **BABERGH DISTRICT**

4.17 The following section provides details of the complaints submitted to the Monitoring Officer between 1<sup>st</sup> May 2022 and 30<sup>th</sup> April 2023 that relate to Babergh District Councillors and Parish Councillors within Babergh District.

4.18 The below tables detail the complaints received in relation to Babergh District Council and the Town and Parish Councils within this district:

Number of complaints received	30
Number of complaints upheld	8
Number of complaints dismissed	15
Number of complaints where code was not engaged	7
Number of complaints withdrawn	0

	Babergh District	Town and Parish
Number of complaints received	11	19
Number of complaints upheld	6	2

4.19 The complaints received concerning Town and Parish Councillors encompassed 9 different Councils. These were: Claydon and Whitton, East Bergholt, Great Waldingfield, Hadleigh, Hessest, Sproughton, Sudbury, Tattingstone, and Wattisfield.

4.20 The below table details the 6 complaints upheld against Babergh District Councillors:

#	Category	Complainant	Days	Recommendation
1	Not treating others with respect	Councillor	13	Subject advised to apologise at next meeting
2	Bringing the Council into disrepute	Councillor	22	Subject advised to apologise at next meeting
3	Bullying and harassment	Councillor	190	Subject advised to apologise at next meeting
4	Not treating others with respect	Public	46	Subject advised to apologise at next meeting
5	Not treating others with respect	Councillor	47	Subject advised to apologise at next meeting
6	Not treating others with respect	Councillor	45	Subject advised to apologise at next meeting

4.21 Complaint 3 took a significant amount of time to reach a conclusion. This is due to the complaint being taken before the Suffolk Joint Standards Board for investigation which only happens in exceptional circumstances. Issues arose with the scheduling of the meeting and proceedings had to be postponed two times before a final date was settled leading to a lengthy investigation time.

4.22 Complaints 4 to 6 in the above table details multiple complaints made against 1 Councillor regarding 1 single issue.

4.23 The table on the following page details the 2 complaints upheld against Town and Parish Councillors in the Babergh District:

#	Category	Complainant	Days	Recommendation
1	Non-disclosure of interests	Councillor	31	Subject instructed to undergo further training
2	Not treating others with respect	Councillor	34	Subject instructed to undergo further training

## MID SUFFOLK DISTRICT

4.24 The following section provides details of the complaints submitted to the Monitoring Officer between 1<sup>st</sup> May 2022 and 30<sup>th</sup> April 2023 that relate to Mid Suffolk District Councillors and Parish Councillors within Mid Suffolk District.

4.25 The below tables detail the complaints received in relation to Mid Suffolk District Council and the Town and Parish Councils within this district:

Number of complaints received	6
Number of complaints upheld	0
Number of complaints dismissed	4
Number of complaints where code was not engaged	2
Number of complaints withdrawn	0

	Mid Suffolk District	Town and Parish
Number of complaints received	0	6
Number of complaints upheld	0	0

4.26 The complaints received concerning Town and Parish Councillors encompassed 3 different Councils. These were: Bramford, Great Bricett, and Stonham Aspal.

## 5. LINKS TO CORPORATE PLAN

5.1 To provide public confidence and legitimacy to the decision-making process that underpins all decisions that are made by the Council that support the priorities identified in the Corporate Plan.



## 6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

## 7. LEGAL IMPLICATIONS

7.1 Under the Localism Act 2011, the Monitoring Officer is required to establish a local code of conduct for Councillors and to investigate complaints made relating to breaches of the code.

## 8. RISK MANAGEMENT

8.1 Key risks are set out below:

Key Risk Description	Likelihood	Impact	Key Mitigation Measures
Complaints are not handled promptly	2	2	Monitoring of complaints, clear complaints procedures, weekly caseload meetings
Decisions are not sound	1	3	Updated code of conduct, strict complaints handling procedure, consultation with the Independent Persons

## 9. CONSULTATIONS

9.1 When appropriate, the Monitoring Officer is required to consult the Independent Person when considering code of conduct complaints.

## 10. EQUALITY ANALYSIS

10.1 Equality Impact Assessment (EIA) not required for this report.

10.2 Complainants are required to fill in Equality Monitoring Questions as part of the official code of conduct complaints form to ensure all complaints are being dealt with equally.

## 11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications associated with this report.

## 12. APPENDICES

Title	Location
(a) Code of Conduct Complaints Procedure	Attached

### **13. BACKGROUND DOCUMENTS**

13.1 N/A.

### **14. REPORT AUTHORS**

Ifty Ali – Interim Monitoring Officer

Janice Robinson – Deputy Monitoring Officer

Alicia Norman – Lead Officer for Overview + Scrutiny and Projects



## **BABERGH DISTRICT COUNCIL AND MID SUFFOLK DISTRICT COUNCIL CODE OF CONDUCT COMPLAINTS PROCEDURE**

### **Introduction**

This procedure applies when a complaint is received that a member of Babergh District Council or Mid Suffolk District Council, or a town/parish member within the Districts or co-opted member, has or may have failed to comply with the adopted code of conduct for members at the time of the alleged breach.

A complaint is confidential and remains so until the complaint is resolved.

### **Making a complaint**

The person making the complaint will be referred to as “the complainant” and the person against whom the complaint is made will be referred to as the “subject member”.

A complaint **should** be made using the standard complaint form (available on the Councils’ website via the following links):

<https://www.babergh.gov.uk/the-council/making-a-complaint-about-a-councillor/>

<https://www.midsuffolk.gov.uk/the-council/making-a-complaint-about-a-councillor/>

Alternatively, the complaint may be submitted in writing by email or post to:-

[Monitoring.officer@baberghmidsuffolk.gov.uk](mailto:Monitoring.officer@baberghmidsuffolk.gov.uk)

Monitoring Officer, Babergh and Mid Suffolk District Councils, Endeavour House, 8 Russell Road, Ipswich, IP1 2BX

### **Anonymous Complaints**

The Monitoring Officer will not normally consider anonymous complaints.

### **Confidentiality**

As a matter of fairness and natural justice, the subject member should usually be told who has complained about them and receive details of the complaint. However, in exceptional circumstances, the Monitoring Officer may withhold the complainant’s identity if on request from the complainant, they are satisfied that the complainant has evidence and reasonable grounds for believing that they or any witness relevant to the complaint may be at risk of actual harm, or their employment may be jeopardised if their identity is disclosed.

If the Monitoring Officer decides to anonymise the complaints details from the subject member this will be kept under review.

If the Monitoring Officer decides to refuse a request by a complainant for confidentiality, they will offer the complainant the option to withdraw the complaint, rather than proceed with their identity being disclosed.

The subject member's response is confidential.

## **Acknowledgement**

The Governance Team will normally acknowledge the complaint within five working days of receipt and will advise if the complaint will be passed for initial assessment by the Monitoring Officer or rejected.

The complaint may be rejected if:

- It is against the whole District Council or a whole town/parish council, or the complaint is about service provision rather than conduct.
- It is against a town/parish member outside the District Councils' area.
- The subject member was not in office at the time of the alleged misconduct/or at the time of the complaint.

## **Initial Assessment**

The Monitoring Officer will review the complaint and decide whether it should be rejected, merits further investigation, or can be resolved informally.

The Monitoring Officer may seek the views of the Independent Person at this stage to aid consideration and may also request further information from the complainant or the subject member.

This initial assessment will normally be completed within 21 working days of receipt of a complaint. A complaint will be rejected by the Monitoring Officer:

- a) If the complaint is the same or substantially the same as a complaint previously dealt with.
- b) If the period since the alleged behaviour is so significant that it is considered to be inequitable, unreasonable or otherwise not in the public interest to pursue (normally complaints that are more than 12 months old).
- c) If the complaint is trivial or 'tit for tat'.
- d) If the complaint discloses such a minor or technical breach of the Code that it is not in the public interest to pursue.
- e) If the complaint is covered by the Councils' persistent and vexatious complaints policy and is not considered to disclose sufficiently serious potential breaches of the Code to merit further consideration.
- f) If the member against whom the allegation has been made has remedied or made reasonable endeavours to remedy the matter and the complaint does not

disclose sufficiently serious potential breaches of the Code to merit further consideration.

- g) If the complaint is about a person who is no longer a member of a relevant council and there are no overriding public interest reasons to merit further consideration.

If a complaint is rejected at initial assessment, there will be no right of appeal.

If the complaint is rejected the complainant will be advised of the decision. The Monitoring Officer will consider whether it is appropriate to inform the subject member (and political group leader and / or town/parish clerk) that a complaint has been made and of the rejection.

If the complaint is not rejected, the Monitoring Officer will then go on to apply the following criteria in deciding whether a complaint should be dealt with by informal resolution or whether formal investigation is required:

- a) Whether the allegation discloses a potential breach of the code of conduct, but the complaint is not serious enough to merit any recommendation other than an apology,
- b) The resources needed to investigate and determine the complaint are wholly disproportionate to the allegations,
- c) Whether, in all the circumstances, there is no overriding public interest in carrying out an investigation,
- d) whether the complaint suggests that there is a wider problem throughout the authority,
- e) whether training or mediation would be the appropriate response,
- f) whether a substantially similar allegation has previously been made by the complainant.

The decision as to how to proceed will be made by the Monitoring Officer after seeking the views of the Independent Persons and shall be final. There shall be no right of appeal.

### **Informal Resolution**

Wherever possible, the Monitoring Officer will resolve complaints.

The subject member will be sent a copy of the complaint and asked to make written representations in response to the Monitoring Officer within 14 working days. This response must be taken into account when deciding how the complaint will be dealt with.

If the Monitoring Officer considers, after consultation with the Independent Person, that there has been a breach of the code and the matter could reasonably be resolved without the need for a formal investigation, a fair resolution shall be suggested.

Such resolution may include:

- advising the subject member about matters of conduct
- arranging training for the subject member
- advising the subject member that an apology might be appropriate
- suggesting a mediation meeting between the subject member and the complainant

- or another course of action.

The Monitoring Officer will report with full reasons (within 14 working days from receipt of information from the subject member) the outcome of the complaint to the complainant, subject member, and if a parish or town councillor to the clerk to the town/parish council (if appropriate), or where the subject member is a member of Babergh or Mid Suffolk District Councils, the relevant group leader(s) will be informed.

The Monitoring Officer will seek confirmation that the suggested resolution has been complied with.

If the Monitoring Officer is unable to resolve the complaint, then the complaint will be referred to the Suffolk Joint Standards Board for consideration and determination.

### **Formal investigation**

Where, in the opinion of the Monitoring Officer, following consultation with the Independent Person, a formal investigation is required, the Monitoring Officer will appoint an investigating officer to investigate the complaint, gather further evidence and prepare a report. The Monitoring Officer may appoint an external investigating officer if required and to avoid any conflict of interest.

The subject member will be required to co-operate fully with the investigation process.

The Monitoring Officer will review the investigating officer's report, consult the Independent Person and will then either:

- find that there has been no breach of the Code,
- resolve the complaint under Monitoring Officer resolution,
- refer the report to the Suffolk Joint Standards Board for decision,
- or suggest another course of action.

Where the subject member is a member of Babergh and Mid Suffolk District Councils, the relevant group leader(s) will be informed of the investigation and the subsequent outcome. Where the subject member is a town/parish councillor, the town/parish clerk will be informed.

### **Compliance with sanctions**

The decision notices will set out the deadline by any sanction needs to be complied with. In the event of non-compliance by the due date, the matter will be referred to the Suffolk Joint Standards Board.

### **Right of Appeal**

There is no right of appeal to the Monitoring Officer's determination of a code of conduct complaint. However, if a complainant is unhappy with the process followed by the Monitoring Officer in dealing with a complaint, they may complain to the Local Government Ombudsman.

## **EXPLANATORY NOTES**

### **What is bullying and / or harassment**

Those making a complaint usually define what they mean by bullying or harassment – something has happened to them that is unwelcome, unwarranted and causes a detrimental effect.

There are many definitions of bullying and harassment. Bullying (in accordance with the ACAS bullying and harassment at work guidance, June 2014) may be characterised as: offensive; intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient.

Harassment as defined in the Equality Act 2010 is unwarranted conduct related to a relevant protected characteristic which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual.

### **Conflict of Interest**

Where the Monitoring Officer has a conflict of interest in determining a complaint, the Deputy Monitoring Officer or a Monitoring Officer from another authority shall be asked to resolve the complaint.

### **Additional Information**

The Monitoring Officer may require additional information at any stage of the process to come to a decision and may request information from the complainant, subject member and where the complaint relates to town / parish councillor, the clerk of the town/parish council. Such requests will remind those involved of the requirement to keep the matter confidential.

### **Another course of action**

This is not defined but may include mediation, training, other alternative arrangements or where another process or procedure more appropriately applies a referral to that process.

The non-disclosure of a schedule one disclosable pecuniary interest without a reasonable excuse is a criminal offence and could lead to a referral to the Police rather than the matter being dealt with under this procedure.

In the event that the Monitoring Officer receives a complaint regarding a potential disclosable pecuniary interest offence the following steps will be taken:

- The subject member may be asked for comments or a meeting may be arranged.
- The independent persons will be provided with the information and a decision made

as to whether or not the matter should be referred to the police as an alternative course of action and not dealt with under the code of conduct arrangements.

- A referral will only be made where the Monitoring Officer is of the opinion that the member has no reasonable excuse.

### **Investigating officer**

The investigating officer may be a council officer, an officer of another council, or an external investigator.

### **Independent person**

Where possible an Independent Person may be available to support the subject member through the process where the Independent Person has not otherwise been involved in the matter.

### **Joint Suffolk Standards Board**

The parties will be informed of the hearing date and the arrangements in preparation for the meeting. The only witnesses permitted are people referred to in the evidence, and not, for example, character witnesses.

The meeting is held in private as they relate to an individual; although the board's decisions will be published.

### **What actions might be taken on the recommendations in the panel's reports?**

This list is not exhaustive:

- Publish its findings in respect of the member's conduct
- Report its findings to council (or to the town/parish council) for information
- Recommend to council that the member be censured
- Recommend to the member's group leader (or in the case of un-grouped members, recommend to council) that he/she be removed from any or all committees or sub- committees of the council
- Recommend to the leader of the council that the member be removed from the cabinet, or removed from their portfolio responsibilities
- Instruct the Monitoring Officer to (or recommend that the town/parish council) arrange training for the member;
- Recommend to council (or recommend to the town/parish council) that the member should not be appointed and/or be removed from all outside body appointments to which they have been appointed or nominated by the council (or by the town/parish council);
- Withdraw (or recommend to the town/parish council that it withdraws) facilities provided to the member by the council, such as a computer, website and / or email and internet access;
- Exclude (or recommend that the town/parish council exclude) the member from the council's offices or other premises, with the exception of meeting rooms as



- necessary for attending council, committee and sub-committee meetings.
- Require an apology in suitable terms to the Standards Board.

This procedure comes into force on 1 January 2021. It will apply to all new complaints received after this date.

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# Agenda Item 11

## JOINT AUDIT AND STANDARDS COMMITTEE FORWARD PLAN 2023/24

Item	Purpose	Lead Officer
<b>Date of Committee – 31 July 2023</b>		
Treasury Management Outturn 2022/23	For comment and agreement	Director - Corporate Resources
Annual Governance Statement 2022/23	For comment and agreement	Corporate Manager - Internal Audit
Annual Internal Audit Report 2022/23	For comment and agreement	Corporate Manager - Internal Audit
Annual Complaints Monitoring Report	To note	Monitoring Officer
<b>Date of Committee – 25 September 2023</b>		
Elections Review	For comment and agreement	Chief Executive
Complaints Monitoring Report	To note	Monitoring Officer
<b>Date of Committee – 27 November 2023</b>		
Treasury Management Half Year Report 2023/24	For comment and agreement	Director - Corporate Resources
Mid Term Internal Audit Report	For comment and agreement	Corporate Manager - Internal Audit
Annual Risk Management Strategy Update	For comment and agreement	Risk Management Lead
Complaints Monitoring report	To note	Monitoring Officer
<b>Date of Committee – 29 January 2024</b>		
Treasury Management, Capital and Investments Strategy 2024/25	For comment and agreement	Director - Corporate Resources
Complaints Monitoring Report	To note	Monitoring Officer
<b>Date of Committee – 25 March 2024</b>		
Managing the Risk of Fraud and Corruption - Annual Report	For comment and agreement	Corporate Manager - Internal Audit
Internal Audit Plan 2024/25	For comment and agreement	Corporate Manager - Internal Audit
Complaints Monitoring Report	To note	Monitoring Officer

### Items not scheduled

- Arlingclose Treasury Management Training
- Statement of Accounts and Auditors Report 2020/21

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