

Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Staveley Town Deal
Date of Issue:	18th February 2025
Assurance Level	Substantial
Report Distribution:	Service Director – Economic Growth Service Director Finance



CHESTERFIELD
BOROUGH COUNCIL



North East Derbyshire
District Council

INTERNAL AUDIT REPORT

Staveley Town Deal

Introduction

In accordance with the 2024/25 annual audit plan a review of the processes and controls in respect of Staveley Town Deal has been undertaken.

In 2021 the Ministry of Housing, Communities and Local Government (DLUHC – as it was known at that time) allocated £25.2 million in respect of a Town Deal for Staveley in support of the objective to “create a place where people and businesses want to start, stay and grow”. Originally, 11 projects received support from the MHCLG however since that time, a few projects have been unable to progress and the allocated funds for these projects has been reallocated to other projects within the programme. Chesterfield Borough Council (CBC) are the accountable body for the Staveley Town Deal programme.

Scope and Objectives

The scope and objectives of the audit were to ensure that: -

- The previous recommendations have been implemented
- There are appropriate governance arrangements in place
- Risk management arrangements are adequate
- Projects are monitored – progress & spend
- All reporting requirements to Board etc are met
- Procurement protocols have been established and are understood by all
- Income due is received
- Expenditure is legitimate, monitored and appropriately approved
- Government returns are completed as required
- The Staveley Town Deal is delivered on time and within budget.

Risks

The following risks to meeting the objectives have been considered.

- Breakdown of communication with partners / the community
- Failure to deliver the Town Deal within the timescales required for receipt of funding
- Failure to deliver the projects within budget
- Failure to comply with procurement rules
- Risk of misappropriation of funds
- Capacity of organisations to deliver in time and quality
- Capacity of CBC as the accountable body
- Staff leaving the programme as it nears its end leaving a potential resilience issue.

- Programme delay due to external factors such as utility companies/other Government departments.
- Political changes – new Government elected in May 24 resulting in one new MP for North East Derbyshire, noting the Chesterfield MP was retained.

Conclusion

The conclusion of the audit was that the reliability of the controls relating to the above areas was assessed as **Substantial Assurance** (There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed). (Full list of definitions - Appendix 1)

Although the Programme Manager, the Town Deal Internal Programme Board and the Staveley Town Deal Board are actively working to drive forward projects there has still been a lot of slippages (for various reasons) and this has resulted in the delay in completion of the projects. Most of the projects are still on target to be completed by March 2026 as this is the final deadline. It is imperative to keep projects moving forward at pace.

Acknowledgement

The auditor would like to thank the Programme Manager and Project Managers for their helpful assistance during the audit.

Findings and Recommendations

Previous recommendations

1. The previous audit of February 2023 resulted in 'Reasonable' assurance with 7 recommendations in total made to aid continuous improvement. These were reviewed as part of the audit, and it was ascertained that all had been agreed and implemented.

Governance Arrangements

2. The governance arrangements in respect of the Staveley Town Deal Board have been comprehensively set out in an assurance framework document. The assurance framework was approved by both the Staveley Town Deal Board and Chesterfield Borough Council (CBC) in May 2021 and is subject to an annual review, the latest being dated October 2024.
3. The Staveley Town Deal Boards Terms of Reference were revised and approved by the Board in December 2024.
4. The audit confirmed that minutes are retained and published for all the Staveley Town Deal Board meetings on the CBC website and notes are taken for all meetings of the Town Deal Internal Programme Board. Meetings are held quarterly for both the Town Deal Internal Programme Board and the Staveley Town Deal Board.

5. There is a dedicated page on the CBC website to the Staveley Town Deal which provides information about the projects being undertaken and full details of the Board members, including Members signed Code of Conduct and completed Declarations of Interest.
6. The review of the Members Declarations of Interest established that 3 were not signed as being received by the Programme Manager and none were signed by the Section 151 Officer. The Programme Manager confirmed that if the Declarations of Interest are received electronically it is an onerous task to print the document, sign, and then scan back onto the network for retention, therefore the electronically received forms are immediately saved in the folder when received. The Programme Manager may consider the use of an electronic signature to give assurance that the forms have been received and adequately checked.

Recommendations

R1	As there is no statutory requirement to obtain a signature from the S151 Officer it would be prudent to remove the field from the declaration of interest form to avoid any confusion as to the paperwork being incomplete. Risk: Low
R2	To give assurance that all declarations of interest are received and vetted the use of an electronic signature by the Programme Manager would be best practise. Risk: Low

Risk management

7. The Programme Manager submits a monitoring report to the Ministry of Housing Communities and Local Government (MHCLG) every six months which details the top 3 risks for the programme as a whole and then the top 3 risks for each project. The last monitoring report was completed and submitted to the MHCLG in November 2024.
8. A programme and project update is presented to both the Town Deal Internal Programme Board and Staveley Town Deal Board quarterly and this includes an extract from the monitoring report which is submitted to MHCLG highlighting the level of risk for each project. The last report was presented to Staveley Town Deal Board in December 2024 and this showed 10 projects in total with 3 of those being classified as high risk, these were: -
 - DRIIVE – The risk is due to rising costs and the project being unable to be completed with funds currently available.
 - Hartington Industrial Park – They are not currently in contract with us and there is a possibility that MHCLG will refuse the funding. A final meeting with all parties will conclude this.

- Staveley Rail Station @ Barrow Hill – The Chancellor has cancelled this programme, so this project has now been removed from the Staveley Town Deal Programme and the funds reallocated to other projects.
9. The assurance framework states that the Town Deal Internal Programme Board are responsible for carrying out a programme delivery risk assessment which will be used to generate a programme level risk register. The register will be maintained by the Town Deal Internal Programme Board and reported at each of their meeting held quarterly, this in turn will be reviewed by the Staveley Town Deal Board.
 10. Each project also has their own risk registers which were included in their original business cases and are updated on a regular basis. Project risk forms part of the regular reporting that each project sponsor is required to submit to the Town Deal Programme team. A copy of each projects risk register detailing the top 3 risk is included in the biannual report to MHCLG.

Project monitoring

11. Quarterly meetings are held with project sponsors to coincide with the claims periods to discuss the actual and projected spend to date. If a project is identified not to be performing or is found to have issues arising the Programme Manager will meet with them as well as the Chief Executive and the Chair of the Staveley Town Deal Board.
12. The Programme Manager maintains a spreadsheet detailing the financial position for each project including allocated funding and the expenditure to date. A summary of this report is presented to both Town Deal Internal Programme Board and Staveley Town Deal Board each quarter.
13. A Project Adjustment Request (PAR) form is completed if a project applies for further funding or requires significant changes, and these forms must be approved by the Staveley Town Deal Board. Further funding can only be allocated on the completion of a PAR and if funding is available from other projects in the programme who haven't spent all the funds allocated to them.

Reporting to Board

14. The Staveley Town Deal Board receive reports and recommendations from the Town Deal Internal Programme Board and the Programme Manager that enable it to make decisions.
15. A copy of the MHCLG report which is submitted every 6 months is provided to the Staveley Town Deal Board to give further assurance that all project criteria are being met.

Procurement

16. The Programme Manager confirmed that each project is required to follow the procurement process of CBC. Each project referenced their intended procurement plan in their original business case, and they are required by the terms of the grant to report any live or imminent procurement on their monitoring forms which are completed for the MHCLG returns biannually.
17. The CBC procurement team oversee all projects, but a Senior Procurement Officer has worked with the designated Project Managers for 3 projects which are managed by CBC they are, Staveley Construction Skills Hub, Staveley 21, and DRIIVe.
18. Each of the designated Project Managers keep a comprehensive record of the procurement exercises undertaken for their project in a designated folder on the S:Drive, access to these folders is restricted.
19. The projects which are not managed by CBC are also expected to follow CBC procurement rules. Regular meeting with the Programme Manager and CBC Procurement team who advise on any matters are held. All correspondence relating to procurement are kept within the specific project folder on the S: Drive. Access to these folders is restricted.

Income received

20. The Programme Manager confirmed that the MHCLG will pay CBC as the accountable body a percentage of what funds are profiled to be spent, this is declared in the monitoring form.
21. At the time of the audit the amount received from MHCLG was £18,430,139, this amount was reconciled to Unit 4 and all records were accurate.
22. Currently CBC hold a large amount of the funds provided by MHCLG due to the projects not progressing as quickly as previously anticipated. Because of this no recent funds have been received.

Expenditure

23. At the time of the audit it was established that spending is well behind profile. As at December 2024 it was reported to Staveley Town Deal Board that:

Funding received by MHCLG	£25,200,000
Overall spend to date	<u>£5,507,605</u>
Total amount outstanding (amounts allocated not yet spent)	<u>£19,692,395</u>

24. The Programme Manager provided a copy of the financial position spreadsheet which is maintained and was presented to the Staveley Town Deal Board in December 2024. This record shows a predicted spend for the remainder of 2024/25 as £11,332,577 with further spend in 2025/26 to be £8,359,819. If this is achieved the project will be delivered in full and on time.
25. As claims for the projects are paid on defrayed spend there is a procedure in place to ensure that expenditure is legitimate and that invoices are submitted by the project sponsors to support their claim before re-imburement and sign off by a Director.
26. The Senior Accounting Technician provided a reconciliation to demonstrate that the project expenditure in Unit 4 was accurate. The usual process for the CBC managed projects is to complete journals to move expenditure to the correct code at year end, this means that an accurate figure can only be obtained from Unit 4 for CBC managed projects at the financial year end. The Senior Accounting Technician believes it would be advantageous to meet with the Programme Manager quarterly so that a more accurate picture can be obtained from Unit 4 more regularly and any anomalies identified and investigated sooner.

Recommendation

R3	It would be prudent for the Programme Manager to hold quarterly meetings with Accountancy to reconcile the expenditure for the programme to give assurance that the figures used for claims is accurate with the Financial Management System. Risk: Low
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27. It was established that adequate separation of duties is in place for the CBC managed projects.

Government returns

28. The MHCLG require a monitoring return to be submitted biannually which provides a comprehensive update as to how the Staveley Town Deal Programme is progressing. This return is in their standard format and includes information on expenditure, progress, risk, outputs and outcomes.
29. The return is required to be signed off by the S151 Officer and the Chair of the Staveley Town Deal Board before submission. A copy of the monitoring form is presented at the Staveley Town Deal Board once it is complete.

Delivery of the Project

30. The Programme Manager confirmed that as the accountable body for the programme CBC can hold funds for retention payments such as snagging at post project completion. These funds will either be held by CBC or paid over to the project sponsors so they can

pay as and when appropriate, this has not yet been decided upon. The MHCLG have informed CBC that there will continue to be some form of monitoring for three years after the programme deadline of March 2026.

Appendix 1

Assurance Level	Internal Audit Definition	Risk Register Link
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.	Negligible/ Low impact – regular reviews plus low - cost improvements
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.	Low / Medium impact – close monitoring and cost -effective controls required
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.	Medium / High impact Unacceptable Risk – Immediate control improvements required
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.	High / Very High impact Unacceptable Risk – immediate control improvements required

Chesterfield Borough Council
Indicative Definitions of High Medium, Low and Advisory Recommendations

Rating	Definition
High	<p>This risk is considered to be unacceptable – immediate control improvements required: -</p> <ul style="list-style-type: none"> • Unacceptable financial impact • Severe service disruption or regular disruption • Major / disastrous loss of confidence and trust in the Council • Adverse coverage in national press / front page news locally • Severe personal details compromised (report to ICO) • The Majority or all of Council priorities would be delayed or not delivered • Unacceptable risk of fraud greater e.g., key internal controls are not operating or are missing • Direct link to a strategic risk occurring • A serious breach of legislation/ legal requirements leading to substantial financial penalties • Substantial loss or damage to Council assets/or information • Major health and safety risk (serious injury or death)
Medium	<p>The risk is considered medium – close monitoring and cost -effective controls required: -</p> <ul style="list-style-type: none"> • The financial impact would be moderate • Regular disruption to the activities of one or more council service • A general loss of confidence and trust in the council within the local community • Adverse coverage in local press • Isolated personal details compromised • A number of Council priorities would be delayed or not delivered • Moderate risk of fraud • Direct link to identified operational risks occurring • A serious breach of organisational policies and procedures • A breach of legislation / legal requirements leading to a moderate financial impact • Loss or damage to Council assets, information • Moderate health and safety risk (e.g., broken limbs) • Previously agreed medium internal audit recommendations remain outstanding
Low	<p>The risk is considered to be low – regular review plus low- cost improvements.</p> <ul style="list-style-type: none"> • The financial impact would be minimal • Some temporary disruption of activities of one Council Service • Minor loss of trust and confidence in the Council • No media attention • Embarrassment, no lasting effect • Disciplinary action against employee • It may cost more or delay in delivery of one of the Council's priorities • Minimal risk of fraud • No direct link to operational or strategic risks • A minor breach of Legislation / legal requirements • Low risk of loss or damage to Council assets • Minimal health and safety risk (e.g., cuts and bruises)
Advisory	<p>Not risk or control related</p> <ul style="list-style-type: none"> • May enhance the service • May achieve efficiencies • May lead to an improved outcome

Internal Audit Report – Implementation Schedule

Report Title:	Staveley Town Deal	Report Date: 18th February 2024
		Response Due By Date: N/A

	Findings and Risk identified	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
R1	No Declarations of Interest forms were signed by the Section 151 Officer. To make the forms held appear complete the field should be removed if no longer required.	As there is no statutory requirement to obtain a signature from the S151 Officer it would be prudent to remove the field from the declaration of interest form to avoid any confusion as to the paperwork being incomplete.	L	Yes	L Wetton	February 2025	All 25/26 forms have this removed and will be uploaded on the website.
R2	Not all Declarations of Interest were signed as received by the Programme Manager. A signature from the Programme Manager gives assurance that all forms have been vetted and they are aware of any future conflicts of interest.	To give assurance that all declarations of interest are received and vetted the use of an electronic signature by the Programme Manager would be best practise.	L		L Wetton	March 2025	All 25/26 forms will/have the Programme Manager signature added and uploaded on the website.
R3	The expenditure for CBC managed projects is currently only journalled at	It would be prudent for the Programme Manager to hold quarterly meetings with		Yes	TC/Chris Wiles	May 2025	These meetings have taken place in the past

	Findings and Risk identified	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
	the financial year end. To ensure the projects are within budget with accurate records held.	Accountancy to reconcile the expenditure for the programme to give assurance that the figures used for claims is accurate with the Financial Management System.	L				and now the new Capital Finance Officer is in post, this can be reinstated. To note, Funding is held by CBC, therefore it is safeguarded, but agreed the project budgets would benefit from seeing income against the expenditure.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:		Date:	18 February 2025
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Note: In respect of any High priority recommendations please forward evidence of their implementation to the Internal Audit team as soon as possible.