

| | |
|--------------------|---|
| Meeting | AUDIT AND GOVERNANCE COMMITTEE |
| Time/Day/Date | 6.30 pm on Wednesday, 11 December 2013 |
| Location | Council Chamber, Council Offices, Coalville |
| Officer to contact | Democratic Services (01530 454512) |

The Monitoring Officer would like to remind members that when they are considering whether the following items are exempt information under the relevant paragraph under part 1 of Schedule 12A of the Local Government Act 1972 they must have regard to the public interest test. This means that members must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available to the public.

AGENDA

| Item | | Pages |
|----------|--|----------------|
| 1 | APOLOGIES FOR ABSENCE | |
| 2 | DECLARATIONS OF INTEREST | |
| | Under the Code of Conduct members are reminded that in declaring disclosable interests you should make clear the nature of that interest and whether it is pecuniary or non-pecuniary. | |
| 3 | MINUTES | |
| | To confirm and sign the minutes of the meeting held on 25 September 2013. | 3 - 6 |
| 4 | STANDARDS AND ETHICS - QUARTER 2 REPORT | |
| | Report of the Head of Legal and Support Services and Monitoring Officer | 7 - 16 |
| 5 | NOMINATION OF PARISH MEMBERS | |
| | Report of the Head of Legal and Support Services and Monitoring Officer | 17 - 20 |
| 6 | ANNUAL AUDIT LETTER 2012/13 | |
| | Report of the Head of Finance | 21 - 30 |



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| 7 | INTERNAL AUDIT PROGRESS REPORT APRIL 2013 - OCTOBER 2013 | |
| | Report of the Head of Finance | 31 - 38 |
| 8 | TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO NOVEMBER 2013 | |
| | Report of the Head of Finance | 39 - 44 |

Circulation:

Councillors
A Bridges
J Cotterill
D De Lacy
D Everitt
G Jones
C Large
T Neilson
A C Saffell
N Smith
R Woodward

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 25TH SEPTEMBER, 2013

Present: Councillor T Neilson (Chairman)

Councillors A Bridges, J Cotterill, D De Lacy, D Everitt, G Jones, C Large, T Neilson, A C Saffell and N Smith.

Officers: Mr R Bowmer, Mrs R Wallace, Miss E Warhurst and Miss A Wright.

External Auditors: Mr J Cornett and Mr R Walton.

In attendance: Councillor J Bridges

11. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Woodward.

12. DECLARATION OF INTERESTS

There were no declarations of interest.

13. MINUTES

Consideration was given to the minutes of the meeting held on 26 June 2013.

It was moved by Councillor T Neilson, seconded by Councillor N Smith and

RESOLVED THAT:

The minutes of the Audit and Governance Committee held on 26 June 2013 be approved as a correct record and signed by the Chairman.

As it was necessary to consider item 5 – Annual Governance Report 2012/13 before item 4 – Annual Statement of Accounts 2012/13, the Chairman changed the order of business accordingly.

14. ANNUAL GOVERNANCE REPORT 2012/13

The Head of Finance presented the report to Members and referred to the recommendations of the External Auditors within appendix 1. Regarding those recommendations Councillor D De Lacy asked how much of a problem it was that not all Members had returned their related party transaction information as requested. Mr R Walton, External Auditor, stated that there were three Members that had not returned the required information and he was satisfied that all of the necessary follow ups were undertaken by the Officers. Mr J Cornett, External Auditor, explained that it was important for Members to see the significance of the issue, especially as it was a reoccurrence from the previous year.

It was moved by Councillor T Neilson, seconded by Councillor N Smith and

RESOLVED THAT:

- a) The External Auditor's Report be noted.
- b) The Letter of Representation be approved.
- c) The External Auditor's recommendations and management comments set out in appendix 1 to the report be noted.

15. ANNUAL STATEMENT OF ACCOUNTS 2012/13

The Head of Finance presented the report to Members.

Councillor N Smith asked whether any employment termination costs needed to be shown because of possible redundancies in the future. The Head of Finance explained that there were no plans to make redundancies at the moment but due to the current financial position it may be a possibility for the future, if it was required he assured Members that adequate funds would be earmarked. He added that the Authority was not at that stage yet, therefore there was no requirement to make provisions within the 2012/13 accounts.

It was moved by Councillor T Neilson, seconded by Councillor N Smith and

RESOLVED THAT:

- a) The Annual Statement of Accounts be approved.
- b) The Annual Statement of Accounts be signed by the Chairman of the Committee.
- c) The authority to approve any minor non material amendments, as agreed with the Auditor, be delegated to the Chairman of the Committee and the Section 151 Officer on behalf of the Committee.

16. STANDARDS AND ETHICS – QUARTER 1 REPORT

The Monitoring Officer presented the report to Members.

Councillor N Smith thanked the Monitoring Officer for including more detail within the report as requested at the previous meeting.

It was moved by Councillor T Neilson , seconded by Councillor C Large and

RESOLVED THAT:

The report be noted.

17. INTERNAL AUDIT PROGRESS REPORT APRIL 2013 – AUGUST 2013

The Senior Auditor presented the report to Members.

It was moved by Councillor T Neilson, seconded by Councillor A Bridges and

RESOLVED THAT:

The report be noted.

18. INTERNAL AUDIT CHARTER

The Head of Finance presented the report to Members.

It was moved by Councillor T Neilson, seconded by Councillor A Bridges and

RESOLVED THAT:

The Internal Audit Charter be approved.

19. ANNUAL GOVERNANCE STATEMENT 2012-13

The Head of Finance presented the report to Members.

It was moved by Councillor T Neilson, seconded by Councillor G Jones and

RESOLVED THAT:

The Annual Governance Statement be approved.

20. TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO AUGUST 2013

The Head of Finance presented the report to Members.

In response to a question from Councillor G Jones the Head of Finance explained that although the Council banked with the Co-operative Bank it withdrew all funds every day and did not place investments with it.

Councillor D De Lacy asked if the Net debt would be vulnerable to the rise of interest rates in the future. The Head of Finance explained that the interest rates for debt were fixed for the duration of the loan period and there was only a risk if the debt needed to be replaced as future interest rates were not known. The Council was putting aside sufficient funds to repay the HRA debt in line with the Business Plan to mitigate the risk, so any rise in interest rates would not be a concern.

It was moved by Councillor T Neilson, seconded by Councillor G Jones and

RESOLVED THAT:

The report be approved.

**21. CHANGES TO THE COUNCIL'S REGULATION OF INVESTIGATORY POWERS ACT
POLICY IN LIGHT OF LEGISLATIVE CHANGES**

The Monitoring Officer presented the report to Members.

It was moved by Councillor T Neilson, seconded by Councillor D Everitt and

RESOLVED:

The report and the changes to the RIPA process be noted.

Councillor G Jones arrived at 6.35pm.

Councillor A C Saffell arrived at 6.47pm.

The meeting opened at 6.30pm and closed at 7.00pm.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 11 DECEMBER 2013

| | |
|------------------------------|---|
| Title of report | STANDARDS AND ETHICS – QUARTER 2 REPORT |
| Contacts | Councillor N Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Head of Legal and Support Services and Monitoring Officer 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk |
| Purpose of report | To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2013/14. |
| Council Priorities | Value for Money |
| Implications: | |
| Financial/Staff | N/A |
| Link to relevant CAT | N/A |
| Risk Management | By receiving this information members will be able to manage risks. |
| Equalities Impact Assessment | N/A |
| Human Rights | N/A |
| Transformational Government | N/A |
| Consultees | N/A |
| Background papers | None. |
| Recommendations | THAT THE REPORT BE RECEIVED AND NOTED. |

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STANDARDS AND ETHICS

QUARTER 2 REPORT 2013-2014

1. Introduction

This is the first quarterly report to the Audit & Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2013/14.

For clarification purposes the months covered by the quarters are as follows:

Quarter 1 – 1 April to 30 June
Quarter 2 – 1 July to 30 September
Quarter 3 – 1 October to 31 December
Quarter 4 – 1 January to 31 March

The report is split into 2 parts for ease of reference; Part 1 refers to the local determination of complaints, part 2 is the table showing the ethical indicators figures.

The report will enable the Audit & Governance Committee to build up a picture over time of how many complaints are received and where these are coming from. The parts of the Code of Conduct which have been breached will also be recorded to enable training to be targeted effectively.

2. Part 1 – Local Determination of Complaints

The Monitoring Officer received 3 complaints in Quarter 2 of 2013/14. All 3 complaints related to District Councillors.

2.1 Source of Complaints

There were 2 complaints received from District Councillors and 1 from a Council Officer.

2.2 Assessment Sub-Committee Decisions

There has been 1 Assessment Sub-committee meeting in this quarter, as follows:

On 1 May 2013 a complaint was made about a District Councillor relating to the distribution of an election leaflet allegedly by Hugglescote and Donington le Heath Parish on behalf of a Parish Councillor campaigning for election to Leicestershire County Council. The allegation was that the District Councillor alleged in his election leaflet that the election leaflet was distributed with the Parish Council newsletter. In summary the complaint was that the content of District Councillor's leaflet was untrue and that his conduct in producing and distributing the leaflet brought the District Council into disrepute.

The Assessment Sub-committee meeting was held on 9 August 2013 and the decision was that no further action was required. In reaching its decision the Assessment Sub-committee felt that the matters complained of related to conduct of the Councillor Cotterill in his capacity as a Parish Member, that it was a 'tit for tat' complaint and that there was no public interest in incurring expense to pursue an investigation.

As members will be aware, the Monitoring Officer now pursues an informal dispute resolution process prior to initiating formal proceedings via the sub-committee route.

2 of the 3 complaints received this quarter have been resolved informally. The other matter is still outstanding.

2.3 Timeliness of Decision

The Standards for England Guidance stated that the Assessment Sub-committee should complete its initial assessment of an allegation “within an average of 20 working days” to reach a decision on what should happen with the complaint. The Council has taken this standard and adapted it under the new rules to aim to hold an Assessment Sub-committee within 20 working days of notifying the parties that informal resolution is not possible.

2.4 Review Requests

There have been no review requests this year. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.5 Subsequent Referrals

None to report – see above.

2.6 Outcome of Investigations

There were no investigations concluded in this period.

2.7 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Audit & Governance Committee to determine where there needs to be further training for Councillors. Targeting training in this way makes it more sustainable and, hopefully, more effective.

So far this year, the following areas of the code were found to have been breached:

N/A

4. Part 2 – Ethical Indicators

| Ref. | Performance Indicator Description | Officer Responsible for Providing Information | Q1 | | Q2 | | Q3 | | Q4 | |
|------|---|---|----------------|--|----------------|-------------------------------|----------------|---------|--------------------------------|---------|
| | | | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 |
| SE1 | Objections to the Councils Accounts | Financial Planning Team Manager | 0 | 0 | 0 | | 0 | | 0 | |
| SE3 | Follow up action relating to breaches of the Member/Officer Protocol (Members) | Head of Legal and Support Services | 0 | 0 | 0 | 0 | 0 | | 0 | |
| SE3a | Disciplinary action relating to breaches of the Member/Officer Protocol (staff) | Human Resources Team Manager | 0 | 0 | 0 | | 0 | | 0 | |
| SE4 | District Audit Public Interest Reports | Senior Auditor | 0 | 0 | 0 | | 0 | | 0 | |
| SE5 | Number of Whistle blowing Incidents reported | | 1 | 0 | 0 | | 0 | | 0 | |
| SE6 | No. of recommendations made to improve governance procedures / policies | | 0 | 4 | 4 | 5 | 2 | | 3 | |
| SE6a | No. of recommendations implemented | | 7 | 5 | 6 | 2 | 1 | | 1 | |
| SE7 | No. of Ombudsman complaints received | Customer Services and Corporate | 1 | * 2 | 2 | * 2 | 2 | | 2 | |
| SE7a | No. of Ombudsman complaints resolved | Complaints Officer | 1 | 1 (1 where LGO has sent further enquiries) | 2 | 2 (1 awaiting final decision) | 2 | | 2 (1 responded to in Q1 13/14) | |

| Ref. | Performance Indicator Description | Officer Responsible for Providing Information | Q1 | | Q2 | | Q3 | | Q4 | |
|------|---|--|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
| | | | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 |
| SE7b | No. of Ombudsman complaints where compensation paid | Customer Services and Corporate Complaints Officer | 0 | 1 | 1 | 0 | 1 | | 0 | |
| SE8 | No. of Corporate Complaints received | | 77 | 72 | 84 | 75 | 89 | | 51 | |
| SE8a | No. of Corporate Complaints resolved | | 75 | 68 | 84 | 71 | 89 | | 47 | |
| SE8b | No. of Corporate Complaints where compensation paid | | 1 | 3 | 2 | 2 | 6 | | 0 | |

* During Quarter 2, the Council received 2 Local Government Ombudsman (LGO) cases, details as below: -

| Service Area | Nature of the case | Decision by the LGO | Amount of compensation paid |
|--------------------------|---|---|-----------------------------|
| Planning and Development | LGO complaint received regarding the Council's consideration of the planning application for an all weather sports pitch (at Newbridge High School) on land adjacent to complainants home & the Council's alleged refusal to investigate alleged breaches of a planning condition that prevents music being played or performed in the Sports Hall. | The LGO decided not to challenge the merits of the case officer's professional recommendation. The Council followed the correct procedure and had before it all relevant information therefore it decided the application without fault. | |
| Street Action | Mr C has complained to the LGO that the Council have not failed to pay the full amount of an empty properties grant | The Council complied with my earlier recommendation. It paid a total of £6,568.77 to Mr B. That is as much as I can achieve for Mr B. I cannot challenge its decision not to settle further invoices presented by Mr B. | |

| Ref. | Performance Indicator Description | Officer Responsible for Providing Information | Q1 | | Q2 | | Q3 | | Q4 | |
|--|--|---|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
| | | | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 |
| Freedom of Information Act Indicators | | | | | | | | | | |
| SE9 | Total no. of requests received | Head of Legal and Support Services | 115 | 116 | 84 | 109 | 83 | | 148 | |
| SE9a | No. of requests compliant | | 94 | 100 | 59 | 92 | 72 | | 128 | |
| SE9b | No. of Non compliant requests | | 21 | 14 | 14 | 15 | 11 | | 16 | |
| SE9c | No of requests still open and within the 20 working days | | 0 | 0 | 8 | 0 | 0 | | 2 | |
| SE9d | Number withheld due to exemptions/fees applied | | 12 | 5 | 3 | 4 | 9 | | 16 | |

| Ref. | Performance Indicator Description | Officer Responsible for Providing Information | Q1 | | Q2 | | Q3 | | Q4 | |
|--|---|---|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
| | | | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 | Actual 2012/13 | 2013/14 |
| Regulation of Investigatory Powers Act Indicators | | | | | | | | | | |
| SE10 | No. of Directed Surveillance authorisations granted during the quarter | Senior Auditor | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10a | No. in force at the end of the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10b | No. of CHIS recruited during the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10c | No. ceased to be used during the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10d | No. active at the end of the quarter | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10e | No. of breaches (particularly unauthorised surveillance) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10f | No. of applications submitted to obtain communications data which were rejected | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10g | No of notices requiring disclosure of communications data | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10h | No of authorisations for conduct to acquire communications data | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SE10i | No of recordable errors | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 11 DECEMBER 2013

| | |
|------------------------------|--|
| Title of report | NOMINATION OF PARISH MEMBERS |
| Contacts | <p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Legal and Support Services 01530 454762 elizabeth.warhurst@nwleicestershire.gov.uk</p> |
| Purpose of report | To seek the Committee's approval to the proposed nomination process of Parish Members to the Assessment and Determinations Sub Committee. |
| Council Priorities | Homes and Communities |
| Implications: | |
| Financial/Staff | The process adopted may require some resourcing from the Democratic Services Team, however this is not likely to increase the work the team are already doing in this area. |
| Link to relevant CAT | None |
| Risk Management | The Council's governance arrangements are a fundamental part of the Authority's management of risk and contribute towards good corporate governance. |
| Equalities Impact Assessment | Equality Impact Assessment already undertaken, any issues identified have been actioned. |
| Human Rights | None identified |
| Transformational Government | No direct implications |
| Consultees | Parish Members |

| | |
|-------------------|---|
| Background papers | <p>Council report dated 23 February 2012 Localism Act 2011 Report</p> <p>Council report dated June 2012 Localism Act 2011 Report</p> <p>Localism Act 2011 http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted</p> |
| Recommendations | <ol style="list-style-type: none"> 1. TO REVIEW THE PROPOSED NOMINATION PROCESS OF PARISH MEMBERS TO THE ASSESSMENT AND DETERMINATION SUB COMMITTEES 2. TO AGREE THE PROPOSED CONTACT WITH PARISH COUNCILS 3. TO AGREE TO RECEIVE NOMINATIONS FROM PARISH COUNCILS FOR CONSIDERATION AT THE NEXT AUDIT AND GOVERNANCE COMMITTEE IN MARCH 2014 |

1.0 BACKGROUND

- 1.1 As a result of the changes to the standards regime introduced by the Localism Act 2011 Parish Members no longer have an automatic right to be members of the Audit and Governance Committee.
- 1.2 However it was agreed by Council that it would be useful for Parish Members to continue to be involved in matters concerning Parish Members, where appropriate, as Assessment and Determination sub-committees would benefit from their experience of parish matters.
- 1.3 The Council's adopted Arrangements therefore allows for the co-option of Parish Members onto the Assessment and Determinations Sub Committee.
- 1.4 Following the adoption of the new standards regime in July 2012 the Parish Members appointed to the former Audit and Standards Committee were no longer entitled to sit on the new Audit and Governance Committee, however they nominally remained available to be co-opted to sit on any sub-committee (as a non-voting member) on an ad hoc basis.
- 1.5 Of the 4 Parish Members previously selected to the old Audit and Standards Committee the District Council is aware that two of those Parish Members have resigned their positions and the term of office of another Member who was previously nominated to sit on the Standards Committee has now expired. There are currently therefore, three vacancies for Parish Members.

2.0 THE LEGISLATION

- 2.1 As the membership of the Audit and Governance Committee has been determined by Council it is a matter for the membership of the sub-committees (Assessment and Determination) to be determined by the Audit and Governance Committee in relation to Parish and Independent members and it is a matter for this committee to determine how and who they want to co-opt.
- 2.2 Council fixed the membership of the sub-committees allowing for one co-opted Parish Member and one co-opted Independent Member where it was relevant to do so.

3.0 PROPOSED PROCESS

- 3.1 In light of the vacancies which have become available it is proposed to write to Parish Councils seeking nominations from Parish Members to fill the 3 vacancies thereby maintaining a pool of 4 Parish Members available for co-option as and when required.
- 3.2 In order to ensure effective administration of the Assessment and Determination sub-committees co-option to a particular sub-committee will be entirely at the discretion of the Monitoring Officer from the pool of approved Parish Members
- 3.3 It is proposed that appointments to the pool will be until the expiration of the Parish Members term of office (May 2015) or until such time as a Parish Member ceases to hold elected office if sooner.
- 3.4 In requesting nominations, Audit and Governance Committee will request that Parish Councils provide nominations by the end of February to enable the nominations to be considered and formally approved at its next meeting on 26 March 2013.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE - 11 DECEMBER 2013

| | |
|------------------------------|--|
| Title of report | ANNUAL AUDIT LETTER 2012/13 |
| Contacts | <p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p> |
| Purpose of report | To report the receipt of the Annual Audit Letter. |
| Reason for Decision | To receive a report from the External Auditor. |
| Council Priorities | Value for Money. |
| Implications: | |
| Financial/Staff | None. |
| Link to relevant CAT | None. |
| Risk Management | Not required. |
| Equalities Impact Assessment | Not required. |
| Human Rights | None identified. |
| Transformational Government | Not applicable. |
| Consultees | None |
| Background papers | None. |
| Recommendations | THAT THE 2012/13 ANNUAL AUDIT LETTER BE NOTED |

1.0 BACKGROUND

- 1.1 The External Auditor, KPMG, was responsible for the external audit of the Council's financial statements and Value for Money arrangements in 2012/13. He has provided the Annual Audit letter for consideration by the Committee. The External Auditor has already reported the findings of his audit and issued an unqualified audit opinion on the 2012/13 Financial Statements and confirmed that the Council's arrangements for providing Value for Money are satisfactory.
- 1.2 The Letter summarises all the findings from the 2012/13 audit. It is much shorter than previous audit letters provided by the Audit Commission prior to 2011/12 when KPMG were appointed as the Council's External Auditors.
- 1.3 A copy of the Annual letter is attached at Appendix 1.



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Annual Audit Letter 2012/13

North West Leicestershire
District Council

October 2013



The contacts at KPMG in connection with this report are:

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Manager

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Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

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5

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 audit of North West Leicestershire District Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

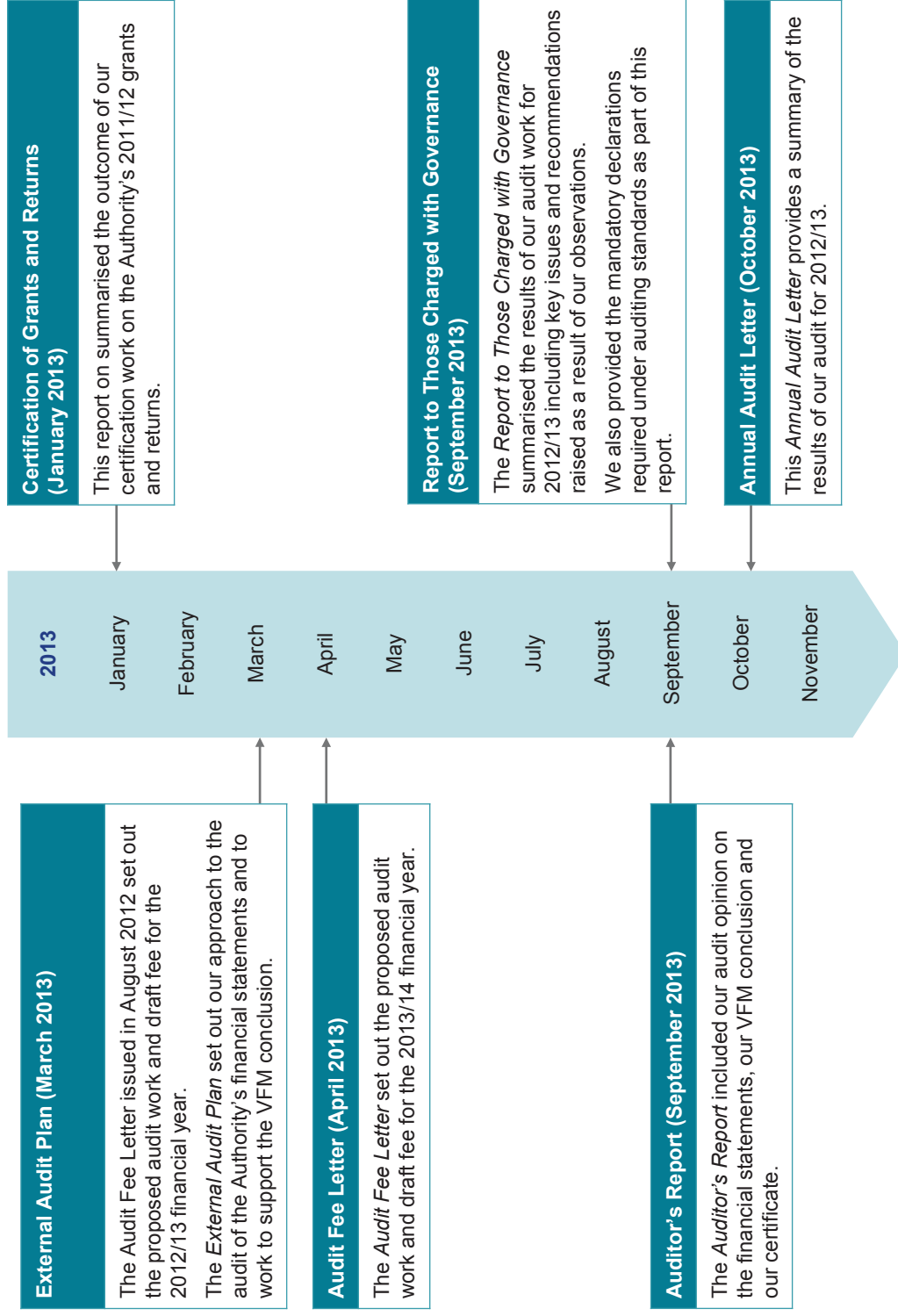
| | |
|------------------------------------|---|
| VFM conclusion | We issued an unqualified value for money (VFM) conclusion for 2012/13 on 30 September 2013. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity. |
| VFM risk areas | Our initial risk assessment took into account the Authority's key business risks which are relevant to our VFM conclusion. We were satisfied that sufficient work was being carried out by the Authority to mitigate the audit risks for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves. |
| Audit opinion | We issued an unqualified opinion on your financial statements on 30 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. |
| Financial statements audit | We reported the significant matters arising from the financial statements audit to the Audit and Governance Committee in our Report to those Charged with Governance. We found no significant audit differences to report to the Committee. Overall we found that the quality of the accounts and supporting working papers was good. |
| Annual Governance Statement | We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your governance arrangements. |

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

| | |
|------------------------------|---|
| Whole of Government Accounts | We carried out the mandated audit work on the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We did not need to report to the National Audit Office any inconsistencies between the Authority's audited accounts and the submitted pack. |
| Certificate | We issued our certificate on 30 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> . |
| Audit fee | Our fee for 2012/13 was £66,462, excluding VAT. Further detail is contained in Appendix 2. |

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued this year.



This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outcome against the 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of the Authority was £66,462. The Audit Commission's scale fee for the 2011/12 audit was £110,770. The 2012/13 fee reflects the reductions that the Audit Commission has been able to make to its scale fees following the market testing of audit services.

The final fee is the same as the planned fee and we have not needed to submit any additional fee requests to the Audit Commission.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.

Additional audit work

In addition to the above management requested that we audit a grant return to the Homes and Communities Agency in regard to your receipt of Decent Homes Backlog grant. The fee for this work was £1,600. Due to the nature of this work it caused no threats to our independence as auditors.



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 11 DECEMBER 2013

| | |
|------------------------------|---|
| Title of report | INTERNAL AUDIT PROGRESS REPORT APRIL 2013 – OCTOBER 2013 |
| Contacts | <p>Councillor Nicholas Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p> <p>Senior Auditor 01530 454728 anna.wright@nwleicestershire.gov.uk</p> |
| Purpose of report | To inform the committee of the progress against the internal audit plan for 2013/14 and an update on the recommendations agreed and implemented. |
| Reason for Decision | To comply with the Public Sector Internal Audit Standards. |
| Council Priorities | Value for Money |
| Implications: | |
| Financial/Staff | None |
| Link to relevant CAT | None |
| Risk Management | The Internal Audit planning process is based on a risk assessment methodology |
| Equalities Impact Assessment | Not Applicable |
| Human Rights | None |
| Transformational Government | Not Applicable |
| Consultees | None. |
| Background papers | Public Sector Internal Audit Standards |

| | |
|-----------------|--|
| Recommendations | THAT THE COMMITTEE NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. |
|-----------------|--|

1.0 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress and to receive periodic reports on the work of internal audit. The Audit and Governance Committee approved the Audit Plan on 27 March 2013.
- 1.2 The purpose of this report is to provide members with an update on the progress against the audit plan. The report will also highlight the audit reports issued and recommendations made during the financial year. These progress reports will enable the committee to be updated on current issues and any significant issues can be brought to the attention of the committee.

2.0 TERMS OF REFERENCE

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:
 'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process'.

3.0 PROGRESS AGAINST THE AUDIT PLAN

- 3.1 A status report for the main and non main systems is documented in Appendix A. All Internal Audit reports are available to members on the intranet, a link is documented in Appendix A. Seven audit reports have been issued and another audit is currently in progress.

4.0 PERFORMANCE INDICATORS

- 4.1 Period 7 performance for Internal Audit against the Team Plan Targets and the Performance Indicators are documented in Appendix B.

5.0 INTERNAL AUDIT RECOMMENDATIONS

- 5.1 There is an agreed Reports and Recommendations procedure as it is important that agreed recommendations are implemented as this helps to secure and strengthen the internal control environment. The council may be exposed to a variety of risks if Internal Audit recommendations are not implemented within the timescales agreed by management. Part of this procedure requires Team Managers to provide Internal Audit with updates on the status of each recommendation on a quarterly basis.
- 5.2 A database of all recommendations and the current status is available to members on the intranet. A highlight report of all outstanding recommendations is attached as Appendix C.

- 5.3 Table A below provides a summary of the status of agreed recommendations including outstanding recommendations brought forward from 2012/13.

Table A: Implementation of Agreed Recommendations

| | 2012/13 | 2013/14 | Total |
|-----------------------------------|----------------|----------------|--------------|
| Implemented | 22 | 6 | 28 |
| Not Yet Due | 1 | 3 | 4 |
| Overdue | 6 | 1 | 7 |
| Recommendation no longer required | 1 | - | 1 |
| Total | 30 | 10 | 40 |

There are seven recommendations which have not been implemented by the agreed date. Action is currently in progress for each recommendation and a revised implementation date has been agreed with the officers responsible for implementation.

- 5.4 Further compliance testing is completed for all implemented recommendations to ensure the recommendations have been implemented satisfactorily. Table B shows that follow-up testing revealed that the recommendations have been implemented satisfactorily and testing of the outstanding six recommendations will be completed in November.

Table B: Follow up Testing of Implemented Recommendations

| | 2012/13 | 2013/14 | Total |
|------------------------|----------------|----------------|--------------|
| Testing Satisfactory | 17 | 5 | 22 |
| Testing Unsatisfactory | 0 | 0 | 0 |
| Testing Outstanding | 5 | 1 | 6 |
| Total | 22 | 6 | 28 |

Internal Audit Plan – Progress Report April 2013 – October 2013

| Audit | Current Position | Level of Assurance |
|-------------------------|---------------------|--------------------|
| Main Systems | | |
| Capital Accounting | In Progress | - |
| Cash and Bank | Final Report Issued | Grade 1 |
| Creditors | Scheduled for Qtr 3 | - |
| Debtors | Scheduled for Qtr 4 | - |
| Main Accounting | Scheduled for Qtr 3 | - |
| Payroll | Scheduled for Qtr 4 | - |
| Rent Accounting | Scheduled for Qtr 4 | - |
| Treasury Management | Scheduled for Qtr 4 | - |
| Non Main Systems | | |
| Car Parking | Final Report Issued | Grade 2 |
| Commercial Rents | Final Report Issued | Grade 1 |
| Development Control | Final Report Issued | Grade 2 |
| Housing Maintenance | Scheduled for Qtr 2 | - |
| ICT Back Up Controls | Scheduled for Qtr 4 | - |
| Licensing | Final Report Issued | Grade 1 |
| Strategic Risk Register | Final Report Issued | Grade 3 |
| Trade Waste | Final Report Issued | Grade 1 |

| Grade | Description |
|-------|---|
| 1 | Internal controls are adequate in all important aspects |
| 2 | Internal controls require improvement in some areas |
| 3 | Internal controls require significant improvement |
| 4 | Internal controls are inadequate all important aspects |

Copies of all final reports are available to members on iNET at

<http://workspace.nwldc.gov.uk/Members/Internal%20Audit%20Reports%20and%20Recommendations/Forms/AllItems.aspx>

INTERNAL AUDIT PERFORMANCE INFORMATION

Service Plan Actions

| Target | Qtr 3 Milestone | Period 7 Outcome | Period 7 Comments |
|--|--|------------------|--|
| Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled | Set action plan and timescale to deliver improvements where highlighted in reviews | Achieved | Health and Safety Risk Assessment completed on the 13 th June 2013 and no actions were required. |
| Undertake audits as per agreed Audit Plan | Complete audits of 4 systems to enable the completion of the audit plan | In Progress | No audits have yet been completed in Quarter 3. |
| Provide the Audit Committee with quarterly reports on the work and performance of Internal Audit | Progress report to December Audit Committee | In Progress | Progress Report in progress. |
| To be compliant with the Public Sector Internal Audit Standards by 31 st March 2014 | Deliver the improvements as per the agreed action plan. | On Hold | Action plan put on hold by the Head of Finance who is currently reviewing the requirements of the standards and seeking external advice. |
| Produce the 2012/13 Annual Audit Opinion Report by 30 th June 2013 | N/A | Achieved | Achieved in Quarter 1. |
| Produce and have approved the 2014/15 Internal Audit Plan by 31 st March 2014 | N/A | N/A | N/A |

Performance Indicators

| | Qtr 3 Target | Period 7 Actual | Comments |
|---|--------------|-----------------|--|
| Delivery of Audit Plan - Main Systems | 62% | 12.5% | The performance indicator for quarter 3 targets may not be achieved, however the target will be achieved for the year. |
| Delivery of Audit Plan - Non Main Systems | 75% | 75% | Target for the quarter has been achieved. |
| Percentage of productive time | 75% | 66% | |
| Percentage of Client Satisfaction with the Internal Audit Service | 100% | 79% | Testing to be completed in November. |
| Compliance with the Internal Audit Standards | n/a | n/a | |
| Compliance testing of completed recommendations | 90% | 100% | |

RECOMMENDATIONS DATABASE – HIGHLIGHT REPORT

Report No: 12/13-1

Report Name: Building Control

| Rec No | Recommendation | Priority | Agree/ Disagree | Implementation Date Agreed | Officer(s) Responsible | Status |
|--------|---|----------|-----------------|--|---|----------------------|
| 3 | Debts identified by Legal Services as statute barred or uneconomical to pursue should be written off. | High | Agree | August 2012 Revised date: November 2012 March 2013 October 2013 December 2013 | Building Control & Land Charges Manager | In Progress/ Overdue |

Report No: 12/13-7

Report Name: Main Accounting

| Rec No | Recommendation | Priority | Agree/ Disagree | Implementation Date Agreed | Officer(s) Responsible | Status |
|--------|--|----------|-----------------|---|------------------------|-----------------------|
| 2 | The officer with the responsibility of Systems Administrator for the TASK system should be trained to undertake the role as a matter of urgency. | High | Agree | April 2013 Revised Date: March 2014 | Finance Team Manager | In Progress / Overdue |

Report No: 12/13-9

Report Name: Sundry Debtors

| Rec No | Recommendation | Priority | Agree/ Disagree | Implementation Date Agreed | Officer(s) Responsible | Status |
|--------|--|----------|-----------------|--|--|---------------------|
| 1 | The latest version of the TASK sundry debtors system should be tested and implemented as soon as possible on the assumption that there will be improved recovery procedures available to NWLDC. | High | Agree | March 2014 | Finance Team Manager & Senior Exchequer Services Officer | In Progress |
| 3 | The review of the outstanding older debts should be accelerated and appropriate recovery action should be undertaken or the debt written off if appropriate i.e. statute barred, debtor gone away etc. | High | Agree | September 2013 Revised Date: December 2013 | Senior Exchequer Services Officer | In Progress/Overdue |

Report No: 12/13-13

Report Name: Payroll

| Rec No | Recommendation | Priority | Agree/ Disagree | Implementation Date Agreed | Officer(s) Responsible | Status |
|--------|---|----------|-----------------|---|--|-----------------------|
| 4 | Comprehensive Procedure Notes should be prepared in the absence of adequate User Guides supplied by Selima. | High | Agree | September 2013 Revised Date: December 2013 | Senior Exchequer Services Officer & Human Resources Team Manager | In Progress/Overdue |
| 5 | The outstanding processes for the activation of the suspense account functionality for payroll costing codes should be completed as soon as possible. | High | Agree | April 2013 Revised date: October 2013 December 2013 | Finance Team Manager | In Progress / Overdue |
| 12 | A policy should be produced detailing how salary sacrifice payments (car parking, annual leave etc.) will be dealt with during any absence where statutory payments are made. | High | Agree | April 2013 Revised date: September 2013 December 2013 | Human Resources Team Manager | No Progress/Overdue |

Report No: 13/14-1

Report Name: Development Control

| Rec No | Recommendation | Priority | Agree/ Disagree | Implementation Date Agreed | Officer(s) Responsible | Status |
|--------|---|----------|-----------------|--|-------------------------------------|---------------------|
| 1 | The Development Control procedure notes should be updated to reflect current working practices. | Medium | Agree | June 2013 Revised date: September 2013 November 2013 | Planning & Development Team Manager | In Progress/Overdue |

Report No: 13/14-6

Report Name: Risk Management

| Rec No | Recommendation | Priority | Agree/ Disagree | Implementation Date Agreed | Officer(s) Responsible | Status |
|--------|---|----------|-----------------|----------------------------|---------------------------------|-------------|
| 1 | The NWLDC Risk Management Strategy created in 2009 should be reviewed for changes in structure, personnel and the procedures contained therein. | High | Agree | January 2014 | Head of Finance as Chair of RMG | In Progress |
| 2 | Regular reports should be taken to the Cabinet and Audit Committees to provide assurance that risks are being managed appropriately. | High | Agree | January 2014 | Head of Finance as Chair of RMG | In Progress |
| 3 | The Corporate Risk Register Action Plan should be generated as set out in the Risk Management Strategy. | High | Agree | January 2014 | Head of Finance as Chair of RMG | In Progress |

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 11 DECEMBER 2013

| | |
|------------------------------|---|
| Title of report | TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO NOVEMBER 2013 |
| Contacts | <p>Councillor Nicholas Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p> <p>Finance Team manager 01530 454707 pritesh.padaniya@nwleicestershire.gov.uk</p> |
| Purpose of report | To inform Members of the Authority's Treasury Management activity undertaken during the period April to November 2013. |
| Reason for Decision | To ensure that Members are informed of the Authority's Treasury Management activity during the financial year and have the opportunity to scrutinise that activity. |
| Council Priorities | Value for Money |
| Implications: | |
| Financial/Staff | Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority. |
| Link to relevant CAT | Could impact upon all Corporate Action Teams. |
| Risk Management | Borrowing and investment both carry an element of risk. This risk is mitigated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice. |
| Equalities Impact Assessment | Not Applicable |
| Human Rights | Not Applicable |
| Transformational Government | Not Applicable |

| | |
|-------------------|---|
| Consultees | None |
| Background papers | Treasury Management Strategy Statement 2013/14 - considered at Meeting of Council on 26 February 2013 Treasury Management Activity Report April to August 2013 |
| Recommendations | THAT MEMBERS' APPROVE THIS REPORT AND COMMENT AS APPROPRIATE. |

1.0 INTRODUCTION

- 1.1 The Authority's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the code"), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and Investment activity.
- 1.2 Treasury Management is defined as "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Authority's current Treasury Management Strategy Statement, including the Borrowing Strategy, Debt rescheduling Strategy, Annual Investment Strategy, Prudential Indicators and Annual Minimum revenue Position Statement were approved by Council on 26 February 2013.
- 1.4 This is the second in-year report of 2013/14, to inform Members of the Authority's treasury activity and enable scrutiny of activity and performance. The first activity report was presented to the Audit and Governance Committee on 25 September 2013. These reports supplement the annual Treasury Stewardship Report, which will be presented to this Committee and Cabinet as soon as possible after the end of the financial year.

2.0 SCOPE

- 2.1 This report:
- Has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
 - Presents details of capital financing, borrowing, debt rescheduling and investment transactions;
 - Gives details of the treasury management transactions for the period April to November 2013;
 - Confirms compliance with treasury limits and Prudential Indicators.

3.0 THE U.K. ECONOMY AND EVENTS

- The UK economy showed some improvement, with consumer spending boosting growth. GDP was +0.3% for the first quarter of 2013 and +0.7% for the second quarter. The estimate of GDP in the third quarter is +0.8%.

- Revisions by the Office of National Statistics to GDP back-data showed that the UK avoided a double-dip recession in 2012 but that the downturn in 2008-09 was deeper than previously estimated.
- Consumer spending rose by 0.8% in the third quarter. The economic recovery remains challenging and monetary policy will reflect this for some time to come.
- Annual CPI was 2.2% in October.
- There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively.
- The Funding for lending Scheme for the housing market is to be curtailed and will now concentrate on lending to businesses from January 2014. This is in response to concerns that the housing market is overheating.

4.0 THE AUTHORITY'S TREASURY POSITION

4.1 The Authority's gross / net debt and investment positions are as follows:

| DEBT | Balance at 01/4/2013 £m | % | Maturing loans £m | Premature redemptions £m | New Borrowing £m | Balance at 30/11/2013 £m | % |
|---|------------------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------------|------------|
| Long-term fixed rate | £88.510m | 100 | £0.000m | £0.000m | £0.000m | £88.510m | 100 |
| Long-term variable rate | £0.000m | 0 | £0.000m | £0.000m | £0.000m | £0.000m | 0 |
| Temporary Borrowing | £0.000m | 0 | £0.000m | £0.000m | £0.000m | £0.000m | 0 |
| Total borrowing | £88.510m | 100 | £0.000m | £0.000m | £0.000m | £88.510m | 100 |
| Other long-term liabilities | £0.149m | | £0.000m | £0.000m | £0.000m | £0.149m | |
| TOTAL EXTERNAL DEBT | £88.659m | | £0.000m | £0.000m | £0.000m | £88.659m | |
| INVESTMENTS | Balance at 01/4/2013 £m | % | Maturities £m | Sales £m | New Investments £m | Balance at 30/11/2013 £m | % |
| Internally Managed | £14.053m | 100 | £97.075m | £0.000m | £103.580m | £20.558m | 100 |
| Investments with maturities up to 1 year, | £14.053m | 100 | £97.075m | £0.000m | £103.580m | £20.558m | 100 |
| Investments with maturities in excess of 1 year | £0.000m | 0 | £0.000m | £0.000m | £0.000m | £0.000m | 0 |
| Externally Managed Investments | £0.000m | 0 | £0.000m | £0.000m | £0.000m | £0.000m | 0 |
| TOTAL INVESTMENTS | £14.053m | | £97.075m | £0.000m | £103.580m | £20.558m | |
| NET DEBT | £74.606m | | | | | £68.101m | |

4.2 The investment position varies throughout the year as it is dependent upon cash flow. Examples of significant areas that can impact on cash flow are collection of Council tax, business rates, grants, capital receipts, payments to other precepting authorities or central government and interest on treasury activity.

4.3 In the period April to November 2013, the capacity for investment has currently increased by £6.5m. The volatility of balances is normal throughout the year and a number of factors contribute to this:

- a) The Authority traditionally benefits from the receipt of Council Tax and Business Rates during the first ten months of the financial year;
- b) Revenue expenditure is more evenly weighted throughout the financial year;

- c) Capital expenditure is more heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.
- d) The patterns of income and expenditure are reflected in the Authority's cash flow projections. This is monitored and revised daily.

4.4 The current increased capacity for investment is expected to reverse towards the end of the financial year and this is in line with the Authority's experience. The capacity for investment has decreased slightly (by £0.9m) since the activity report presented in September.

5.0 BORROWING ACTIVITY

5.1 The Authority's Borrowing Strategy 2013/14, approved by Council on 26 February 2013, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.

5.2 The Authority's estimated borrowing requirement for the current financial year is £1.271m. In the two subsequent financial years this is estimated to be £1.165m in 2014/15 and £0.697m in 2015/16. This is as reported in the Budget and Council Tax report to Council on 26 February 2013.

5.3 The Authority has not undertaken any new long-term borrowing during the period.

5.4 The Authority's cash flow remained positive during the period. The Authority did not require any temporary loans during the period.

6.0 DEBT RESCHEDULING ACTIVITY

6.1 The Authority's Debt Rescheduling Strategy 2013/14, which was approved by Council on 26 February 2013, establishes a flexible approach where the rationale for rescheduling could be one or more of the following:

- Savings in interest costs with minimal risk.
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

6.2 No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the Authority has undertaken no debt rescheduling activity during the period.

6.3 The Authority's portfolio of fourteen loans - eight PWLB loans and four market loans - will continue to be monitored for debt rescheduling opportunities that comply with the Authority's Policy and rationale.

7.0 INVESTMENT ACTIVITY

- 7.1 The Authority's Investment Policy and Strategy 2013/14, which was approved by Council on 26 February 2013, established that the major policy objective is to invest its surplus funds prudently.
- 7.2 The Authority's Investment Policy and Strategy 2013/14, establishes that the major policy objective is to invest its surplus funds prudently. The Authority's investment priorities are:
- security of the invested capital;
 - sufficient liquidity to permit investments; and,
 - optimum yield which is commensurate with security and liquidity.
- 7.3 The counterparties that the Authority currently utilise all meet the criteria set out in the Treasury Management Strategy Statement 2013/14 and are monitored by the Authority's Treasury Management Advisors. The minimum long term rating for counterparties is A- or equivalent. The counterparties and amounts currently invested are shown below:

| Counterparty | £m |
|---|-------------|
| Goldman Sachs MMF | 4.3 |
| CCLA Investment Management Ltd MMF | 0.5 |
| HSBC | 1.8 |
| Lloyds Banking Group / Bank of Scotland | 4.1 |
| Royal Bank of Scotland | 4.8 |
| Nationwide Building Society | 0.0 |
| Santander | 3.0 |
| Close Brothers Ltd | 2.0 |
| Total Invested | 20.5 |

- 7.4 The average rate of return on the Authority's investment balances during the period was 0.48%. For comparison purposes, the benchmark return (average 7-day London Interbank Bid Rate or LIBID rate) for the period to the end of October 2013 was 0.36%. The average 7 day London Interbank Offered Rate (LIBOR) rate for the period to the end of October 2013 was 0.48%. The comparison of rates of return against a benchmark is less relevant when set against the ultimate priority of Security as set out in the Authority's Treasury Management Strategy Statement 2013/14.
- 7.5 There were 119 investments made during the period, totalling £103.58m. The average balance held for the period was £20.2m.
- 7.6 Short term interest rates remain low resulting in a lengthening of investment periods, where cash-flow permits, in order to lock in higher rates of return. Largely, the investments were of short term duration, typically overnight investments, as the Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority. The fixed term investment of £3m, highlighted in the first in year activity report,

matured during the period. A second fixed term investment of £2m was taken out during the period.

- 7.7 The Authority has estimated to achieve £68,000 of income from its investment activity in 2013/14. Investment activity from April to November 2013 has achieved £69,346 in interest. The current forecast is anticipated to be £90,000.
- 7.8 All investments made during the period complied with the Authority's agreed Annual Investment Strategy, Treasury Management Practices, Prudential Indicators and prescribed limits.

8.0 SUMMARY

- 8.1 For the period April to November 2013, the Authority can confirm that it has complied with its Prudential Indicators, which were approved on 26 February 2013 as part of the Authority's Treasury Management Strategy Statement.
- 8.2 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary report of the Treasury Management activity for the period April to November 2013. No indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 8.3 The Authority can confirm that during the period April to November 2013, it has complied with its Treasury Management Strategy Statement, policies and Treasury Management Practices.