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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 21 October 2020
Location	Remote meeting via Microsoft Teams
Officer to contact	Democratic Services (01530 454512)

AGENDA

Item	Pages
1. APOLOGIES FOR ABSENCE	
2. DECLARATION OF INTERESTS	
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 meetings held on 17 March and 22 July 2020	3 - 12
4. TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2020 TO SEPTEMBER 2020	
Report of the Finance Team Manager	13 - 24
5. UPDATE TO THE COUNCIL'S CONSTITUTION - TYPES OF APPLICATIONS THAT CAN BE 'CALLED IN' TO PLANNING COMMITTEE	
Report of the Head of Legal and Commercial Services	25 - 40
6. ASSESSMENT OF GOING CONCERN STATUS	
Report of the Head of Finance	41 - 68
7. CORPORATE RISK UPDATE	
Report of the Strategic Director	69 - 88

8.	INTERNAL AUDIT PROGRESS REPORT	
	Report of the Audit Manager	89 - 100
9.	STANDARDS AND ETHICS - QUARTER 2 REPORT	
	Report of the Head of Legal and Commercial Services	101 - 110
10.	COMMITTEE WORK PLAN	
	To note the Committee's work plan	111 - 112

Circulation:

Councillor S Gillard (Chairman)
 Councillor D Harrison (Deputy Chairman)
 Councillor C C Benfield
 Councillor D Bigby
 Councillor J Clarke
 Councillor M D Hay
 Councillor K Merrie MBE
 Councillor V Richichi
 Councillor S Sheahan
 Councillor M B Wyatt

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Remote meeting using Microsoft Teams on WEDNESDAY, 22 JULY 2020

Present: Councillor S Gillard (Chairman)

Councillors D Harrison, C C Benfield, D Bigby, J Clarke, M D Hay, K Merrie MBE, V Richichi and S Sheahan

Officers: Mrs T Bingham, Miss A Wright, Mrs L Marron, Miss E Warhurst, Mr T Delaney and Mrs R Wallace

External Audit: Mr M Surridge

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M B Wyatt.

2. DECLARATION OF INTERESTS

There were no declarations of interest.

3. MINUTES

Consideration was given to the minutes of the meeting held on 17 March 2020.

It was moved by Councillor S Sheahan, seconded by Councillor D Harrison and

RESOLVED THAT:

The minutes of the meeting held on 17 March 2020 be approved as a correct record and signed by the Chairman.

4. EXTERNAL AUDIT PROGRESS REPORT

The External Auditor presented the report detailing the progress to date, and highlighted the changes in accounts and audit timetable due to the pension element. He also referred Members to the financial reporting issues in relation to Covid-19.

In response to questions, the Head of Finance explained that a report in relation to the impact of Covid-19 on the financial forecast was due to be considered by Cabinet the following day, with a more up to date forecast going to the Cabinet meeting in September as part of quarterly reporting. Her opinion as Section 151 Officer was that the Council is well equipped to deal with the financial challenges.

The External Auditor gave an explanation on his role and the audit fee for the benefit of new members of the committee.

The Chairman thanked the External Auditor for his attendance.

5. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the report, highlighting the work undertaken in Quarter 1. Members noted that work had not yet begun on the 2020/21 plan due to Covid-19 and the Council's business focus on critical services, therefore there was no movement shown in Appendix A.

In relation to the Affordable Housing – S106/Commutated Sums recommendation at Appendix B, Councillor D Bigby asked if once completed, it would be published and available both to councillors and the public. The Audit Manager was unable to confirm but believed that once formal agreement had been reached, it would be publically available.

Councillor K Merrie raised concerns regarding the high priority rated Health and Safety Welfare recommendation, detailed at Appendix C, for which the completion date had been extended for a second time. He asked why it was yet to be completed and if the Council had the support required. The Audit Manager explained that it was still included on the tracker as it was only partly implemented. A new health and safety system has been introduced but unfortunately, due to Covid-19, it had not been fully rolled out and was not being used to its full potential. Therefore, it had been kept on the tracker to allow a follow up at a future date. Councillor K Merrie raised further strong concerns regarding the incompleteness of this recommendation.

The Head of Finance reminded members that any Head of Service could be invited to committee at any time regarding a particular recommendation if desired. After a prompt from the Chairman, Members agreed for the Head of Human Resources and Organisational Development to be invited to the next meeting to discuss the Health and Safety recommendation further.

Councillor J Clarke asked if any S106 monies were due to expire shortly and if impacted by Covid-19, would the money be lost. The Head of Finance agreed to take the question back to officers and provide an answer outside of the meeting.

It was moved by Councillor D Harrison, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be noted.

6. INTERNAL AUDIT ANNUAL REPORT

The Audit Manager presented the annual report, summarising the work of internal audit carried out during 2019/20, issues relevant to the preparation of the Annual Governance Statement, Internal Audit's Quality Assurance Improvement Programme and statement of conformance with the Public Sector Internal Audit Standards. She also highlighted her required annual opinion, as Audit Manager, on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.

The Audit Manager also informed Members of the next external audit inspection scheduled to take place in November 2020.

In response to a question from Councillor D Bigby, the Audit Manager explained that the last external inspection was carried out through CIPFA and this one would be conducted by Elizabeth Humphries, a very experienced assessor who carried out the previous inspection in 2015.

It was moved by Councillor J Clarke, seconded by Councillor D Bigby and

RESOLVED THAT:

The report be noted.

7. TREASURY MANAGEMENT STEWARDSHIP REPORT 2019/20

The Finance Team Manager presented the report, detailing the Council's treasury position, as well as the borrowing, debt rescheduling and investment activity.

In response to a question from Councillor D Bigby, the Finance Team Manager explained that the same protection applied to local authority investments as to the investments.

In response to a question from Councillor S Sheahan regarding the decision to invest more in Local Authorities rather than banks to lower the inherent investment risk, the Finance Team Manager explained that the decision was made at the advice of the Council's external advisor as a safer investment. The Head of Finance confirmed this and added that this was due to "bail-in" risk. Following a further comment from Councillor S Sheahan, the Head of Finance confirmed that assurances were sought on all advice given to ensure it was sound.

In reference to Appendix A, credit review and banks sovereign ratings, Councillor C Benfield questioned if the rating was to deteriorate, would it affect the Council's borrowing. The Finance Team Manager responded that as the current borrowing was at a fixed rate, a change would not have an impact but it could on any future investments.

In response to a further question from Councillor C Benfield regarding ethical measures used when investing, it was confirmed that there were currently no ethical measures in the framework but it was something that was being looked at due to its rise in interest.

It was moved by Councillor S Gillard, seconded by Councillor D Harrison and

RESOLVED THAT:

The report be approved.

8. PROGRESS OF IMPROVEMENTS IDENTIFIED THROUGH ANNUAL GOVERNANCE REVIEW 2018/19

The Head of Finance presented the report. She reminded Members that the report was deferred from the previous meeting as the agenda was shortened due to the emerging pandemic social distancing measures and therefore was a little out of date. At the time of writing the report, four improvements had been completed and five were underway. Members were informed that the Annual Governance Statement 2019/20 had now been completed and published, and three of the improvements underway had been carried forward to 2020/21.

It was moved by Councillor K Merrie, seconded by Councillor D Harrison and

RESOLVED THAT:

The report be noted.

9. REVIEW OF CORPORATE POLICIES

The Head of Finance presented the report, referring members to the corporate policies listed with the dates they were last reviewed at paragraph 1.2 of the report and the summary of changes to each policy at section 2.0 of the report.

In response to a question from Councillor D Bigby, the Head of Finance confirmed that the policies predominantly related to staff but the Data Protection Policy and ICT/Cyber Security Policy also related to Members. The Head of Legal and Commercial Services reminded Members that they had signed to adhere to these policies after they were

elected and information was provided in their induction packs. She added that once the policy changes had been agreed by Cabinet, Members would be sent the relevant updated policy documents with the changes highlighted for information. It was confirmed that Members would not be required to sign up to the policies again as they had already made the commitment.

Councillor J Clarke drew attention to the Council owned drone referred to at paragraph 2.5 of the report and asked how it was used. The Head of Legal and Commercial Services explained that the drone was predominantly used by the Planning Enforcement Team to view sites that were inaccessible.

In relation to the Anti-Money Laundering Policy, Councillor C Benfield asked if contractors are made to sign anything when selected. The Head of Finance explained that contractors are not asked to specifically sign anything but adherence to the Council's policies were covered as part of the procurement process.

All comments be presented to Cabinet when it considered the report at its meeting on 22 September 2020.

10. STANDARDS AND ETHICS - QUARTER 3 REPORT

The Head of Legal and Commercial Services presented the report and reminded Members that this was also deferred from the last meeting for the same reason as explained earlier.

It was moved by Councillor S Gillard, seconded by Councillor C Benfield and

RESOLVED THAT:

The report be noted.

11. STANDARDS AND ETHICS - QUARTER 4 REPORT

The Head of Legal and Commercial Services presented the report.

It was moved by Councillor S Gillard, seconded by Councillor D Harrison and

RESOLVED THAT:

The report be noted.

12. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Commercial Services presented the report and highlighted the changes to the format following comments from Members. She also referred to the RIPA information, which had been put back into the report following a recommendation from the ICO during an inspection earlier in the year.

In response to a question from Councillor M Hay regarding the information available on Freedom of Information exemptions used by the Council, the Head of Legal and Commercial Services agreed to include more detail in future reports in relation to the categories of exemptions used and the numbers in each category.

It was moved by Councillor S Gillard, seconded by Councillor V Richichi and

RESOLVED THAT:

The report be noted.

13. DRAFT MEMBER CONDUCT ANNUAL REPORT

The Head of Legal and Commercial Services presented the report and referred Members to the list of policies and procedures as detailed at section 7.0 of the report.

Members were informed that following the ballot for the Parish Representatives on the Committee, the count was held prior to the meeting in the presence of the Chairman and the Monitoring Officer. The successful candidates would be informed by letter later in the week and formally appointed at the next Council meeting.

It was moved by Councillor S Gillard, seconded by Councillor J Clarke and

RESOLVED THAT:

- a) The report be noted.
- b) Authority to make any minor amendments to the report following comments from the Committee be delegated to the Head of Legal and Commercial Services.

RECOMMENDED THAT:

- c) Council endorse the Member Conduct Annual Report 2019/20.

14. REVIEW OF THE MODEL CODE OF CONDUCT

The Head of Legal and Commercial Services presented the report, summarising the LGA consultation and its aims. District and Parish Councillors had already been invited to comment and it had been brought to the meeting to give committee members the opportunity to provide feedback also. It was suggested that a small task and finish group be established to consider the council's response to the consultation, with membership to be sought outside of the meeting by Democratic Services.

In response to a question from Councillor C Benfield, the Head of Legal and Commercial Services confirmed that a high proportion of the Parish Councils implemented the District member Code of Conduct or with very minor differences.

A number of Members were unable to open the PDF document links included in the report and therefore it was agreed for Democratic Services to circulate the documents by email.

It was moved by Councillor S Sheahan, seconded by Councillor D Harrison and

RESOLVED THAT:

A task and finish group be established to consider the LGA's Review of the Model Code of Conduct.

15. UPDATE OF THE COUNCIL'S CONSTITUTION

The Head of Legal and Commercial Services presented the report, highlighting the proposed changes to the Constitution as detailed at section 2.0 of the report.

Members were also informed of the recent changes to the Business and Planning Bill in relation to the provisions to the promotion of economic growth, such as pavement licences. Amendments introduced during the reading of the Bill in the House of Lords meant that these functions would become executive functions and therefore work would be required to look at delegations needed to manage the licensing process. If the Bill received wide ascent later in the week a decision would need to be made regarding the use of some urgent powers of the Chief Executive to manage the process in the meantime before it was considered at Council in September.

Councillor D Bigby welcomed the clarification of the allowance of questions by members of the public at the Local Plan Committee. He also referred to the provision of papers to Councillors in the Remote Meeting Procedure Rules, as he currently could not access all confidential reports. It was agreed for Democratic Services to investigate Councillor D Bigby's system access to ensure all confidential papers were available to him.

In response to a comment from Councillor D Bigby regarding paragraph 3.1 of the Remote Meeting Procedure Rules, it was agreed to look at the wording to make it clear that it was Members in attendance that would be regarded as present for the purposes of determining a quorum, not those authorised.

It was moved by Councillor J Clarke, seconded by Councillor C Benfield and

RECOMMENDED THAT COUNCIL:

- a) Adopt the amendments to the Constitution as set out in the report.
- b) Authorises the Head of Legal and Commercial Services to make the agreed amendments and any consequential amendments to the Constitution and re-issue the document.

16. COMMITTEE WORK PLAN

The Committee considered its current work plan.

By affirmation of the meeting it was

RESOLVED THAT:

The committee work plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 8.10 pm

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on TUESDAY, 17 MARCH 2020

Present:

Councillors D Bigby, S Gillard, M D Hay and S Sheahan

In Attendance: Councillors T Gillard and R Johnson

Officers: Mrs T Bingham, Miss E Warhurst, Mr T Delaney and Mrs R Wallace

External Audit: Mr M Surridge

31. ELECTION OF CHAIRMAN

It was proposed by Councillor D Bigby, seconded by Councillor S Gillard and

RESOLVED THAT:

Councillor S Sheahan take the chair for the remainder of the meeting.

32. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors V Richichi, D Harrison, C Benfield, J Clarke, L Gillard and M Wyatt.

33. DECLARATION OF INTERESTS

There were none.

34. MINUTES

Consideration was given to the minutes of the meeting held on 4 December 2019.

It was moved by Councillor D Bigby, seconded by Councillor S Sheahan and

RESOLVED THAT:

The minutes of the meeting held on 4 December 2019 be approved as a correct record and signed by the Chairman.

35. INTERNAL AUDIT PROGRESS REPORT

The Head of Legal and Commercial Services presented the report.

In response to questions from Councillor D Bigby, the Head of Finance confirmed the position on small capital items, wider asset disposal policy as outlined in Appendix C of the report. She also confirmed a report addressing the issue would be going to Corporate Scrutiny Committee at a later date.

It was also confirmed that a response to a question on Health and Safety arrangements as set out in Appendix D would be communicated to all Members by the Head of Human Resources and Organisational Development after the meeting.

It was proposed by Councillor S Gillard, seconded by Councillor D Bigby and

RESOLVED THAT:

The report be noted.

36. INTERNAL AUDIT ANNUAL PLAN

The Head of Legal and Commercial Services presented the report. She also stated that a Draft Internal Audit Annual Plan had been presented to a meeting of the Committee on 2 March to which attendance had been high and no objections to the plan has been raised.

Councillors D Bigby and S Sheahan expressed several concerns on whether the recent meeting to review the Draft Annual Plan had been a valuable exercise and questioned whether the objective of reviewing the plan could have been achieved without a meeting of the Committee.

In response to these queries, the Head of Legal and Commercial Services stated that the involvement of Members in reviewing the Annual Plan was important and observed that Members had requested greater involvement in previous years. There was also a commitment to review the methods of communication and involvement for future meetings.

It was proposed by Councillor D Bigby, seconded by Councillor S Gillard and

RESOLVED THAT:

A) The committee notes the report and comments as appropriate
The Committee approves the 2020/21 Internal Audit Annual Plan

37. ANNUAL REPORT ON GRANTS AND CLAIMS

The Head of Finance presented the report.

It was proposed by Councillor D Bigby, seconded by Councillor M Hay

RESOLVED THAT:

The Committee notes the Section 151 Officer's update on Grants and Claims for the 2018/2019 year

38. EXTERNAL AUDIT PLAN

The Head of Finance presented the report with the aid of the External Auditor from Mazaars who attended the meeting virtually.

In response to a question from Councillor S Sheahan, the External Auditor provided further information around the plans to address the risks with regard to property, plant and equipment valuation as set out on page 11 of the report.

It was moved by Councillor D Bigby, seconded by Councillor M Hay and

RESOLVED THAT:

The Committee note the External Audit Plan for 2019/20

39. ACCOUNTING POLICIES AND MATERIALITY 2019/20

The Head of Finance presented the report.

It was observed that since this report had been first suggested two years ago it had become an important item on the Committee's agenda and very helpful in forming annual accounts.

It was proposed by Councillor S Gillard, seconded by Councillor D Bigby and

RESOLVED THAT:

- A) The Draft Accounting policies for the 2019/20 Financial statements as detailed in Appendix A be approved
- B) The Materiality Limits as set out in Appendix B be approved

40. CORPORATE RISK UPDATE

The Head of Finance presented the report. She highlighted that the risk was local government reorganisation was a growing risk with the upcoming Devolution White Paper from government and the potential for an East Midlands Combined Authority.

The Head of Finance added that since the report had been written the risk of unplanned vacancies had risen due to the national outbreak of Covid-19. The Committee was also informed that all Members would be receiving communication from the Chief Executive in the coming days setting out the Council's responses and actions going forward with regard to Covid-19.

In response to a question from Councillor D Bigby, the Head of Finance clarified the criteria used to determine the Movement of Risk as set out in the report and the reasoning behind several of the assessments. She acknowledged that there was room for improvement to make the determination clearer.

In response to a question from Councillor Sheahan, the Head of Finance confirmed that the risks associated with a 'no deal' Brexit had remained static whilst government negotiations on a future relationship were ongoing.

Councillors Sheahan and Bigby raised several concerns on the potential impacts of the Covid-19 outbreak and what measures the Council was undertaking to address the issue.

In response, the Head of Finance and the Head of Legal and Commercial Services confirmed that the Council was implementing existing emergency plans. It was also reiterated that all members would be receiving further communication from the Chief Executive in the coming days.

Councillor Sheahan acknowledged this response. On behalf of the Committee, he also stated that he was highly appreciative of the efforts being taken by Officers behind the scenes to ensure Council services remained operational.

It was proposed by Councillor D Bigby, seconded by Councillor S Gillard and

RESOLVED THAT:

The Quarter 3 Corporate Risk Update be noted

41. COMMITTEE WORK PLAN

A discussion was held at the beginning of the meeting with regard to the current outbreak of Covid-19 nationally and the need to restrict the business of the Committee

RESOLVED THAT:

The item be deferred until the next meeting of the Committee

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.06 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY,
21 OCTOBER 2020



Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2020 TO SEPTEMBER 2020	
Presented by	Anna Wright Finance Team Manager and Deputy S151 Officer	
Background Papers	<u>Treasury Management Strategy Statement 2020/21</u> Council 25 February 2020	Public Report: Yes
Purpose of Report	To inform Members of the Council's Treasury Management activity undertaken during the period April 2020 – September 2020	
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.	

1.0 BACKGROUND

- 1.1 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 As a minimum, the code requires that the council reports on the performance of the Treasury Management function at least twice yearly (mid-year and at year end). This is the first of three reports to be presented in 2020/21, to inform Members of the council's treasury activity and enable scrutiny of activity and performance.
- 1.3 The council's current Treasury Management Strategy Statement which includes the Borrowing Strategy; Debt Rescheduling Strategy; Annual Investment Strategy; Apportionment of Interest Strategy; Prudential Indicators and Annual Minimum Revenue Provision was approved by Council on 25 February 2020.
- 1.4 Investing or borrowing activities expose the council to financial risks including the loss of invested funds and revenue effects of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the council's Treasury Management strategy.

2.0 THE UK ECONOMY & OTHER FACTORS

2.1 Economic and interest rate forecasts are provided on a regular basis by our treasury advisors (Arlingclose).

Economic background: Coronavirus continued to dominate the news flow during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates continued to not be ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes took financial markets by surprise highlighting the central bank was having a harder look at its potential impact than was previously suggested.

Government initiatives continued to support the economy throughout the period, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.

GDP growth contracted by a massive 20.4% in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.7%. Construction output fell by 35% over the quarter, services output by almost 20% and production by 17%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

The headline rate of UK Consumer Price Inflation fell to 0.2% y/y in August, further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme.

In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8 and 9%.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

Financial markets: Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their pre-crisis losses. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

Ultra-low interest rates and the flight to quality continued, keeping gilts yields low over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield fell further from -0.06% on 30th June to -0.18% on 18th September. The 10-year yield was 0.17% at the start and end of the same period (with much volatility in between, peaking at 0.34% towards the end of August), while the 20-year rose from 0.56% to 0.69%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.25% respectively over the quarter.

Over the same period, the yield on 2-year US treasuries slipped from 0.15% to 0.13% while the yield on 10-year treasuries rose slightly from 0.66% to 0.69%. German bund yields remain negative across most maturities.

Credit review: Credit default swap spreads continued to ease over the period to slightly above their pre-crisis levels. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remains elevated. NatWest Markets Plc (non-ringfenced) remains the highest at 74bps while Standard Chartered the lowest at 42bps. The ringfenced banks are currently trading between 42 and 49bps.

After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.

There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of Brexit and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Borrowing Update: On 9th October 2019 the PWLB raised the cost of certainty rate borrowing to 1.8% above UK gilt yields making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields (if the Authority has an HRA, then include: the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB). £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% has been made available to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closed on 31st July 2020 with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year. The council responded to this consultation.

3.0 THE COUNCIL'S TREASURY POSITION

- 3.1 The council's current strategy is to use internal borrowing to reduce risk and keep interest costs low. The treasury management current position and the change over the reporting period is shown below.

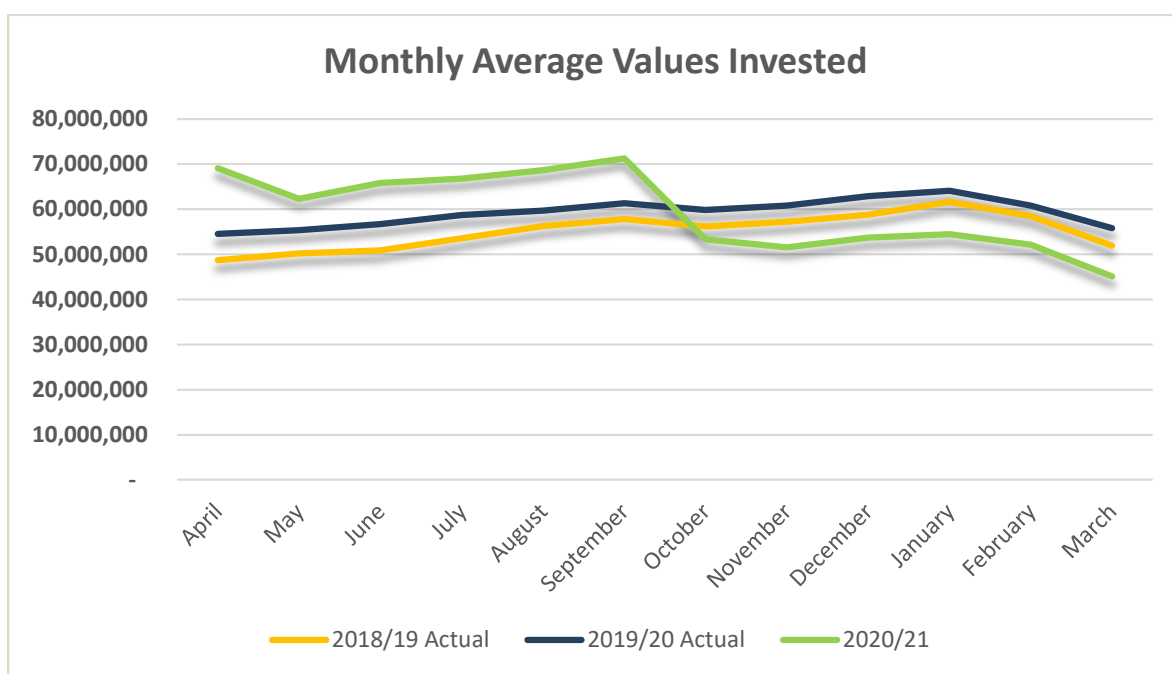
	Balance at 01/04/20 £m	Net Movement £m	Balance at 27/09/2020 £m
Long term borrowing - HRA	71.67	-0.6	71.11
Long term borrowing – General Fund	8.44	0.0	8.44
Other long-term liabilities - HBBC	0.09	0.0	0.09
Total Borrowing	80.20	-0.6	79.64
Long term investments – greater than 1 year	3.00	-3.0	0.00
Short term investments – less than 1 year	39.00	16.2	55.24
Pooled funds and Money Market Funds	8.70	0.8	9.50
Total Investments	50.70	14.0	64.74
Net debt	29.50	14.6	14.90

3.2 The investment position will vary 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, and capital receipts, payments to other precepting authorities or central government, capital programme and interest on treasury activity.

3.3 In the period April 2020 to September 2020, the capacity for investment has increased by £14m. The volatility of balances is normal throughout the year and a number of factors contribute to this during the financial year:

- The council (as it typically does) has benefit from the receipt of Council Tax and Business Rates during the first ten months of the financial year whilst revenue expenditure is more evenly weighted throughout the financial year.
- Capital expenditure can be heavily weighted towards the latter part of the financial year due to the time required to schedule programmes of work or award contracts.

3.4 The average value of investments per month are represented in the graph below, illustrating the cash flow trends throughout the year. The current pattern is in line with previous years. The council's cash flow projections are monitored and revised daily as part of the treasury management process:



4.0 BORROWING ACTIVITY

- 4.1** The council's Borrowing Strategy 2020/21, incorporates a prudent and pragmatic approach to borrowing to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the council's Prudential Indicators.
- 4.2** The council's updated borrowing strategy for 2020/21 shows that the council does not need to borrow in 2020/21. Borrowing may be required by 2021/22 should the council wish to maintain its MIFID status which requires an investment balance of £10m at any one time, and further assessments are being undertaken.
- 4.3** The council has not undertaken any new long-term borrowing during the period as the levels of cash balances held have meant that we are currently able to use internal borrowing.
- 4.4** The council has two PWLB annuity loans as part of the self-financing of the HRA. The repayment element for these in 2020/21 is £1.154m.
- 4.5** During the reporting period of April 2020 to September 2020, the council's cash flow remained positive and did not require any temporary loans.

5.0 DEBT RESCHEDULING ACTIVITY

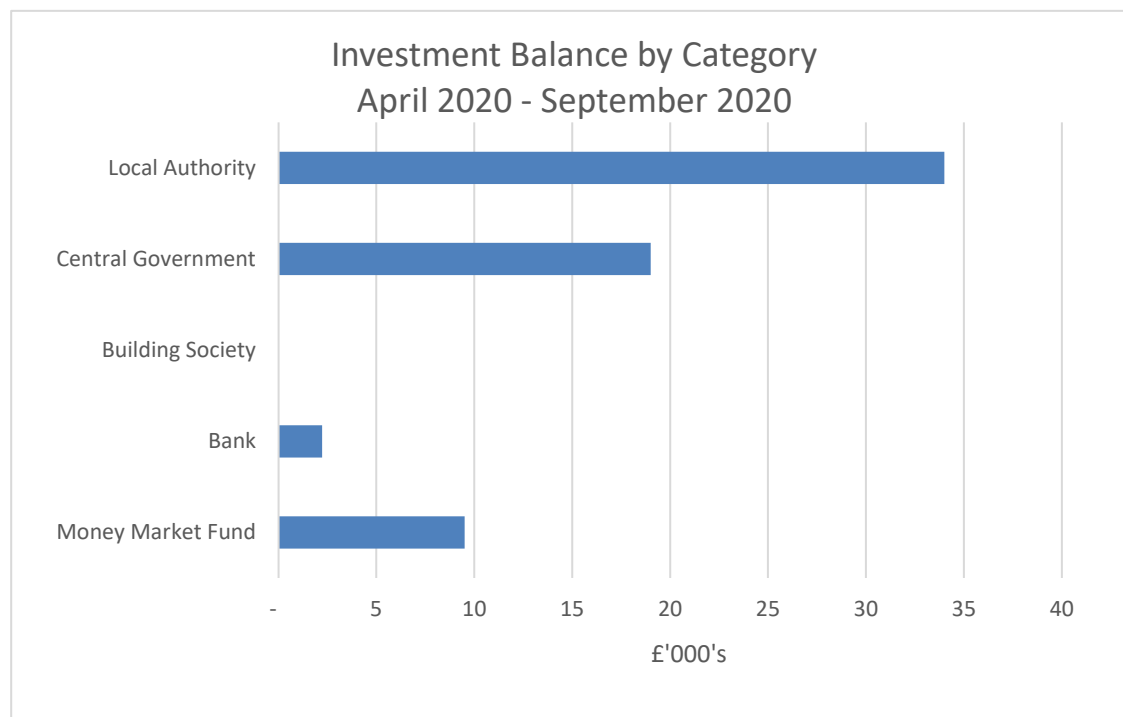
- 5.1** The council's Debt Rescheduling Strategy 2020/20 establishes a flexible approach where the rationale for rescheduling could be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 5.2** No opportunities for debt rescheduling were identified which conformed to the above rationale. Accordingly, the council has undertaken no debt rescheduling activity during the period.
- 5.3** The council's portfolio of thirteen loans, ten PWLB loans and three market loans, will continue to be monitored for debt rescheduling opportunities.

6.0 INVESTMENT ACTIVITY

- 6.1** The main objective of the council's Investment Policy and Strategy 2020/21 is to invest its surplus funds prudently.
- 6.2** The council's investment priorities are:
- security of the invested capital;
 - sufficient liquidity to permit investments; and,
 - Optimum yield which is commensurate with security and liquidity.
- 6.3** During this period, the Authority received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £20.2m was received and temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. The majority of the funds were disbursed by the end of

September.

- 6.4** On 25th September the overnight, 1 and 2 week deposit rates on the Debt Management Account Deposit Facility (DMADF) deposits dropped below zero percent to -0.03%, the rate was 0% for 3-week deposits and 0.01% for longer maturities.
- 6.5** The return on Money Market Funds net of fees also fell over the six months and for many funds net returns range between 0% and 0.1%. In many instances, the fund management companies have temporarily lowered or waived fees to maintain a positive net return.
- 6.6** To lower the inherent investment risk, the council has minimised the use of banks and increased the use of other Local Authorities as investment counterparties. A range of lengths of investment, from overnight investments to short and long fixed term, from 1 day to 364 days, have been utilised to ensure that the principles of security, liquidity and yield are followed.
- 6.7** With the COVID-19 pandemic situation, the council has taken a prudent approach on investments by limiting new Local Authority investments for a period of no more than 4 months. This has ensured that the council's Cashflow remained liquid throughout the year. A scenario base analysis was also undertaken, taking into account the estimated impact of the pandemic on income and expenditure on a monthly basis – this was monitored weekly.
- 6.8** The graph below shows the type of counterparties used by the council and the values currently invested.



- 6.9** The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2020/21 and are monitored by the Treasury Management Advisors. A detailed list of the counterparties used and amounts currently invested can be seen in **Appendix A**.

- 6.10** The average rate of return on the council's investment balances during the period was 0.27% for comparison purposes, the benchmark return at the end of September 2020 for the average 7-day London Interbank Bid Rate (LIBID) was - 0.08% and the average 7 day London Interbank Offered Rate (LIBOR) rate was 0.047%. This shows that we are achieving a good rate of return against the benchmark.
- 6.11** The council's Treasury Management Advisors produce investment benchmarking information quarterly. The latest available benchmarking data is at the 30 June 2020. The total rate of return achieved by the council takes into account the full year effect to date and is compared to 47 other district councils and the average of 125 local authorities, the yield is itemised by types of investments. At the time, the current internal investment return for the council of 0.59% is comparable to 0.42% achieved by 47 district councils and 0.38% achieved by the average of 125 of the local councils. The full benchmarking summary can be seen in **Appendix B**.
- 6.12** Short and long term interest rates have significantly declined with the base rate by the Bank of England dropping to 0.10%. Our treasury advisors expect the rate to remain at this level, but further cuts to zero, or perhaps even to negative territory, cannot be completely ruled out. The downside risk is that the rate could drop to -0.10% in December 2020, -0.20% in March 2021 and -0.50% from June 2021 onwards.
- 6.13** There were 34 investments made during the period totalling £150.3m and 41 maturities totalling £135.9m. The average balance held for the period was £67m.
- 6.14** The fixed term investments for the period were for amounts ranging between £1m and £5m.
- 6.15** The budget for investment income for 2020/2021 for General Fund and Housing Revenue Account is £300,701. Investment activity from April to September 2020 has generated £163,246 in interest for the financial year. The current outturn forecast is estimated to be £195,740.
- 6.16** Of this total forecast, an element is applied to balances held on external income. This external income largely represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £22,402 subject to the balances remaining at the end of the financial year. There is no budget applied to this element as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 6.17** Estimated interest for the year of £173,338 will be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. The current budget and forecast is shown in the table below:

	Budget 2020/21	Projected
General Fund	£190,799	£109,981
Housing Revenue Account	£109,902	£63,357
Sub-Total	£300,701	£173,338
External Balances		£22,402
Total	£300,701	£195,740

- 6.18** The COVID-19 support grants received from the central government were deposited in short term call accounts and money market funds as the council was required to disburse this to local businesses as soon as possible. Individual account limits on money market funds were maintained, but the aggregate money market limit of £20m as per TMSS was breached by an

amount of £2m. This occurred on April 1 when the grants were received and was resolved on April 9 when grants were paid out to businesses. The Head of Finance & S106 officer was made aware of this in advance prior to the initial receipt of the grants. This was closely monitored through a weekly update on the council's Cashflow and investments. No further breaches of any other nature were identified during this period.

7.0 Treasury Advisor's Commentary – Arlingclose Ltd

- 7.1** NWLDC is currently taking a relatively low credit risk approach to its investment strategy by investing mainly in Money Market Funds (MMFs), local authorities and the UK central government. These options avoid the direct bail-in risk associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified). Client investment benchmarking over the past year suggests that the council usually takes lower credit risk compared to other local authorities while maintaining equivalent or higher average returns on internally managed investments. The council usually makes relatively short-term investments (up to 12 months). This is another way of limiting risk but does mean that the rate of return earned is relatively low. The council's investments have always been in the cash markets and this remains the case at the moment (as opposed to other asset classes such as property, bonds or equities). This is generally also a lower risk approach. Overall the council's focus is firmly on security and liquidity.
- 7.2** Other investment options that I think would fit with the council's current risk appetite include longer-term loans to local authorities (the council has done this before), covered bonds and loans to Registered Providers (housing associations), which would also require a longer investment horizon (3 to 5 years).
- 7.3** Going beyond this would be an alternative approach – that a portion of the investment portfolio is invested strategically for income rather than liquidity. This would involve investing in asset classes such as property, bonds and equities (typically via pooled funds). This would carry a different and typically higher set of risks but also generate a higher return. An appropriate risk/return balance is key and these would be long-term investments, the value of which would fluctuate over time.
- 7.4** The council has held reasonably significant investment balances for at least the 10 years that Arlingclose has advised the council. It could be argued that given investment balances have been available for the long term but usually reinvested for the short term then the opportunity to earn a higher level of income from the investments has been missed. Of course a higher risk/higher return approach would require the council to have an appropriate risk appetite.

8.0 SUMMARY

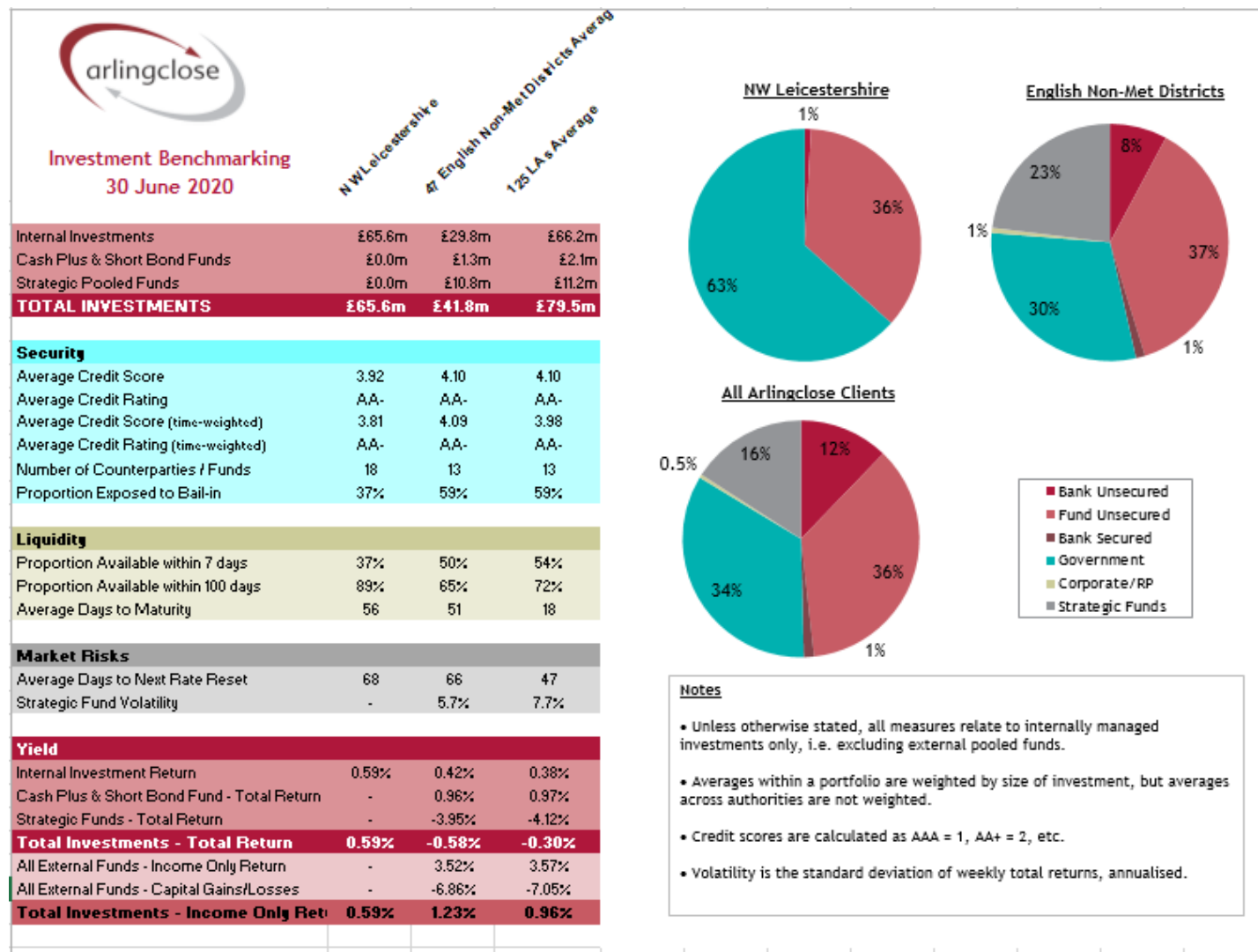
- 8.1** In compliance with the requirements of the CIPFA code of practice, this report provides Members with a summary report of the Treasury Management activity for the period April 2020 to September 2020. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 8.2** For the reporting period April to September 2020, the council can confirm that it has complied with its Prudential Indicators, which were approved by Council as part of the Treasury Management Strategy Statement.
- 8.3** For the reporting period, with the exception of the breach detailed in section 6.18, the council can confirm that it has complied with its Treasury Management Strategy Statement and Treasury Management practices.

Appendix A

LIST OF COUNTERPARTIES, CURRENT INVESTMENT AND RATE

Counterparty	Length	From	To	Amount	Rate
Aberdeen Asset Management MMF	Overnight	27/09/2020	28/09/2020	5,500,000.00	0.18%
Federated Investors MMF	Overnight	27/09/2020	28/09/2020	3,000,000.00	0.06%
CCLA MMF	Overnight	27/09/2020	28/09/2020	1,000,000.00	0.14%
Lloyds Main	Overnight	27/09/2020	28/09/2020	335,052.17	0.00%
Bank of Scotland	Overnight	27/09/2020	28/09/2020	1,900,000.01	0.00%
Ards and North Down Borough Council	261 days	13/01/2020	30/09/2020	2,000,000.00	0.95%
Blackburn with Darwen Council	276 days	03/04/2020	04/01/2021	2,000,000.00	0.97%
Walsall Metropolitan Borough Council	364 days	09/04/2020	08/04/2021	5,000,000.00	1.00%
Ashford Borough Council	92 days	20/07/2020	20/10/2020	5,000,000.00	0.15%
Dover District Council	92 days	10/08/2020	10/11/2020	5,000,000.00	0.05%
Flintshire County Borough Council	92 days	27/08/2020	27/11/2020	5,000,000.00	0.08%
Kingston-upon-Hull City Council	133 days	14/09/2020	25/01/2021	2,000,000.00	0.08%
Monmouthshire County Council - Caldicot	91 days	18/09/2020	18/12/2020	5,000,000.00	0.05%
Torfaen County Borough Council	68 days	18/09/2020	25/11/2020	3,000,000.00	0.04%
DMADF	31 days, 32 days and 37 days	08/10/2020	09/10/2020	19,000,000.00	0.01%
Total				64,735,052.18	

Appendix B



Policies and other considerations, as appropriate	
Council Priorities:	Value for Money
Policy Considerations:	Treasury Management Strategy Statement 2020/21 Council 25 February 2020
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Not applicable
Risks:	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.
Officer Contact	Anna Wright Finance Team Manager and Deputy S151 Officer anna.wright@nwleicestershire.gov.uk 01530 454492

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Title of Report	TYPES OF APPLICATIONS THAT CAN BE DETERMINED BY THE PLANNING COMMITTEE	
Presented by	Elizabeth Warhurst Head of Legal and Commercial Services	
Background Papers	Functions of Planning Committee - Appendix A	Public Report: Yes
	Planning Cross Party Working Group briefing paper – Appendix B	
Purpose of Report	To seek comments and recommendations to Council on the proposed amendments to the Council's Constitution as set out in this report	
Recommendations	<p>1. THAT THE AMENDMENTS TO THE COUNCIL'S CONSTITUTION SET OUT IN THIS REPORT AND APPENDIX A ARE ADOPTED BY COUNCIL.</p> <p>2. THAT COUNCIL AUTHORISES THE HEAD OF LEGAL AND COMMERCIAL SERVICES TO MAKE THE AGREED AMENDMENTS AND ANY CONSEQUENTIAL AMENDMENTS TO THE CONSTITUTION AND RE-ISSUE THE DOCUMENT.</p>	

1. BACKGROUND

- 1.1 The Local Government Act 2000 requires each Local Authority to prepare, keep up to date and publicise the document known as the Constitution.
- 1.2 The Constitution should be logical, integrated and accessible to Members, officers, local people and anyone else interested in the way a local authority makes its decisions. There is also a statutory requirement on the Council's Monitoring Officer to keep the Constitution up to date, and accordingly the update of the Constitution is an on-going process. The Monitoring Officer has delegated powers to make any necessary changes to the Constitution to reflect changes of fact and law, and decisions of the Council and of the Cabinet.
- 1.3 Full Council regularly considers items relating to updates to the Constitution and met on 8 September 2020 to approve a number of changes pursuant to recommendation from this committee on 22 July. It was not possible at that time to consider the changes proposed in this report because the views of the Council's Planning Cross Party Working Group, which met on 11 August following the Business and Planning Act 2020 coming into force on 22 July 2020, were first required as set out at Appendix B.
- 1.4 The changes set out in this report are required in order to improve processes within the Authority to reflect best practice and to ensure planning applications are determined within the timescales prescribed by legislation and only those applications which require a decision by the Planning Committee are called in.

2. CONSTITUTION

- 2.1 The Council's Constitution at Part 3, Section 5, Paragraph 4) sets out the functions of the Planning Committee.
- 2.2 Under this part of the Council's Constitution the ability to determine "*all non-executive decisions under the Planning Acts including all planning applications and applications for advertisement consent, listed building consent and conservation area consent*" is delegated to the Strategic Director of Place. Exceptions to this general delegation exist, including those planning applications that have been called in for determination by the Planning Committee.
- 2.3 The Constitution allows for any planning application to be called in by the ward member to which the application relates or an adjoining ward member if that adjoining ward is materially impacted by the application if:
 - i. they have "*notified the Strategic Director of Place (in writing or by email within 4 weeks of being notified of the application) that the application should be determined by the Planning Committee; and*
 - ii. *in the opinion of the Chair having consulted the Strategic Director of Place (or his nominated officer):*
 - A. *the notification is supported by one or more material planning grounds, and B the item relates to a matter of local concern, and*
 - B. *the item relates to a matter of local concern".*
- 2.4 The Council's Constitution currently allows for ALL applications 'under the Planning Acts' to be called in. Reference to "Planning Acts" is wide ranging and in practice allows the ability to call in any planning application under any piece of planning legislation provided the above call in criteria is satisfied. This is problematic as (a) some applications are not capable of being determined by the Planning Committee and (b) the timescales for determining planning applications differs depending on the type of application submitted. Some types of applications have much reduced timescales for determination and only allow for very specific information to be considered by the Planning Committee
- 2.5 An example of an application type with a reduced timescale and where only specific matters can be considered is an AGP application. This is an application for agricultural development and Local Planning Authority has only 28 days in which to respond. If a response is not received in 28 days then the application is automatically permitted. is the risk to the Council in calling in such an application is that the determination date will pass and the application will be automatically permitted without the Local Planning Authority being able to include additional measures to control the development.

3. PROPOSED CHANGES

- 3.1 Officers consider that the Council's Constitution should be updated to set out which types of applications can and cannot be called into Planning Committee. Appendix A sets out the proposed amendments to the Constitution by way of tracked changes.
- 3.2 The proposed changes would have no impact on the majority of applications currently called into Planning Committee as the application normally determined by the Planning Committee are applications for full planning permission or applications for outline planning permission or reserved matters consent.
- 3.3 By adopting the proposed changes to the Constitution those applications which should not be called in for the reasons set out above or must be determined by the Planning Authority within a short timeframe will not be capable of being called in. This will ensure the correct

applications are being determined by the Planning Committee and the risk of applications being automatically permitted by default are avoided.

Policies and other considerations, as appropriate	
Council Priorities:	Insert relevant Council Priorities: <ul style="list-style-type: none"> - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	Clarity for customers on the Councils Constitution and whether certain types of planning applications can be determined by the Planning Committee or not.
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	The contents of this report have been discussed at the Council's Planning Cross Party Working Group.
Risks:	As part of its Corporate Governance arrangements, the Council must ensure that Risk management is considered and satisfactorily covered in any report put before elected Members for a decision or action. None identified.
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk

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APPENDIX A

4. PLANNING COMMITTEE

Membership: Eleven councillors

Quorum: Three councillors

Functions	Matters Reserved for a Decision
The determination of all non-executive decisions under the Planning Acts including all planning applications and applications for advertisement consent, listed building consent and conservation area consent is delegated to the Strategic Director of Place except where:	<p>(a) The application is contrary to the provisions of an approved or draft development plan policy and is recommended for permission, and in the opinion of the Strategic Director of Place the application is likely to:</p> <ul style="list-style-type: none"> (i) be potentially controversial, or (ii) be of significant public interest, or (iii) have a significant adverse impact on the environment, or (iv) raise matters which should be referred to the Planning Committee.
	(b) The application is submitted by or on behalf of the Council for its own development, except for the approval of development which is unlikely to have any major impacts and to which no material (in the opinion of the strategic Director of Place) planning objections have been received.
	(c) A legal agreement (S106 or similar) is required except in the case of minor non-contentious agreements or minor amendments to existing legal agreements.
	<p>(d) (i) Excluding those types of applications detailed at (d) (iii) the ward member of the ward to which the application relates or the ward member of adjoining ward (if that adjoining ward is materially impacted by the application) has notified the Strategic Director of Place (in writing or by email within 4 weeks of being notified of the application) that the application should be determined by the Planning Committee</p> <p>And</p>

	<p>(ii) in the opinion of the Chair having consulted the Strategic Director of Place (or his nominated officer):</p> <p>A the notification is supported by one or more material planning grounds, and</p> <p>B the item relates to a matter of local concern,</p> <p>Provided that where the relevant ward member or neighbouring ward member has a disclosable pecuniary interest in the application in question, this “callin” shall automatically be triggered for consideration by the Chair under (d)(ii) above.</p> <p>Where the Chair decides that an application does not satisfy (d)(ii) A or B above, written reasons shall be given to the requesting member.</p> <p>(iii) - Agricultural Prior Approval</p> <ul style="list-style-type: none"> - East Midlands Airport Informal Notification - Certificate of Alternative Appropriate Development - Certificate of Lawful Development – Existing - Certificate of Lawful Development – Proposed - County Council Consultation - Demolition Prior Approval - Discharge of Conditions - Habitat Regulations Assessment - Hedgerow Removal Notice - Neighbouring Authority Consultation - Non Material Amendment - Overhead Lines Notification - Pre Application Advice - Pre Application Advice – Major - Applications querying whether Planning Permission is required - Prior Approval for Householder development - Works to trees in the conservation area
	<p>(e) An application is recommended for approval by officers and that application is submitted</p>

	by: (i) a serving member or officer of the Council; or (ii) the close relative of a serving member or officer of the Council except for the approval of an application which in the opinion of the Strategic Director of Place (of his nominated officer) is unlikely to have any major impacts and to which no objections have been received.
	(f) The Strategic Director of Place refers any application or matter to the Committee including (but not limited to) any consultation on an executive function. Where the matter referred to the Committee relates to an executive function, the Committee's view shall be subject to being agreed with the relevant portfolio holder or agreed by Cabinet.
Making orders to revoke or modify planning permissions, to impose conditions to remove buildings or repair listed buildings.	All matters reserved.
Making tree preservation orders.	To consider objections or other representations.
Serving Building Preservation Notices or Listed Building Repair Notices.	All matters reserved except where necessary to serve a notice in an emergency.
Public Footpath Orders under the Town and Country Act 1990.	To determine matters referred to it following the receipt of objections or other representations.
Footpath Diversion Orders under the Highways Act 1980.	To determine matters referred to it following the receipt of objections or other representations.

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APPENDIX B

DISCUSSION PAPER 1 – TYPES OF APPLICATION WHICH CAN BE CALLED IN

The Council's constitution sets out the current arrangements in respect of the types of application which can be called into Planning Committee.

Page 58 of the Council's Constitution advises that one of the functions of Planning Committee is the:

'determination of all non-executive decisions under the Planning Acts including all planning applications and applications for advertisement consent, listed building consent and conservation area consent is delegated to the Strategic Director of Place except where.....'

As members will be aware there are a range of different application types (as shown on appendix 1) and the wording in the Council's Constitution that allows for applications 'under the Planning Acts' is wide ranging. There are a number of different application types and some have much reduced timescales for determination and some application types only allow for very specific considerations.

A particularly good example of an application type with a reduced timescale and where only specific matters can be considered is an AGP application. This is a prior approval application for agricultural development and the Local Planning Authority can consider only the siting and external appearance of the building ('normal' planning considerations do not apply). The Local Planning Authority has only 28 days in which to respond to such requests. If a response is not received in 28 days then the application is automatically permitted. There are a number of other types of application whereby the Council are a consultee and only have 21 days in which to respond.

Officers consider that the Council's Constitution should be updated to make it clear which types of applications can and can't be called into Planning Committee. This would provide clarity for officers, for members and for applicants. The changes proposed would not have any impact on the majority of applications which are currently called into Planning Committee which are normally either applications for full planning permission (FUL) or applications for outline planning permission or reserved matters consent (OUT/REM). Appendix 1 contains a spreadsheet which outlines the different application types and recommendations for whether such applications should be able to be called into Planning Committee.

Recommendations

- That members agree to the changes outlined on the attached spreadsheet (Appendix 1) and that the Council's Constitution is updated and amended accordingly.

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Type	Description	Determination Period
AGP	Agricultural Prior Approval	28 days (4 Weeks)
ADC	Advertisement Consent	56 Days (8 Weeks)
AIR	East Midlands Airport Informal Notification	28 days (4 Weeks)
CAAD	Certificate of Alternative Appropriate Development	56 Days (8 Weeks)
CLE	Certificate of Lawful Development - Existing	56 days (8 Weeks)
CLP	Certificate of Lawful Development - Proposed	56 Days (8 Weeks)
COM	County Council Consultation	21 days (3 Weeks)
DEM	Demolition Prior Approval	28 Days (4 Weeks)
DIS	Discharge of Conditions	56 Days (8 Weeks)
FUL/FULM	Full Planning Permission	Minors 8 weeks (Major = 13 Weeks)
HRAP	Habitat Regulations Assessment	
HRN	Hedgerow Removal Notice	42 Days (6 weeks)
LBC	Listed Building Consent	56 days (8 Weeks)
NAC	Neighbouring Authority Consultation	21 days (3 Weeks)
NMA	Non Material Amendment	28 days (4 Weeks)
OHL	Overhead Lines Notification	6 Weeks
OUT/OUTM	Outline Planning Permission	Minors 8 weeks (Major = 13 Weeks)
PAA	Pre Application Advice	20 working days
PAAM	Pre Application Advice - Major	Meeting within 10 working days

PDB	Do I Need Planning Permission?	20 Working days
PNA (Agricultural)	Prior Approval from Agricultural to Dwelling	56 Days (8 weeks)
PNM All Other Types	All other prior approvals	56 Days (8 weeks)
PNH (Householder)	Prior Approval for Householder development	42 Days (6 weeks)
REM/REMM	Reserved Matters Applications	Minors 8 weeks (Major = 13 Weeks)
T28/42/58	Telecommunication development - prior approval	56 Days (8 Weeks)
TCA	Works to trees in the conservation area	42 Days (6 Weeks)
TPO	Works to protected trees	56 Days (8 Weeks)
VCI/VCIM/VCU/VCUM	Variation of condition	Minors 8 weeks (Major = 13 Weeks)

36

	Can currently be called in and would no longer b
	No change
	No change but make constitution clear that thes

Can this currently be called to Planning Committee?
Yes
Yes
No
Yes
Yes
Yes
?
Yes
Yes
Yes
No
Yes
Yes
Yes
Yes
No
Yes
No
No

No
?
?
No
Yes
Yes
Yes
Yes
Yes

38

e able to

e apps cant be called in

Suggested Change	
	Remove ability to call in given that application is deemed approval after 28 days.
	None
	Make clear in the constitution that these applications cannot be called in
	Remove ability to call in given that application is not based on a planning judgement and is more related to land compensation
	Remove ability to call in given that application is not based on a planning judgement and is based on the facts of the case
	Remove ability to call in given that application is not based on a planning judgement and is based on the facts of the case
	Make clear in the constitution that these applications cannot be called in as we are just a consultee and have to respond within 21 days
	Remove ability to call in given that application is deemed approval after 28 days.
	Remove ability to call in
	None
	Make clear in the constitution that these applications cannot be called in
	Remove ability to call in given that application is deemed approval after 42 days.
	None
	Remove ability to call in given that we are just a consultee and have to respond within 21 days
	Remove ability to call in given that application is deemed approval after 28 days.
	Make clear in the constitution that these applications cannot be called in
	None
	Make clear in the constitution that these applications cannot be called in as this relates to pre-application advice
	Make clear in the constitution that these applications cannot be called in as this relates to pre-application advice

Make clear in the constitution that these applications cannot be called in as this relates to whether planning permission is required
Make clear in the constitution that these applications cannot be called in
None
None
Remove ability to call in given that application is deemed approval after 42 days.
No
No

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 21
OCTOBER 2020

Title of Report	ASSESSMENT OF GOING CONCERN STATUS	
Presented by	Tracy Bingham, Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk	
Background Papers	2019/20 Draft (unaudited) Statement of Accounts (public) Review of Medium Term Financial Plan (attached as Appendix A).	Public Report: Yes
Purpose of Report	To share with the Committee the basis for the representation made by the management of the Council to the external auditors that the Council is a going concern.	
Recommendations	THAT THE COMMITTEE NOTE THE CONCLUSION THAT NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL IS A GOING CONCERN AND THE BASIS FOR THAT ASSUMPTION	

1.0 BACKGROUND

- 1.1 The 'going concern' concept assumes that an organisation's functions and services will continue to operate for the foreseeable future. The assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).
- 1.2 If an authority were in financial difficulty, alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 1.3 An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements. Where this is the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies.
- 1.4 Given the significant reduction in funding for local government in recent years and the potential threat that COVID-19 poses to the ongoing viability of Councils, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. This report sets out the position at for North West Leicestershire District Council.
- 1.5 The Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 ("the Code"). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In

accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

- 1.6 The main factors which underpin this assessment considered within this report, are, the:
- The Council's current financial position to March 2021, including Cash Flow; and
 - The Council's projected financial position beyond March 2021 to the end of the current Medium Term Financial Plan period (March 2025), including Cash Flow;
 - The Council's governance arrangements;
 - The regulatory and control environment applicable to the Council as a local authority
- 1.7 Since the Council has only recently undertaken its Review of Medium Term Financial Plan, this report makes reference in most areas to the report presented to Cabinet on 29 September 2020 which is included at Appendix A.

2.0 CURRENT FINANCIAL POSITION AND PROJECTIONS TO 31 MARCH 2021

Summary Position

- 2.1 The COVID-19 pandemic has impacted the Council's financial position in 2020/21. The Q1 forecast position is a deficit of £0.978m for the General Fund compared to a budgeted surplus of £630k. On the HRA, the position is a forecast surplus of £2.4m compared to a budgeted surplus of £2.77m.
- 2.2 The net impact of the pandemic stands at a forecast £1.7m across all Council services, with £1.3m in the General Fund and £380k in the HRA. At this stage, this forecast includes all known costs and confirmed and anticipated funding from central government but only in respect of funding announced – there is no speculative assumptions around other funding.
- 2.3 This estimated 2020/21 impact currently excludes the potential deficit arising on the Collection Fund as a result of lower levels of business rates and Council tax. This will be estimated later in the year alongside the development of next years' budget.
- 2.4 The Council achieved surpluses on both of its revenue accounts last year which is favourable given the issues documented above. The table below was reported to Cabinet in September 2020 as part of the 2019/20 Provisional Outturn report which summarises the Council's reserves as at 31 March 2020:

Table 1 – Council Reserves as at 31 March 2020

Reserves	£'m
<u>General Fund</u>	
General Fund Earmarked Reserves	8.46
General Fund General Reserves (agreed minimum balance)	1.54
Self-Sufficiency Reserve	6.27
Asset Protection Fund	0.13
Other	0.18
	16.58

<u>Housing Revenue Account</u>	
Housing Revenue Account Earmarked Reserves	0.09
HRA working Balance	3.70
HRA Loan Redemption Reserve	13.00
	16.79
<u>Special Expenses</u>	
Special Expenses Earmarked Reserves	0.02
Asset Protection Fund	0.05
Special Expenses General Reserves	0.09
	0.16
<u>Other</u>	
S106	1.62
	35.17

- 2.5 Both revenue accounts are forecast to be able to deliver a 'balanced budget' for the year – this is because the HRA continues to forecast a surplus and the General Fund has a substantial level of reserves available with £6.27m specifically set aside in a Self-Sufficiency reserve to support financial sustainability.
- 2.6 Full details of the significant forecast movements along with a summary of financial position was reported to Cabinet on 29 September. A copy of the report is included in Appendix A.

Cash Flow to March 2021

- 2.7 The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council approved Treasury Management Strategy. As at the 31 March 2020 the Council had long term borrowing commitments of £80.2m and held £50.7m in investments and £10.9m in Cash and Cash Equivalents.
- 2.8 At 27 September 2020, the current value of long term borrowing commitments is £79.64m and £64.74 is held in investments.
- 2.9 There are currently no projected negative balances on the Council's cash flow to March 2021.

3.0 FINANCIAL POSITION AND PROJECTIONS 2021 – 2025

Summary Position

- 3.1 The Council's two Medium Term Financial Plans (MTFPs) flow from the 2018 Medium Term Financial Strategy (MTFS), which was approved by Cabinet in February 2018.
- 3.2 The MTFPs project expenditure, income and funding over the forthcoming five year period based on a set of core assumptions. The broad categories of items included and assessed within the forecast include:
- Revenue – income streams and funding
 - Pay costs – including anticipated movement in headcount if known, pay increases and pension costs
 - Non-pay costs – areas of non-pay costs such as supplies and services

- Financing – financing costs associated with capital expenditure, including Minimum Revenue Provision for internal borrowing on the General Fund and repayment of HRA self-financing debt on the HRA
- 3.3 For some areas, an assessment of whether there is inherent risk in the forecast of a particular revenue item is undertaken through sensitivity analysis where significant financial difficulties for the Council could arise if the projections are different to those assumed.
- 3.4 On a bi-annual basis, the MTFPs are refreshed: once during the summer to provide the Council and Cabinet with information on the financial position of the Council prior to the development of the budget; and again during the autumn as the draft budget is developed for consultation in order to show the affordability of proposals.
- 3.5 Attached at Appendix A is the full report presented to Cabinet on 29 September 2020 outlining the review of the MTFPs and the resultant impact to future projected surplus/deficit position.
- 3.6 To summarise, the report at Appendix A details that the General Fund revised projected deficit arising between 2020/21 and 2024/25 could increase from £1m to £5.3m over the five year period. The Journey to Self-Sufficiency reserve stands at £6.3m which provides a healthy balance to be able to fund initiatives to reduce our ongoing spending, increase income and where necessary balance the budget. The HRA revised position could see the surplus reduce from £4.6m to £1.1m over the five year period.
- 3.7 For both revenue accounts, the Section 151 Officer considers the Council to be in a stable financial position over the forthcoming five year period as a result of historical surpluses achieved and retained in the General Fund Self-Sufficiency reserve and the HRA balances.
- 3.8 In recognition of anticipated future changes in funding from central government, the Council designed the Journey to Self-Sufficiency Programme in 2018. The ethos of the programme is to enhance the cost-effectiveness, and therefore financial resilience of the Council in spite of, rather than because of, a negative financial outlook (where one exists). The approach builds on the Council's 'One Team, One Council' value to make the most of resources and reinvestment opportunities and being the best it can possibly be.
- 3.9 Since 2018 the Programme has delivered a range of outcomes associated with the Council becoming more self-sufficient including the implementation of the Commercial Strategy, the redesign and approval of a new Corporate Charging Policy and the drafting of a new Asset Management Strategy.
- 3.10 During 2019, the Corporate Leadership Team designed a number of delivery themes and scoped associated savings to be delivered over the forthcoming 5 year period. £795k of savings were incorporated into the 2020/21 budget for both of the Council's revenue accounts. £6.955m of savings were incorporated into MTFPs for the period 2022 – 2025.
- 3.11 As detailed in section 2 of Appendix A, the Corporate Leadership Team have reviewed the programme following its temporary suspension at the start of the pandemic and a new budget was approved by Cabinet in order to engage external support to drive the programme forward.

Reserves Analysis

- 3.12 The tables below set out the revised MTFPs (as detailed in the report at Appendix A) but also include an additional information to show the impact on reserves.
- 3.13 Table 2 illustrates that the Self-Sufficiency reserve remains in a positive balance at the end of the current MTFP period for the General Fund, with the General Working Balance and the potential to reallocate Earmarked Reserves remaining in place.
- 3.14 Table 3 demonstrates that over the MTFP period for the HRA, it is anticipated that reserves increase as a result of the surpluses achieve in 2020/21 and 2024/25, net of deficits arising in the remaining years.

Table 2 – General Fund MTFP and Impact on Reserves

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Surplus/(Deficit)	-1,034	-1,641	-2,590	-2,038	-2,598	-9,772
Journey to Self-Sufficiency Savings	56	895	1,120	1,245	1,270	4,586
Surplus/(Deficit)	-978	-746	-1,470	-793	-1,328	-5,315
Self-Sufficiency Reserve Opening Balance *	6,270	5,292	4,546	3,076	2,283	
Self-Sufficiency Reserve Closing Balance *	5,292	4,546	3,076	2,283	955	

** Only the Self-Sufficiency Reserve is assumed to be impacted over the life of MTFP. However, it is important to note that General Reserves could be utilised to ensure a balanced budget. Likewise, earmarked reserves could be reviewed and reallocated to General Reserves.*

Table 3 – HRA MTFP and Impact on Reserves

HRA	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Total Income	17,634	18,202	18,903	19,483	19,976	94,196
Total Expenditure	-10,960	-11,866	-12,133	-12,341	-12,541	-59,840
Contribution to the Capital Programme (RCCO)	-934	-4,005	-5,530	-4,923	-4,495	-19,888
Financing Expenditure	-3,339	-3,323	-3,054	-3,058	-3,058	-15,832
Surplus	2,401	-993	-1,815	-839	-118	-1,364
J2SS Adjustments	0	325	575	625	900	2,425
Surplus	2,401	-668	-1,240	-214	782	1,061
HRA Working Balance Opening Balance **	3,700	6,101	5,433	4,193	3,979	

HRA Working Balance Closing Balance **	6,101	5,433	4,193	3,979	4,761	
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** Only the HRA Working Balance is assumed to be impacted over the life of MTFP. However, it is important to note that earmarked reserves could be reviewed and reallocated for the purposes of balancing the budget if required.*

Cash Flow 2021 - 2025

- 3.15 The Council's long-term cash flow projection is best illustrated with reference to the Council's underlying need to borrow for capital purposes. This is measured by the Capital Financing Requirement (CFR) and represents how much funding is required to complete capital budget commitments. The CFR is set against the usable reserves and working capital which represent the underlying resources available for investment.
- 3.16 The latest forecasts available show that the Council was likely to need to borrow in the region of £5.5m in 2022/23 based on current capital plans.

4.0 THE COUNCIL'S GOVERNANCE ARRANGEMENTS

- 4.1 The Annual Governance Statement has been reviewed taking into account external and internal audit reviews and completion of assurance statements by the Corporate Leadership Team. The Statement includes a detailed review of the effectiveness of the Council's governance arrangements.
- 4.2 Whilst it is not possible to provide absolute assurance the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness. This Statement was reviewed by the Chief Executive, Internal Audit manager, Monitoring Officer, S151 Officer and the Leader of the Council before the draft version produced. The statement will be reviewed by the Audit and Governance Committee prior to the final version being issued.

5.0 THE EXTERNAL REGULATORY AND CONTROL ENVIRONMENT

- 5.1 As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves.
- 5.2 In addition to the legal framework and central government control there are other factors such as the role undertaken by the external auditor as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

6.0 MATERIAL UNCERTAINTIES

- 6.1 The Council is aware that there is a requirement to consider any material uncertainties which would impact on the Council's ability to continue as a going concern. At the time of writing this assessment there is no material uncertainties to respond to.

7.0 CONCLUSION

- 7.1 The Section 151 Officer and the Council's Corporate Leadership Team consider, having regard to the Council's current and projected financial position, that the Council remains as a going concern and that there is no material uncertainty that exists that should be disclosed in the financial statements.
- 7.2 This assessment will be undertaken annually in the course of preparing the Council's financial statement and a similar report presented to the Audit and Governance Committee each year.

Policies and other considerations, as appropriate	
Council Priorities:	The going concern assumption underpins the delivery of all of the council's priorities.
Policy Considerations:	The underlying assumption of a going concern basis forms a general principle of the council's accounting policies which are used to guide accounting treatment and the production of the annual accounts.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	None.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer tracy.bingham@nwleicestershire.gov.uk

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 29 SEPTEMBER 2020



Title of Report	REVIEW OF MEDIUM TERM FINANCIAL PLAN	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Medium Term Financial Plan – Corporate Scrutiny Committee Minutes 2 September 2020	Public Report: Yes
	Medium Term Financial Strategy – Council 26 February 2019 2020 – 2025 Medium Term Financial Plans – Cabinet 4 February 2020 (presented to Council 25 February 2020)	Key Decision: Yes
Financial Implications	<p>The changes to assumptions that drive the Medium Term Financial Plans have resulted in changes to the forecast position to 2024/25 and are detailed in this report.</p> <p>On the General Fund the revised projected deficit arising between 2020/21 and 2024/25 could increase from £1m to £5.3m over the five year period. The Journey to Self-Sufficiency reserve stands at £6.3m which provides a healthy balance to be able to fund initiatives to reduce our ongoing spending, increase income and where necessary balance the budget.</p> <p>The HRA revised position could see the surplus reduce from £4.6m to £1.1m over the five year period.</p> <p>The Section 151 Officer considers the Council to be in a stable financial position over the forthcoming five year period as a result of historical surpluses achieved and retained in the General Fund Self-Sufficiency reserve and the HRA balances.</p> <p>Finally, this report seeks the approval of a new reserve, utilising £100k of the Self-Sufficiency reserve balance, for the purposes of engaging external support and creating internal capacity to deliver the Journey to Self-Sufficiency Programme savings.</p> <p>Signed off by the Section 151 Officer: Yes</p>	
Legal Implications	There are no direct legal implications.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no staffing and corporate implications. However, it is likely that the Council will need to consider organisational changes required to mitigate the financial impact of the COVID-19 pandemic and other funding changes to ensure that critical services continue to be unaffected.	

	Signed off by the Head of Paid Service: Yes
Purpose of Report	To present Members with the impact of modified assumptions within the Council's Medium Term Financial Plans, provide an update in respect of the Journey to Self Sufficiency Programme and set the context for preparing the Council's 5 year budget plans from 2021/22.
Recommendations	THAT CABINET: <ol style="list-style-type: none"> 1. NOTE THE COUNCIL'S REVISED MEDIUM TERM FINANCIAL PLANS; AND 2. APPROVE THE ALLOCATION IN PRINCIPLE OF £100K FROM THE SELF-SUFFICIENCY RESERVE TO ENGAGE EXTERNAL EXPERTISE TO SUPPORT THE DELIVERY OF JOURNEY TO SELF SUFFICIENCY PROGRAMME SAVINGS

1.0 BACKGROUND

- 1.1 The Council's Medium Term Financial Plans (MTFPs) flow from the 2018 Medium Term Financial Strategy (MTFS), which was approved by Cabinet in February 2018. The strategy introduced a new five year rolling assessment of the financial resources required to deliver the Council's strategic priorities and essential services and a new, self-sufficient approach to managing and safeguarding the Council's ongoing financial position in light of future central government funding changes.
- 1.2 At the February 2020 Council meeting, members were presented with a report that outlined the current financial forecasts within the Council's two Medium Term Financial Plans – the General Fund MTFP and a separate Housing Revenue Account MTFP to reflect the ring-fencing requirements around the Housing Service.
- 1.3 This report forms part of the biannual monitoring cycle established as part of the MTFS. The MTFPs are refreshed in the summer to provide the Council and Cabinet with information on the financial position of the Council prior to the development of the 2021/22 budget over the autumn and winter
- 1.4 Assumptions on both the General Fund and HRA forecasts have been reviewed in light of the 2019/20 financial outturn, the Government's Spring 2020 Budget and other known information concerning the predictions around future funding, income and expenditure. Of most significance throughout this review, is the review of assumptions in light of the COVID-19 pandemic.
- 1.5 The plans were presented in draft form to the Corporate Scrutiny Committee on 2 September 2020 and included a revised forecast position for the current financial year based on monitoring undertaken in Period 1 of this year. This was because routine quarterly monitoring for the period April to June (Quarter 1) was postponed until late August so that the finance team could close the 2019/20 year and produce the annual accounts in line with revised statutory deadlines. The revised forecasts presented in this report show a revised position for 2020/21 based on Quarter 1 budget monitoring. A number of comments were made by the Committee in respect of the plans. An extract of

the draft meeting minutes can be found in Appendix A.

Quarter 1 forecast position and assessment of the impact of COVID-19 on in year finances and the Collection Fund

- 1.6** In July, a Finance Recovery Cell was established to support the financial recovery of the Council and assess and respond to the impact of the pandemic. This cross-Council team has assisted Finance officers in reviewing the assumptions that drive the financial plans and shaping the key messages to be taken away from the new forecasts.
- 1.7** The plans presented within this report include the impact of the pandemic to the Council's finances as projected based on the position to the end of Quarter 1 (June 2020).
- 1.8** The early assessment of the Council wide financial impact of the pandemic was assessed earlier in the year to be in the region of £2.129m gross and £1.043m net of emergency funding received at that time.
- 1.9** As part of Quarter 1 budget monitoring, Team Managers, having responsibility for service areas budgets, were tasked with reviewing the forecast spending and income for their areas for the year. Three principles were developed to focus managers and finance in their reviews and ensure the organisation is able to forecast a realistic outturn position for the 2020/21 financial year. These were:
 - 1.** Additional-ity – recognising the Council's strong financial position, but not relying on this to meet the funding gap and instead, seeking to identify savings where possible that will contribute to clawing back the funding gap.
 - 2.** Renewal – reviewing budgets in light of the new environment and understanding what is no longer relevant or what new measures are required and making changes to in year forecasts as a result.
 - 3.** Reality – being realistic about the ability to deliver new service initiatives or actions originally planned, and making changes to in year forecasts as a result.

This approach commenced with the Section 151 Officers review of earmarked reserves requests from service areas. The outcome of this review was that £0.9m was reallocated to the Self-Sufficiency reserve, as reported in the "2019/20 Provisional Outturn" report also on this meeting's agenda.

- 1.10** Assessment of the allocation of the emergency funding received to date has been undertaken and based on the extent of impact, the full level of funding has been apportioned to the General Fund.
- 1.11** The revised Q1 forecast position is now a forecast deficit of £0.978m for the General Fund compared to a budgeted surplus of £630k. On the HRA, the revised position is a forecast surplus of £2.4m compared to a budgeted surplus of £2.77m. Full details of the significant forecast movements along with a summary of financial position can be found in Appendix B.
- 1.12** The net impact of the pandemic stands at a forecast £1.7m across all council services, with £1.3m in the General Fund and £380k in the HRA. Since last reported to members in June and July, further significant spending pressures arising as a result of the pandemic have materialised. In addition, initial work has now been undertaken to assess the likely level of compensation the Council can expect to receive and as a result £200k has been assumed to be recovered within the General Fund. Further work to

finalise the estimate will be undertaken throughout September in order to make the claim to MHCLG. Again, full details can be found in Appendix B.

- 1.13 It is important to note that this estimated 2020/21 impact excludes the potential deficit arising on the Collection Fund as a result of lower levels of business rates and council tax. This is because, due to the nature of accounting for the Collection Fund, it remains too early to provide a reasonable estimation of the impact of Covid and the other factors that affect the Collection Fund balance (which include business rates and housing growth and the provision of reliefs and exemptions, for which only 5 months of data for the year so far is available).
- 1.14 The Ministry for Housing, Communities and Local Government have confirmed that the repayment of any Collection Fund deficits arising in respect of the 2020/21 year will be phased over 3 financial years rather than being required to be 'repaid' in the subsequent financial year. At the time of writing this report, the detail surrounding this scheme has not been shared by the Ministry.
- 1.15 The Section 151 Officer is undertaking regular monitoring of the early forecasts and will be in a position to advise members of the forecast position in subsequent budget monitoring updates and as part of setting the draft budget.

Summary of Revised MTFPs

- 1.16 There are a range of possible outcomes in respect of the Council's future funding and overall financial position. To aid members understanding of these outcomes, specific scenarios are detailed and illustrated where relevant and as more is understood with regards to future funding and other variables, further updates will be presented to members. Overall, the Section 151 Officer considers the Council to be in a stable financial position over the forthcoming five year period as a result of historical surpluses achieved and retained in the General Fund Self-Sufficiency reserve and the HRA balances.
- 1.17 On the General Fund, future retained Business Rates is at risk due to the impending national funding changes, although very little detail is understood around the government's plans at this moment in time. The risk around the future of New Homes Bonus funding also remains. The effect of the pandemic is still emerging, but the review has taken into account the effect so far and projections into the future. The revised projected deficit arising between 2020/21 and 2024/25 could increase from £1m to £5.3m over the five year period as a result of changes to business rates and council tax funding along with projected increase in expenditure for the 2020/21 year. The Journey to Self-Sufficiency reserve stands at £6.3m which provides a healthy balance to be able to fund initiatives to reduce our ongoing spending, increase income and where necessary balance the budget.
- 1.18 On the HRA, expected income from rents has fallen as a result of lower general inflation but our costs are expected to rise. This has worsened the five year outlook, and whilst the current plan predicts a surplus over 5 years, this surplus could reduce and significant strategic decisions will need to be made as we look to incorporate work to respond to climate change in our longer term plans.

2.0 Journey to Self-Sufficiency Programme

- 2.1 The Journey to Self-Sufficiency Programme has, to date, delivered a range of outcomes associated with the Council becoming more self-sufficient including the implementation

of the Commercial Strategy, the redesign and approval of a new Corporate Charging Policy and the drafting of a new Asset Management Strategy.

- 2.2 The ethos of the programme is to enhance the cost-effectiveness, and therefore financial resilience of the Council in spite of, rather than because of, a negative financial outlook (where one exists). The approach builds on the Council's 'One Team, One Council' value to make the most of resources and reinvestment opportunities and being the best it can possibly be.
- 2.3 As part of developing the 2020/21 and ongoing budget, thematic savings targets for both the General Fund and HRA were established and built into budgets and Medium Term Financial Plans. The savings were designed on the basis that the self-sufficiency reserve would be used to fund initiatives that would reduce spending and increase income as well as the reserve also being used to balance deficit years where necessary. At that time, the project scope for each of the work streams remained under development and a further update around the specifics of each theme was anticipated in this report. However, as a result of the pandemic and the focussing of the Council's efforts on the emergency and recovery response, this work has been delayed.
- 2.4 Of the savings budgeted, the forecast for the 2020/21 year has reduced to £56k against a £570k budget for the General Fund and to nil against a £225k budget for the HRA.
- 2.5 The Corporate Leadership Team have reviewed the programme to reflect the current operating environment, resource constraints and deliverability of commercial savings built into the programme. Given the strengthened messages from Central Government around Council's acting commercially, it has been concluded that the organisation will need to focus more closely on its use of resources to deliver services in order to deliver savings and an ongoing sustainable financial position.
- 2.6 To ensure that future saving targets are both deliverable and met, it is requested that £100k budget is created in principle through a transfer from the Self-Sufficiency reserve. The purpose of this budget will be to engage external expertise to assist in the delivery of savings from 2021 to 2023. The request meets the purposes for the use of the self-sufficiency reserve as set out when it was established in 2018.
- 2.7 This external support will assist in the development and execution of a programme of reviews across all council services, focussing on financial and budgetary resources, efficient ways of working, contract management and procurement and income opportunities. It is planned for the external support to be in place early in the new calendar year. It is anticipated that any contractual arrangements that meet the Council's key decision criteria will be presented to Cabinet for approval.
- 2.8 It is also anticipated that there will likely be a further request for budgetary resource for the purposes of creating an internal team to assist in the delivery of the programme. At this stage the full requirements are yet to be scoped.
- 2.9 Members can expect a full update as part of the draft budget later in this year. Monitoring of expenditure of this new reserve and the progress of resultant programme savings will be delivered through the quarterly performance reports to Cabinet.

2.10 Approach to setting the 2021/22 budget

- 2.11 The Finance Recovery Cell team (referred to in 1.6 above) has also assisted in developing the principles for setting the forthcoming 5 year 2021/22 – 2025/26 Revenue and Capital budgets, as the organisation prepares to undertake this task from

September. The principles developed will be utilised in addition to those set out in paragraph 1.9 above:

- 1. Established starting point** – The organisation, through its 5 year revenue planning approach and medium term financial plans already has an established 2021/22 budget which will be the assumed budget and for which only necessary changes will be made.
- 2. Fundamental approach** – Changes to the already established 2021/22 budget position will focus only on the fundamentals:
 - a) Council Delivery Plan budgets;
 - b) Cost pressures that need to be picked up as a result of either increased expenditure or reduced income;
 - c) Savings that can be achieved through increased income or reduced expenditure. Specifically, the Finance team will be driving the identification of budgetary savings from across the organisation.

1.19 It is not anticipated that services will be in a position to prepare and submit service development proposals for the 2021/22 financial year. However, bids that demonstrate an improvement to the council's financial position and payback over a robust time period will be encouraged, but it is likely that these will need to be planned for the 2022/23 year or beyond, given the current uncertainty over the longevity of the pandemic and ability to deliver new initiatives.

1.20 As detailed above, targeted savings of the Journey to Self-Sufficiency Programme will remain to be included on the basis that external and internal resource will be identified and implemented to drive the programme savings forward to delivery.

3.0 GENERAL FUND MEDIUM TERM FINANCIAL PLAN

2019/20 Outturn

- 3.1** The budgeted contribution to the self-sufficiency reserve for 2019/20 was £161k. The surplus achieved for last year was £1.158 million and this amount was transferred to the self-sufficiency reserve. A further £940k of earmarked reserves were also reallocated to the reserve taking the total balance of the reserve therefore increased from £4.2m to £6.3 million at March 2020.
- 3.2** Full details can be found in the separate 2019/20 Provisional Outturn report on this meeting agenda.

2020/21 Forecast Outturn

- 3.3** The current forecast position on the General Fund for 2020/21, following Quarter 1 budget monitoring, is a deficit for the year of £978k, compared to a budgeted surplus of £630k. A summary of the most significant variances can be found in Appendix B.

Medium Term Financial Plan - Projections as at February 2020

- 3.4** The projected deficit arising between 2020/21 – 2024/25 as last reported to members in February 2020 was £1m as follows: 54

Table 1, Medium Term Financial Plan Projections as at February 2020

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Surplus/(Deficit)	94	-828	-1,815	-1,928	-1,591	-6,068
Journey to Self-Sufficiency Savings	570	895	1,120	1,245	1,270	5,100
Surplus/(Deficit)	664	67	-695	-683	-321	-968

Review of Assumptions

3.5 The review of the MTFP has incorporated the impact of the pandemic on the Council's finances both in terms of current year but also for future years. Given the significant weighting of future local government funding changes, assumptions around the future of Business Rates and New Homes Bonus have also been reassessed. Key changes and other areas of importance are outlined below:

3.6.1 **Forecast Outturn for 2020/21 based on Q1 monitoring.** Forecast outturn, as detailed in paragraph 3.3 above and Appendix B.

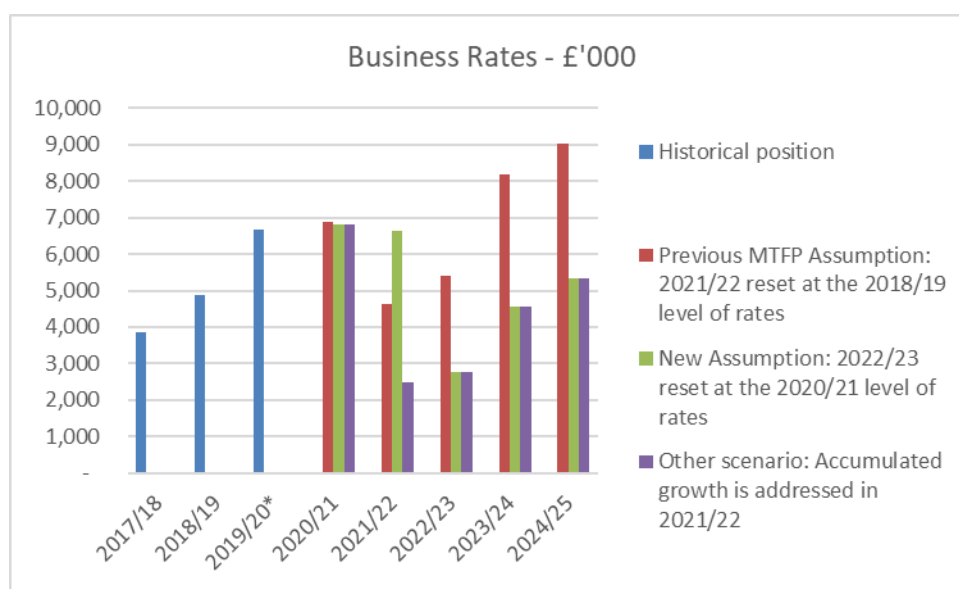
3.6.2 **Business Rates - Resetting of the baseline to remove accumulated growth in the system.**

- 3.6.3 The reform of the existing 50% Business Rates Retention System was due to be implemented on an already deferred schedule in April 2021 alongside Fair Funding. However, the government confirmed that the changes will no longer be implemented in 2021/22. The message alongside this announcement was that the government will continue to work with Councils on the best approach for next year including how to treat growth accumulated in the system from 2021/22. A consultation was announced on in July 2020, however it does not discuss the treatment of accumulated growth.
- 3.6.4 To address accumulated growth, it is likely that the Business Rates will be rebased meaning that a significant amount of income will be lost as NWL benefits from Business Rates in excess of the current baseline.
- 3.6.5 We have changed the assumption in the MTFP so that the baseline is reset in 2022/23, based on the level of level of rates achieved in 2020/21. The previous assumption was that rates were reset in 2021/22 at the 2018/19 level of rates. This change has the effect of reducing the amount of rates forecast to be collected over the 5 year MTFP by almost £6m, because the level of rates collected in 2020/21 is significantly higher than the level in 2018/19 meaning there is “further to fall”. The other effect of a later reset and later level of rates reference year is that there is less time in the MTFP to accumulate more growth.
- 3.6.6 Through scenario analysis, we could see rates decline further, if the accumulated growth is addressed in 2021/22 (see Figure 1 below). It should be noted, that if changes result in an adverse movement, Transitional Funding will likely increase to smooth the effect of any funding reductions (see 3.6.15 below).
- 3.6.7 **Business Rates: The impact of the pandemic and future growth.** Business Rates, along with Council Tax, are accounted for in the ‘Collection Fund’. This approach means that the Council and other precepting bodies receive their share of Council Tax or Business Rates in line with the original budgeted projections, with any over/under collection taken forward into the next year as a surplus/deficit through the Collection Fund. The forecast variance for Business Rates in 2020/21 is £70k adverse compared to the original £6.8m budget because of some minor changes that hit the General Fund in year (rather than the Collection Fund next year). The forecast deficit for the year will be estimated in November and incorporated into the 2021/22 budget. Despite an anticipated deficit on the Collection Fund, it is assumed that anticipated growth for 2020/21 will be met.
- 3.6.8 Assessing growth is a continuous exercise due to the fluidity of business growth and decline and approval of commercial planning applications. The district has a number of key sectors that could be impacted by the UK transition period through the movement of goods or people: Logistics, Aviation, Hospitality, Manufacturing and Aggregates. Through ongoing engagement with businesses via the Council’s Economic Development team, there hasn’t been any defined thought or movement from businesses as a result of Brexit.

3.6.9 To reflect the likely increase in bad debts and resultant deficit on the Collection Fund that will need to be accounted for in 2021/22 and the uncertainty around economic downturn and growth, the assumption for 2021/22 is that rates decline by 3%, before achieving 4% in 2022/23 and 8% in 2023/24 to reflect a significantly large assessment in the south of the district that received planning permission in 2019. Further work will be undertaken to assess the likely growth in Business Rates to the Council in consultation with the Revenues and Benefits and Business Focus teams ahead of setting the 2021/22 budget.

3.6.10 Figure 1 below illustrates the historical position in respect of Business Rates, the previous and revised assumptions around future rates and the scenario to demonstrate the effect of accumulated growth being addressed next year.

Figure 1, Business Rates – Historical Position and Scenarios



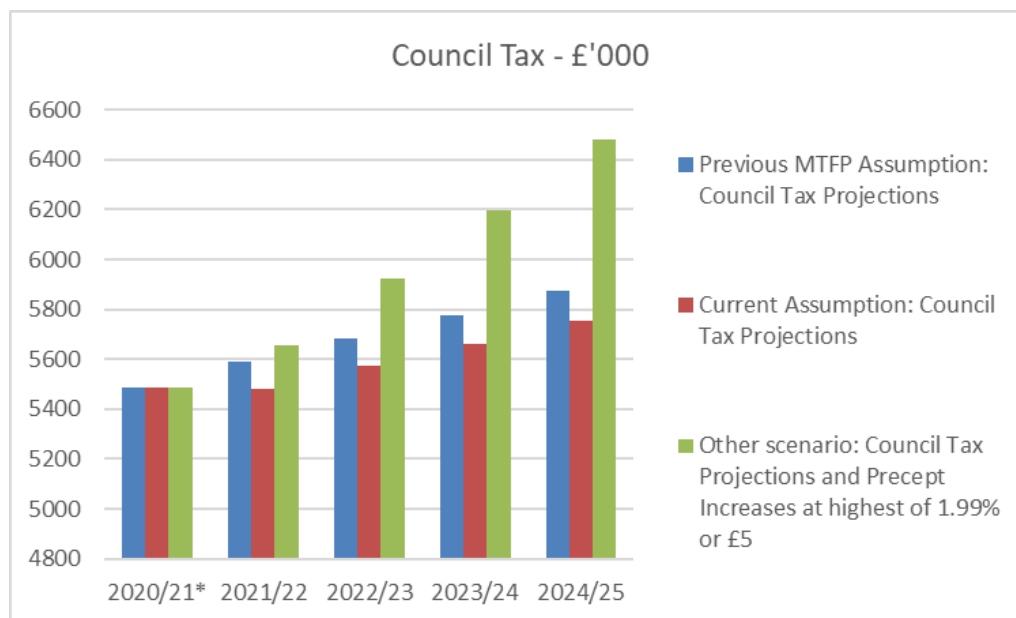
*The Council received circa £600k more in Business Rates in 2019/20 as a result of taking part in the Leicestershire 75% Business Rates Retention Pilot.

3.6.11 **Council Tax Collection Fund Deficit.** Similar to Business Rates, the effect of an adverse variance against the budgeted position for Council Tax will flow through the Collection Fund. The Quarter 1 assessment of Council Tax shows that we have an increase in arrears, an increase in Local Council Tax Support and a decline in new homes being delivered compared to the budgeted position for growth. The Q1 forecast deficit on the Council's share of the Collection fund for this year in respect of Council Tax was £130k.

3.6.12 **Council Tax Growth.** Future years housing delivery has also been reviewed against a revised planning trajectory, although this remains very uncertain at this moment in time the revised position for homes added to the Council Tax base over the remainder of the 5 year plan is 540 homes for 2021/22 and 570 homes per year thereafter (compared to 650 and 600 as per the last MTFP). The effect of this slowed growth is £450k less than anticipated in additional Council Tax.

3.6.13 There is no change to the assumption regarding the Council's policy of freezing Council Tax. Figure 2 below illustrates the £1.8m of foregone income as a result of the policy from 2021/22 to 2024/25 as a result of this policy. The policy will save residents an average of £32.19 in Council Tax over the period.

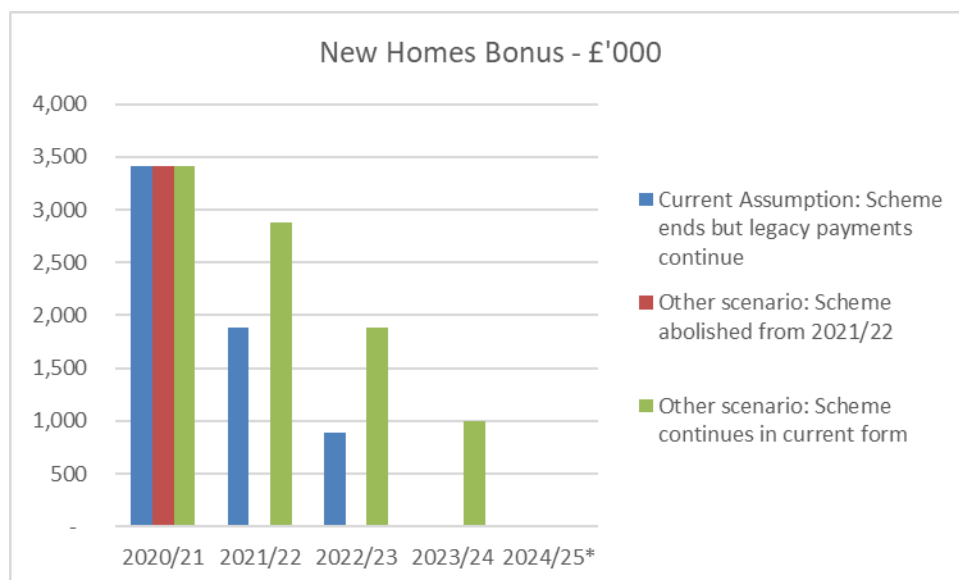
Figure 2, Council Tax – Effect of Assumption Changes on Future Years and Scenario on Council Tax Increases



*Despite revised forecasts for Council Tax Collection in 2020/21, these will not hit the Council's accounts until 2021/22 through the Collection Fund.

3.6.14 **New Homes Bonus.** The Government have confirmed their intention to look at the New Homes Bonus scheme and explore the most effective way to incentivise housing growth in the future, although there has been no further update since the budget was developed. Therefore the Council continues to assume that the scheme will cease and that legacy payments only will be received in 2021/22 and 2022/23. Figure 3 below illustrates the level of funding that would be received if the scheme were to continue as it is or if it were to be abolished entirely from 2021/22.

Figure 3, New Homes Bonus Scenarios



*No funding is assumed in 2024/25 under any scenario.

3.6.15 Spending forecasts. In the General Fund budget, expenditure is made up of spending net of locally generated income such as trade refuse, planning fees, grounds maintenance and legal income amongst others. As detailed above, 2020/21 forecast expenditure is currently aligned with the period 1 forecasts, adjusted for confirmed changes (3.6.1), and once Quarter 1 forecasts have been produced for the year these will be adjusted for in the MTFP. Projections surrounding future spending have not been adjusted for in the MTFP, but given the scale of potential funding changes, future plans will need to be reviewed. The Journey to Self Sufficiency programme will lead this process. In particular whilst general inflation is current very low, future assumptions regarding inflation will need to be reviewed. Additionally, any service-specific matters that could affect the medium term position of spend or income will need to be considered (an example of this is the planning reforms and proposed changes to housing need).

3.6.16 Transitional Funding. Transitional funding is likely to occur when a Council suffers a loss of funding above a certain level as a result of the implementation of a new funding regime. The concept of the funding is to smooth the effect of funding changes and minimise any cliff-edges. We currently remain unclear as to what basis Transitional Funding might be calculated when Fair Funding and Business Rates Reform (or the baseline reset if at a different time) are implemented. We included an assumption of compensation where funding reductions are in excess of -5% in our last MTFP based on advice from our funding advisors Pixel, and we adjusted the workings to take account of

'notional' Council Tax as it is unlikely that the Council will be compensated for any loss below -5% that occurs as a result of its historic policy to freeze Council Tax.

3.6.17 This assumption has not changed, but it is important for members to note that the total amount of Transitional Funding in the MTFP has increased as part of the review because forecast funding in other areas has reduced. It is also worth noting that if other funding scenarios were presented (as illustrated in the charts above), the level of transitional funding could go up or down.

Medium Term Financial Plan – Revised Projections

3.6 It is clear that there are a range of possible outcomes in respect of the Council's future funding and overall financial position. Based on the review of assumptions as set out above, the projected deficit arising between 2020/21 and 2024/25 could be £5.3m over the five year period and can be found in the table below. As Section 151 Officer, the Head of Finance is confident in providing assurance to members that the Council is able to deliver a balanced budget on an ongoing basis. As more is understood with regards to future funding, further updates will be presented to members.

3.7 It is important to note that this position assumes the Council will meet revised savings targets of £4.6m over this period. Should these savings not be achieved the deficit projected over the term of the MTFP would increase.

Table 2, Medium Term Financial Plan Projections as at September 2020

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Surplus/(Deficit)	-1,034	-1,641	-2,590	-2,038	-2,598	-9,772
Journey to Self-Sufficiency Savings	56	895	1,120	1,245	1,270	4,586
Surplus/(Deficit)	-978	-746	-1,470	-793	-1,328	-5,315

3.8 The balance of the Self- Sufficiency reserve as at March 2020 is £6.3m. This reserve will be used to fund a combination of funding initiatives that will reduce the Council's ongoing revenue spending and increase income and funding any deficit years that materialise.

4.0 REVIEW OF HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN

2019/20 Outturn

4.1 The Housing Revenue Account had budgeted for a surplus of £1.4m in 2019/20, but achieved a surplus of £2.4m. The most significant variances included a lower depreciation charge of £455k, net savings on employee costs of £154k and an operating surplus from our in-house repairs team of £826k.

- 4.2 With balances at the end of the year totalling £16.7m, the HRA is in a position to repay the two loans totalling £13.0m that fall due in March 2022 and have £3.7m remaining. Of the remaining balance, £1.0m is kept as a working balance for the HRA, and the rest is available to respond to opportunities, such as acquiring new homes, improving existing ones or to continuing to repaying debt.

2020/21 Forecast Outturn

- 4.3 The forecast outturn position for the Housing Revenue Account for 2020/21 is currently a surplus of £2.4m, £378k lower than we had budgeted for. The main movements are set out in the Quarter 1 summary in Appendix B.

HRA Medium Term Financial Plan – February 2020 Projections

- 4.4 The projected financial position, presented to Council in February 2020, showed that the HRA was able to fully fund its capital programme and meet loan commitments falling due over the five year period from 2019/20 to 2023/24, with surpluses of £1.98m over 5 years that were increase to £4.6m due to £2.65m of Journey to Self Sufficiency savings being included in the plan.

Table 3, HRA Medium Term Finance Plan – February 2020 Projections

HRA	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Total Income	18,238	18,766	19,346	19,953	20,474	96,777
Total Expenditure	-11,469	-11,643	-11,847	-12,050	-12,311	-59,320
Contribution to the Capital Programme (RCCO)	-934	-4,108	-5,133	-4,961	-4,720	-19,856
Financing Expenditure	-3,272	-3,256	-3,031	-3,032	-3,029	-15,620
Surplus	2,563	-241	-666	-90	414	1,980
Journey to Self-Sufficiency Programme Savings	225	325	575	625	900	2,650
Surplus	2,788	84	-91	535	1,314	4,630

Review of Assumptions

- 4.5 Since February 2020 the global pandemic has caused some of the underlying assumptions within our Medium Term Financial Plan to move significantly. The key changes are:

4.5.1 **Significant fall in expected inflation.** In February 2020 our expectation for inflation, as measured by the Consumer Price Index (CPI), was that it would be near to the Bank of England's target of 2.0%. At that time inflation was at 1.7%, but it has now fallen significantly, with the Office for National Statistics estimating inflation for the year to June 2020 to be 0.8%. Economists expect this to continue to fall towards 0% in the coming months, and it is then expected to take up to two years for inflation to return towards the 2.0% target level.

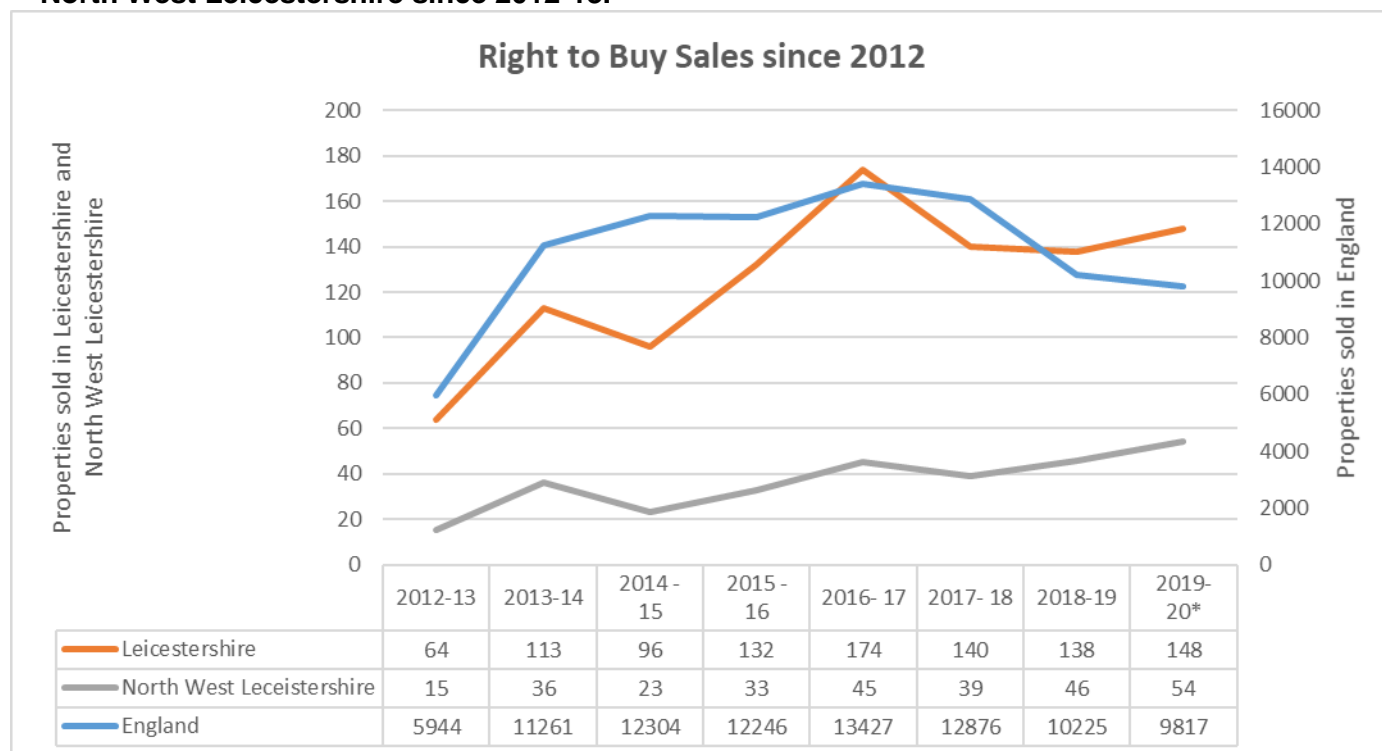
4.5.2 This fall has a significant adverse impact on our expected income. Government's current rent policy is to allow social housing rents to increase by CPI + 1% for the next four years, with the CPI figure being

taken at September of the year before the rise. Economist's current expectation is that CPI will be around 0.25% in September, so our expectation is that we will be able to increase rents by 1.25%. This will result in £314k less income in 2021/22 than originally anticipated and £1.3m less income over the 5 year period.

4.5.3 In 2016 the Government made a sudden change to its social housing rent policy by announcing a 1% reduction in social housing rents per year for four years. Whilst there is currently no evidence that a similar change is being considered, we must be aware of the risk that changing Government policy can have on the HRA's finances. We estimate that if a same 1% reduction were to happen again our income would fall by another £384k in 2021/22 and £5.8m over the 5 year period.

4.5.4 **Changes to our right to buy assumptions.** In 2019/20 we sold 54 properties to tenants through the right to buy scheme – 14 more than we had expected. Figure 4 shows that right to buy sales in North West Leicestershire have grown steadily since the scheme was reinvigorated in 2012, with average sales per year reaching 44 per year over the last 4 years. This trend is broadly in line with the trend in Leicestershire, but sales have started to fall nationally – largely driven by falls in London where it is less affordable to purchase property.

Figure 4, Number of properties sold through Right to Buy in England, Leicestershire and North West Leicestershire since 2012-13.



Source: Ministry of Housing, Communities & Local Government

* Please note that data for quarter 4 of 2019-20 has not yet been published. We have included the full year figure for North West Leicestershire, but extrapolated the figures for Leicestershire and England are based on data from quarter 1 to 3.

4.5.5 In our February 2020 update we had expected right to buy sales to start to fall to around 42 per year. We have now increased that to 44 properties per year for the five year period, which is in line with a medium-term trend and appears realistic based on the 14 sales completed to date in this financial year. This has the effect of reducing

income by £12k in 2021/22 and £110k over the five year period.

- 4.5.6 The effect of additional right to buy sales on the surplus, however, is positive. This is because we retain a proportion of the sale proceeds as a capital receipt, which is used to fund the capital programme and reduces the need for HRA to make revenue contributions to the capital programme.
- 4.5.7 **Increasing costs.** Whilst general inflation is current very low, we expect to see our costs increase by more than inflation. This is as a result of a general increase in material prices through the pandemic period, along with changes to working practices both increasing costs and reducing productivity. There is also a risk that the end of the transition period following the UK's exit from the European Union could also cause prices to rise.
- 4.5.8 It is difficult to estimate the extent to which costs may change. We have assumed that costs will increase by an additional 1% over previous plans to CPI + 1.5% for the next two years, based on advice from housing experts. This increases our expected costs by £82k in 2021/22, and £595k over the 5 year period.
- 4.5.9 **Updates to 2019/20 and 2020/21 forecast expenditure.** The higher than budgeted surplus, as set out in paragraphs 4.1 and 4.2, means there is a larger HRA balance carried forward into this year.

HRA Medium Term Financial Plan – Revised Projections

- 4.6 The result of the above changes is the five year Medium Term Financial Plan could result in a lower surplus of £1.1m over the five year period, with the anticipated surplus in the current financial year being used to finance deficits in future years, as shown in table 6 below.

Table 4, HRA Medium Term Finance Plan – September 2020 Projections

HRA	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Total Income	17,634	18,202	18,903	19,483	19,976	94,196
Total Expenditure	-10,960	-11,866	-12,133	-12,341	-12,541	-59,840
Contribution to the Capital Programme (RCCO)	-934	-4,005	-5,530	-4,923	-4,495	-19,888
Financing Expenditure	-3,339	-3,323	-3,054	-3,058	-3,058	-15,832
Surplus	2,401	-993	-1,815	-839	-118	-1,364
J2SS Adjustments	0	325	575	625	900	2,425
Surplus	2,401	-668	-1,240	-214	782	1,061

- 4.7 Borrowing is not required over the five year period of this medium term financial strategy. However, the compound effect of lower expected rents, higher costs and a large capital programme mean that the 30 year business plan currently forecasts a need for £62.7m of borrowing over its lifetime.

Achieving Carbon Neutrality

- 4.8 Our housing stock is considered to be the Council's greatest source of

greenhouse gas emissions, so work to reduce them will form a key part of our roadmap to zero carbon. Work completed by our consultant last year recommended the retrofit of heat pumps, installation of solar panels and improvements to the energy efficiency of homes to reduce carbon emissions. We are continuing to review the implications of this both financially and for our wider asset management strategy. This means we do not yet have a reliable estimate of costs to build into our Medium Term Financial Plan.

- 4.9** The cost of bringing over 4,000 properties up to low carbon standards is likely to be vast. Some other social housing providers estimating the costs could be between £20k - £45k per property. If we were to include an assessment of £20k per property within our Medium Term Financial Plan, the cost would be over £8m per year for the next 10 years.
- 4.10** The 5 year medium term financial position shows that there is not currently the capacity to fund this work through revenue contributions alone. Officers are currently exploring available grant funding opportunities, but even with external funding is likely that the Council will need to reprioritise its longer term capital programme and use borrowing to provide the financial capacity needed to meet our ambitious carbon reduction plans. These matters will be considered in detail the review of the Housing Strategy, Housing Asset Management Strategy and Housing Revenue Account Business Plan currently planned for 2021/22.

Policies and other considerations, as appropriate	
Council Priorities:	The Medium Term Financial Plans seeks to understand the amount of resources the Council will have to deliver its priorities in the future.
Policy Considerations:	Not applicable.
Safeguarding:	Not applicable.
Equalities/Diversity:	Not applicable.
Customer Impact:	Not applicable.
Economic and Social Impact:	Not applicable.
Environment and Climate Change:	The full impact of the climate emergency, declared by Council in May 2019, is not yet fully costed and mainstreamed into financial plans. The plans therefore do not reflect the full potential effort required to make the Council carbon neutral by 2030.
Consultation/Community Engagement:	Not applicable
Risks:	There are a number of risks associated with the Medium Term Financial Plan as clearly future events cannot be accurately predicted and as a result the economic outlook can change quickly. In addition, a great deal of uncertainty remains in the local government sector around core funding and the full extent of the impact of the COVID-19 pandemic. A risk and sensitivity analysis is included within this report where relevant.

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APPENDIX A

EXTRACT OF DRAFT MEETING MINUTES OF THE CORPORATE SCRUTINY COMMITTEE 2 SEPTEMBER 2020

6. MEDIUM TERM FINANCIAL PLAN

Tracy Bingham, Head of Finance, gave a detailed presentation on the changes to assumptions that drive the Medium Term Financial Plans (MTFP) which have resulted in changes to the forecast position to 2024/25. She focussed on the impact on the General Fund before handing over to Matthew D'Oyly-Watkins, who presented the assumptions in relation to the Housing Revenue Account.

The Chairman thanked the officers for their comprehensive presentation and invited questions and comments from Members.

With references to paragraphs 1.9 and 3.3 of the report, Councillor Sheahan asked for justification for the decision to reallocate £.09m of earmarked reserves to the self sufficiency fund and for confirmation if these were committed. He was advised that they were previously allocated for specific purposes but expenditure was not committed and that the earmarked reserves had been reviewed under delegated powers through a 'COVID lense' to identify those which could be reallocated by considering how long the reserves had been in existence and how long they had been set aside and for what reason. It was further noted that those earmarked reserves identified had not seen any expenditure in the last financial year. This additional funding would help bridge the gap, not only with the issues arising from COVID, but for any future financial challenges in the forthcoming years.

Councillor Sheahan challenged this as he understood that earmarked reserves were attached to expenditure which had been identified for a purpose so it seemed strange to him to say that it had not been allocated.

He was advised that earmarked reserves could be allocated for a specific purpose, however, if there has been no movement on these funds for a period or there was no clear intent on spending it in the near future, then the reserve can be reallocated.

Councillor Sheahan felt that if the money was uncommitted then it should be in the General Fund and this idea of moving money around which had been originally allocated for a set purpose, did not sit comfortably with him so he may want to address this again at a future meeting.

Councillor Sheahan moved on to the issue of thematic savings targets as referenced in paragraph 2.3 of the report and sought some clarity as to what these were. He was advised that these were the work streams as set out in the February budget reports and MTFP with themes around applying a more commercial approach to income and around contracts with a range of thematic savings. These were identified in the earlier part of the year as part of the Journey to Self Sufficiency Programme.

Councillor Sheahan conveyed his thanks for the report and presentation on business rates which has helped him gain a better understanding, accepting that it is extremely complicated, and he asked the Head of Finance to confirm his understanding of how it works. She was able to do this by confirming that Councillor Sheahan's summary was correct adding that the reason the Council benefits so greatly from growth is that the amount it has accumulated is way above the base line the Government believes our retained business rates should be at; and above that level the Council is able to retain more of the rates collected which is also why it represents a risk.

Councillor Sheahan then turned his attention to the Housing Revenue Account (HRA) and in particular paragraph 4.2 of the report which spoke about the balances and how this can be used to respond to opportunities such as acquiring new homes. He asked that this money does get spent, particularly on improving existing homes as we are only targeting about 15 new homes a year and yet still losing around 44 homes per year through 'right to buy'. He therefore believes that the money should be spent on increasing the standards of existing homes. However, he felt that the Council should have a strategy as to how it will tackle the issues of around achieving carbon neutrality, with particular focus on the level of carbon being produced by our homes. Councillor Sheahan also felt that the Council should be looking at other sources of funding as the Council could not be expected to fund it all as it would be a massive hit on the HRA.

Councillor Johnson referenced the contractual issue with regard to Newmarket and asked if the Council could recover any costs. He was reminded that this decision had already been made. Councillor Johnson expressed his disappointment at this decision.

Councillor Wyatt asked whether the Council would be able to tap into the grants being made available by Government to help landlords tackle the issues around achieving carbon neutrality within our housing stock. He also reiterated the comments made by Councillor Johnson in relation to the Newmarket contract and felt that Members should be able to have a say on the matter and, as such, it should be taken to full Council.

He was advised that the issue about the Government funding was currently being explored by the Housing Department and he was reminded that, with regard to the Newmarket contract, this issue had been considered by the Community Scrutiny Committee in July and later by Cabinet where the decision was not called in by Members who may have not been happy with that decision when they had an opportunity to do so.

The recommendation as set out on page 22 of the agenda was moved by Councillor Sheahan, seconded by Councillor Allman and by affirmation of the meeting:-

RESOLVED THAT:

The report be duly noted and the comments made at this meeting be reported to Cabinet.

APPENDIX B

2020/21 QUARTER 1
FINANCIAL FORECAST SUMMARY

		General Fund	HRA	Council Wide Impact
Budgeted Surplus/(Deficit) Position		£630k	£2.77m	
P1 Forecast impact of COVID-19 *		(£1.870m)Gross	(£259k) Gross	(£2.129m) Gross / (£1.086m) Net of emergency funding
Revised Forecast Position based on Q1	Q1 Forecast impact of COVID-19 *	(£3.085m) gross/ (£1.559m) net	(£383k) gross/ (£383k) net	(£3.468m) Gross / (£1.942m) Net
	Other variances *	(£50k)	£5k	
	Total forecast variance *	(£1.609m)	(378k)	
	Total Forecast Surplus/(Deficit)	(£0.978m)	£2.4m	
Significant movements		<p><i>Covid-19 related:</i></p> <p>a) £338k additional staffing costs of which £200k relates to the community hub</p> <p>b) £414k of additional support to Everyone Active</p> <p>c) £85k support to parish councils</p> <p>d) £83k on additional ICT equipment and licences to allow home working</p> <p>e) £70k on security and alterations at the council offices to enable safe working practices</p> <p>f) Receipt of the 3rd tranche of MHCLG funding of £152k and £130k of New Burdens funding</p> <p>g) Anticipated £200k funding to be received for the year through MHCLG Income Compensation scheme</p> <p><i>Other (non-covid-19 related) movements:</i></p> <p>h) £173k of savings identified through a targeted review of key budget lines</p> <p>i) £55k savings within the planning team as a result of the delay in HS2 and reduction in appeals</p> <p>j) £33k saving in relation to MRP arising as a result of under-spend on the 2019/20 Capital Programme</p> <p>k) £127k forecast less in business rates compared to budgeted position</p>	<p><i>Covid-19 related:</i></p> <p>l) Surpluses on our in-house repairs team trading account falling by £459k. This is partially offset by fewer repair jobs being expected, saving £296k.</p> <p>m) £225k additional costs as journey to self-sufficiency saving targets have been reduced to zero.</p> <p>n) £140k savings from staff being redeployed to covid-19 responses.</p> <p><i>Other (non-covid-19 related) movements:</i></p> <p>o) £145k less income, mainly due to higher right to buys in 2019-20 reducing income in this year.</p> <p>p) Reduced forecast painting programme expenditure by £150k</p>	
Notes		The above forecasts currently exclude the impact of the potential deficit arising on the Collection Fund as a result of lower levels of business rates and council tax collected and increases in bad debts. The full impact will be estimated as part of setting the 2021/22 budget.		

* Favourable/(Adverse)

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY,
21 OCTOBER 2020



Title of Report	CORPORATE RISK UPDATE	
Presented by	Andy Barton Strategic Director	
Background Papers	None	Public Report: Yes
Purpose of Report	To provide Committee members with an update in respect of the Council's corporate risk register.	
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES AND COMMENTS ON THE LATEST CORPORATE RISK REGISTER AND THE COVID-19 RISK REGISTER	

1.0 RISK REGISTER UPDATE

- 1.1 Cabinet approved the updated Risk Management Policy at its meeting in May 2018 (and is in the process of updating this policy as featured at the last meeting of this Committee). In line with the policy, members of this Committee, and Cabinet to receive details of the high level risks monitored through the Corporate Risk Register.
- 1.2 The updated Risk Register can be found at Appendix 1 and a summary of changes since the last update is set out below.

Risk No	Risk Title	Changes made by Risk Scrutiny Group
2	FINANCIAL/ COMMERCIAL/ REPUTATIONAL Mismanagement of council finances	Mitigation updated to list new financial system under procurement which will assist with significant financial control improvement – scoring not updated until deployed
3	REPUTATIONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies	Clarification of risk to focus on short / medium term (Risk 14 now addresses Medium / Long) – no score change

4	LEGAL / FINANCIAL Contracts are not properly procured and managed	Added to mitigation that the changes to the procurement service have commenced, no changes to scored levels but expectation that these will drop as deployment continues
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of personal data constituting breach of data protection legislation	The list of mitigations has been comprehensively updated – no changes to scores
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	Updated mitigation and risk clarification to include coverage of concurrent events – no changes to score
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	References to changed working practises (eg home working) included – no changes to score
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to fraud, corruption or theft	Updated mitigation stating policy suite has been updated, References to changed working practises (eg home working) included – no changes to score
11	FINANCIAL / COMMERCIAL / ECONOMIC The Council is subject to a reduction in income	Mitigation updated, and strong ongoing management in place. Scores reduced to reflect
13	"POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU, including a potential 'no deal' Brexit"	Internal group reestablished, active part in county and site specific groups considering individual impacts. Latest assessment shows impact on council is reduced – score reduced to reflect.
14	ORGANISATIONAL/FINANCIAL Council is subject to large scale and medium term reduction in staffing/supplies/increase in restrictions etc leading to risks and ongoing medium/long term impacts on either the financial or reputational standing of the Council	New risk – addressing medium/long impacts

- 1.3 The Strategic Director acts as lead for corporate risk and is satisfied that the main risks posed to the organisation have been captured within the risk register and that control measures to mitigate these risks are appropriate.
- 1.4 Appendix 2 to this report illustrates the application of the Risk Management process on the ongoing response to the COVID pandemic. This register is updated as part of the Response/Recovery work under the emergency planning process. It is included here as possibly the largest risk facing the council at this time, and illustrates the reasons for inclusion of the new Risk 14 in the council wide risk register.
- 1.5 The Audit and Governance Committee are asked to review and note this risk update, and provide any feedback they wish to be considered by the Risk Scrutiny Group.

Policies and other considerations, as appropriate	
Council Priorities:	Effective risk management underpins the ability of the Council to deliver against its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	The Council manages its risks within existing budgets. Effective risk management protects the Council from insurance and/or compensation claims, fraud, and a range of other financial liabilities
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Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
1	SOCIAL/ POLITICAL/LEGAL Death / serious harm to a vulnerable person receiving a council service	A serious case review arising from death/serious harm to a vulnerable person. Reputational damage to council. Loss of confidence in ability of council to deliver services.	Lack of response to a safeguarding report. Service failure. Modern slavery.	4	4	16	Community Safety Manager	Head of Communities	The organisation has the following structures in place; An identified Corporate Lead (Head of Service) with a Portfolio Holder lead An identified Team responsible for Safeguarding (Safer & Stronger) with responsibility embedded into Team Leader role and an officer (Child & Adults at risk Officer) An agreed Safeguarding Policy refreshed as required with delegation to Director of Housing and Customer Services for updates An identified group of Designated Safeguarding Officers (DSO's) in most service areas A programme of regular DSO meetings which consider training, best practice and case issues An annual training programme to ensure new DSO's are well informed and trained A quarterly senior management review of all cases to check progress/close cases A quarterly briefing with the Chief Executive, a 6 monthly report to CLT and an annual report to Cabinet Annual report reviews previous year and endorses an action plan for the year ahead. A computerised system of reporting and managing reports introduced in 2019, will ensure constant reminders of new cases, sending alerts at all points in the procedure. Commitment to raise awareness of the scale and extent of modern slavery in the UK and ensure our contracts and supplies don't contribute to modern day slavery and exploitation.	4	2	8	Stable
2	FINANCIAL/ COMMERCIAL/ REPUTATIONAL Mismanagement of council finances	Central Government intervention/special measures. Adverse publicity. Possible litigation. Withdrawal of services.	Mis-interpreting of or not responding appropriately to a change in fiscal policy. Poor budget planning / management.	4	4	16	Head of Finance	Strategic Director of Housing and Customer Services	Monthly management reviews monitor actual spend against budgets and forecast to the end of the year. Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place.	4	1	4	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
			Internal financial systems and regulations not being properly applied.						Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Procurement of new fiannce system with increased controls and monitoring underway Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.				
3	REPUTAIONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies	Council unable to perform its statutory duties. Council's Partners unable to perform duties. Use of external resources at significantly higher cost. Short / Medium Term Exposure	Failure to horizon scan and interpret future needs in crucial roles. Inability to recruit to vacancies / retain staff. unexpected or unplanned event (eg pandemic)	4	3	12	Head of HR and OD	Chief Executive	Advance planning will mitigate this risk; Ability to divert resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/ Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council can offer a package of additional benefits to enhance the recruitment offer. The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. Best Employee Experience is a programme to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. Apprenticeships allow the Council to 'grow our own'.	3	3	9	Stable
4	LEGAL / FINANCIAL Contracts are not properly procured and managed	Council liable to incur additional costs, contract overrun, litigation and potential health & safety issues as well as service disruptions.	Failure to monitor contractors appropriately. Legal and procurement teams not consulted when contractors are engaged. Loss of key staff or supplier. Procurement procedures are not followed.	3	4	12	Finance Team Manager. All Team Managers.	All Heads of Service	Corporate procurement officer and legal team to support where necessary on contract management. Policies and procedures are in place. Reserve contractor in place where appropriate. A Senior Procurement Officer oversees a procurement planning process. Training programme previously in place now under review and due to be redesigned.	3	3	9	Stable

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Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
			The council contributes to modern slavery via it's contracts and supplies.						Roadmap to procurement changes starting to be enacted Commitment to ensure our contracts and supplies don't contribute to modern day slavery and exploitation.				
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of personal data constituting breach of data protection legislation	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of officers.	<p>Systems not in place to protect sensitive data.</p> <p>Staff are not properly trained in managing information, and do not follow internal procedures.</p> <p>Changes in working practises casuing unintended risk/exposure</p>	3	3	9	Legal Services Team Manager	Head of Legal & Support Services	<p>Policies and procedures are in place and rolled out. Regularly reviewed and compliance is monitored. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. E-learning module updated in 2019 and rolled out as mandatory annual training for all staff.</p> <p>The Council has a dedicated SIRO and DPO.</p> <p>Corporate Governance Groups are in place to scrutinise impacts/issues arising.</p> <p>Internal audit was carried out in December 2019. The outcome of the audit was a Grade 1. One medium risk recommendation, 'Publication of information on the Council website required by the Local transparency code.' The deadline for this recommendation is November 2020.</p> <p>Information Governance Team to cooperate with the supervisory authority and monitor compliance with Data Protection laws.</p>	3	2	6	Stable
6	LEGAL / REPUTAIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	<p>General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre).</p> <p>Adverse publicity. "Business as usual" not possible without appropriate business continuity plan in place.</p> <p>Breakdown in relationship with other responders.</p>	<p>Lack of planning, training and exercising of Emergency plans</p> <p>Inadequate Corporate Business Continuity Management.</p> <p>Lack of procedural understanding</p>	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	<p>Business continuity plans have been documented, policies and procedures are in place.</p> <p>The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations.</p> <p>Business Continuity exercises show the readiness of the Council to deal with emergencies.</p> <p>System of ICO / FLM duty rotas is in place & continued reassessment for ongoing incidents</p>	4	1	4	Stable

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				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	"Business as usual" would not be possible. Cost of repelling cyber threat and enhancing security features.	<p>Systems not in place or kept current to deflect any foreseeable cyber attack.</p> <p>Limited staff awareness of possible threats.</p> <p>Lapse in security awareness and basic processes from a technical and human perspective.</p>	4	4	16	ICT Manager	Head of Customer Services	<p>Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment.</p> <p>Yearly IT security health check and PEN (penetration) testing carried out, by a CREST security accredited supplier, with remediation action plan in place to mitigate any risks found.</p> <p>Phishing campaigns ran twice a year to test staff security awareness and feed back results to CLT, with improvement plans in place for those who have not passed the test.</p> <p>Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at work and in the office.</p> <p>New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres.</p> <p>Phishing campaigns ran twice a year to test staff security awareness and feed back results to CLT, with improvement plans in place for those who have not passed the test.</p> <p>Improved business recovery arrangements have been implemented to minimise recovery time.</p> <p>Accreditation to Cyber Essentials Plus and the Public Services Network.</p> <p>An annual external audit of IT assessed the organisation's IT arrangements in a range of areas against best practice. (The outcome of the audit in 2019 was, GRADE 1, with one recommendation, which has already been addressed and provides assurance that the organisation's IT arrangements are solid, sound and secure).</p>	3	2	6	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
8	COMMERCIAL / POLITICAL / FINANCIAL Projects are poorly managed	Failure of proposed projects could result in failure to achieve overall objectives. Inefficient use / waste of resources.	Failure to implement project management techniques. Poor corporate oversight of projects. Inadequate controls on expenditure and poor budget monitoring. Inadequate monitoring of external contracts. Failure to engage project management expertise when required.	3	4	12	Head of Human Resources and Organisation Development	Chief Executive	Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT. Implementation of contract management framework for outsourced services. Scrutiny of quarterly monitoring reports on capital expenditure. Utilising Internal Audit to conduct audits of individual projects or Project management more widely. Use of external resources to be used to support the Coalville and Leisure projects. Scrutiny of risk registers or project management framework of individual projects by Risk Scrutiny Group.	3	3	9	Stable
9	LEGAL / POLITICAL / REPUTATIONAL Council makes ultra vires (beyond the council's powers and functions) decisions	Potential litigation against the Council, resulting in increased costs / compensation. Reputational damage.	Staff / Members proceeding without established governance arrangements. Failure to consult with Legal / Monitoring Officer. Lack of understanding of the implications of dealing with a particular matter.	4	3	12	Legal Services Team Manager	Head of Legal & Support Services	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed. Completion of the Annual Governance statement.	4	1	4	Stable
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to fraud, corruption or theft	Financial, reputational and political damage to Council.	Lack of checks and balances within financial regulations. Poor budget / contract management.	4	3	12	Head of Finance. All Team Managers & Heads of Service.	Directors	A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. The Council is also subject to External Audit.	3	3	9	Stable

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Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
			Poor monitoring of / adherence to financial systems Changes in working practises causing unintended risk/exposure						Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes. Information on how to report fraud is on the website including relevant links. Participation and strengthening of involvement in National Fraud Initiative (mandatory) and Leicestershire Fraud Intelligence Hub (voluntary and due to cease from April 2020). Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.				
11	FINANCIAL / COMMERCIAL / ECONOMIC The Council is subject to a reduction in income	Services are unable to be delivered. Potential staff redundancies. Funding of external groups is withdrawn. Potential breach of statutory duties.	Reduction in government grant. Changes to the local authority financial settlement. Economic downturn / recession. Commercial opportunities not progressed. Changing rent policies.	3	4	12	Head of Finance. All Heads of Service.	Directors. Chief Executive.	Medium Term Financial Strategy in place, with comprehensive scenario analysis of worst and best case funding scenarios and changes in economic climate. Self-Sufficiency Programme developed to manage the council's ongoing financial sustainability. Self-Sufficiency reserve established fund transformation and commercial activities to sustain financial position. Bi-annual review of Medium Term Financial Plan. Head of Finance monitoring of Local Government funding reviews. Funding advisor engaged. Economic Development Team promotes business offer. Participation in Business Rates Pilots. Accessing external funding where appropriate. Income collection procedures in Revs & Bens Service and Housing.	2	3	6	Down

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				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	a) Change to Local Government structure in Leicestershire/East Midlands, including potential merger of district councils/county council or development of a Combined Authority for the East Midlands, either of which could lead to: - Change in location for service delivery/staff - Reduction of control over local matters - Change in financial situation - Staff redundancies - Alternative political structure and governance arrangements - Changes in services to be provided and organisation culture - Deterioration in staff morale and negative effect on staff recruitment and retention - Ineffective engagement with staff, Members and residents in considering, and responding to, proposals. - Diversion of senior staff resources to respond to proposals.	Political direction to consolidate local government tiers to potentially seek greater efficiency and co-ordination	4	3	12	Chief Executive and Head of Legal and Support Services.	Chief Executive	Active engagement with political leaders and Chief Executives across the County and East Midlands so NWL's needs are taken into account in the proposals. Open and transparent communication of NWL position to all stakeholders. Senior management and politicians stay close to project and monitor progress. Internal and external communication plans in place, including for key decision points. External resources to be utilised in assessing any proposals.	3	3	9	Stable
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU, including a potential 'no deal' Brexit	The UK's departure from the EU, including an inability to agree the terms of the exit by 31 October 2019 could lead to: - increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs. - uncertainty and subsequent regime around tariffs, access to markets, migrant labour and transport of goods in / out of EU could impact on businesses in district / region leading to decline in business rates and employment levels. - potential need for increased storage facilities at entry / exit points and associated increases in freight traffic, putting pressure on local infrastructure - potential withdrawal of access to EU wide IT systems (e.g. relating to imported foodstuffs) -diversion of staff resources into contingency planning.	UK departure from EU, including inability of the EU and UK govt to agree terms by 31 January 2020 of the UK's exit. Deal then to be negotiated by End 2020.	4	4	16	Chief Executive and Head of Economic Regeneration	Director of Housing & Customer Services/ Chief Executive	Engage with National Local Authority steering groups for border control at strategic & operational levels. Implement communication strategy for local businesses so technical notices are shared, with appropriate signposting. Work with LLEP and Chamber of Commerce to provide business advice and support to address changes to legislation & certification. Monitor political developments on EU withdrawal closely. Establish contingency plans after scenario based assessment of resources required for increase in checks and controls, & access to alternative IT systems. Conduct localised assessment of potential impact around East Midlands Airport. Participate in Multi-agency Leicestershire Resilience Forum framework , with risk assessment and mitigation plan to be prepared. Internal BREXIT group reestablished	2	4	8	Down

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Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
14	ORGANISATIONAL/FINANCIAL Council is subject to large scale and medium term reduction in staffing/supplies/increase in restrictions etc leading to risks and ongoing medium/long term impacts on either the financial or reputational standing of the Council	Financial, reputational and political damage to Council.	Pandemic, national/global infrastructure interruption, supply chain mass failure over medium / long time period	4	4	16	Chief Executive, Directors, Heads of Service	Chief Executive	Full LRF related resilience measures in place, significant recovery work already underway, full emergency planning issue activated - see detailed COVID19 risk register as example applied	1	4	4	NEW

Assessing the likelihood of a risk:

1 Low	Likely to occur once in every ten years or more
2 Medium	Likely to occur once in every two to three years
3 High	Likely to occur once a year
4 Very high	Likely to occur at least twice in a year

Assessing the impact of a risk:

1 Low	Loss of a service for up to one day, Objectives of individuals are not met No injuries Financial loss below £10,000 No media attention No breaches in council working practices No complaints / litigation
2 Medium	Loss of a service for up to one week with limited impact on the general public Service objectives of a service unit are not met Injury to an employee or member of the public requiring medical treatment Financial loss over £10,000 Adverse regional or local media attention – televised or newspaper report Potential for a complaint litigation possible Breaches of regulations / standards
3 High	Loss of a critical service for one week or more with significant impact on the public and partner organisations Service objectives of the directorate of a critical nature are not met Non- statutory duties are not achieved Permanent injury to an employee or member of the public Financial loss over £100,000 Adverse national or regional media attention – national newspaper report Litigation to be expected Breaches of law punishable by fine
4 Very high	An incident so severe in its effects that a critical service or project will be unavailable permanently Strategic priorities of a critical nature are not met Statutory duties are not achieved Death of an employee or member of the public Financial loss over £1m. Adverse national media attention – national televised news report

Corporate Risk Register													
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				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
		Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment											

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Covid-19 Risk Assessment

Date07-Oct-20

				0-4	0-4					0-4	0-4	
Reference	Risk Description			Risk before mitigation			Mitigation	Risk after mitigation			Direction of Travel from last	
	Risk Title	Risk Description	Consequence	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score		
Overall Corporate Risk Assessment			This is an assessment of all the risks and mitigations identified below.									
Comms 01	Ineffective Communication with delivery stakeholders	Failure to communicate effectively with staff, members and stakeholders on changes made to service delivery	Reputational damage; confusion amongst stakeholders; increased demands on services stopped or changed remain prevalent; increased demand for customer contact.	4	2	8	Website updated as and when services or methods of contacting services change; Social Mediapress releases; information shared with local newspapers; notice in local newspaper; telephone system updated; direct contact with vulnerable customers via letter/telephone as necessary.	2	1	2	↔	
Comms 02	Ineffective Communication with Customers	Failure to communicate effectively with customers on changes made to service delivery	Reputational damage; confusion amongst stakeholders; increased demands on services stopped or changed remain prevalent; increased demand for customer contact.	4	2	8	Website updated as and when services or methods of contacting services change; Social Media, press releases; information shared with local newspapers; notice in local newspaper; telephone system updated; direct contact with vulnerable customers via letter/telephone as necessary.	2	1	2	↔	
Comms 03	Inaccurate communication	Inaccurate information leads to uncertainty or stress amongst staff	Incohesion, confusion, frustration amongst staff. Possible increase in absences due to ineffective communication around home working; decisions regarding home working taken by individual services; disparity of approach to at risk and other employees around social distancing; employee grievance.	4	2	8	Regular Covid-19 CAT and ELT meeting, recovery group, and CATs as needed. Staff impact disseminated and managed via ELT. Regular blogs and direct emails from CEX. Dedicated comms where required. Inet Updates	2	1	2	↔	
Resourcing 01	Non-resilient leadership	Lack of resilience in key staff providing strategic and tactical leadership	Limited resources for representation at SCG level and potential for exhaustion; poor visibility of leadership to staff; difficulty of coping with largely remote staff (and not neglecting those on site), burn out over time	3	3	9	Comms in place for regular communications and sharing of workload; designated deputies for key response groups; regular staff briefing by team leaders/team managers; Guidance to managers to use other means to ensure regular contact with teams (Skype etc). Ensuring CLT / senior rota in office etc. push for people to take AL	2	2	4	↔	

Resourcing 02	Insufficient staff	Lack of staff to sustain front line services either due to illness, isolation or caring	Inability for continuity of critical services resulting in service delivery failure.	4	4	16	Refreshed Business Continuity Plans in place with identification of staff critical to services/functions, whether they are at risk, have caring responsibilities and technology ready - BCP's reviewed at Council-wide level to ensure critical services continue with identified staff or whether a need to redeploy non-critical staff; revisions of critical service list weekly to reflect current situation. Reviewed in light of latest 14 day trace & trace isolation	2	3	6	↔
Resourcing 03	Insufficient financial resources	Lack of resource or knowledge or procedures for accessing resources to respond to mitigation requirements - finance	Minor and major service failure; adverse publicity; expectant litigation; government intervention; resultant death of an employee or member of the public; statutory duties not achieved;	3	4	12	CLT understanding of Finance Procedure Rules and ability for CEX to agree emergency spending; briefing of Finance team to ensure requests for resources dealt with promptly and data recorded; emergency spending data to be reported to Cabinet; treasury management designated critical service and cashflows regularly reviewed; cease large non-essential purchases if required, feed into MHCLG and receipt of grants	3	2	6	↔
84 Resourcing 04	Unfavourable budgetary impact	Reduced income from NNDR, Local Taxation and Rent, with increased costs through DHP and DDF for council tax and DRRS for business rates	Increase in arrears across NNDR, Council Tax, Rents and Sundry Debts; adverse impact to the Council's cash flow increasing risk for own creditor payments to not be made; consequential reduction in interest income; increased demand on arrears recovery post Covid-19 wave; increased likelihood of writing off of debts; additional pressures on council tax and business rates hardship funds requiring more NWLDC resources.	4	4	16	Suspend any plans to lend money to other authorities (now some minor short term investments permissible); monitoring of financial position; potential rebasing of budget post emergency, if required; Suspend all discretionary large scale un planned spending. Ongoing monitoring to assess if further measures required. re base reserves. Reconsider approach through budget setting process	2	4	8	↔
Resourcing 04	Supply Chain Failure	Failure of supply chain	Minor and major service failure; adverse publicity; expectant litigation; government intervention; resultant death of an employee or member of the public; statutory duties not achieved.	4	4	16	Refreshed Business Continuity Plans in place with identification of supply chain critical to services/functions and communication with contractors around business continuity. Ability to enable alternative suppliers/ad-hoc purchasing with alternative financial controls.	2	2	4	↔
Resourcing 06	Non-resilient members	Insufficient members able to attend committee meetings leading to lack of key decisions	Decisions postponed due to there not being a quorum for decisions to be made and important actions not being able to be taken.	4	4	16	Develop resilience plans with leader; increase use of technology where possible; enact new remote meeting work, be clear around delegations possible to exercise, ensure flexibility in recommendations	1	2	2	↔

Resourcing 07	Insufficient home working equipment	Lack of equipment to enable working from home to maintain BAU. Lack of appropriate desk space and desk equipment.	Staff that would otherwise be able to, are not able to work from home due to technology gaps and lack of equipment. Risk to staff health from poor posture/ lighting/ screen size etc. Risk to productivity if equipment is not suitable.	4	4	16	Refreshed Business Continuity Plans in place with identification of staff critical to services/functions, whether they are at risk, have caring responsibilities and technology ready - BCP's reviewed at Council-wide level to ensure critical services are prioritised to make use of existing technology. Requirements across the Council understood where technology not enabled. New orders in progress. DSE exercise at homes and working on how to address longer term remote running, wider agile strategy in development and deployment, procurement of necessary equipment underway	1	2	2	↔
Resourcing 08	Heightened Homeworking security risks	The rapid deployment of home working could lead to an increase in data protection and cyber security risks.	Organisation is more susceptible to fraud and data breach.	3	4	12	Maintain generic cyber security controls; Remind staff of the importance of cyber and information security; comms by Data Officer on how to keep data safe.	1	2	2	↔
Resourcing 09	IT Infrastructure	Not able to scale up and scale out our IT infrastructure to support homework and or lone worker	Limited homeworking & risks to lone workers	3	4	12	Additional licences purchased for swivel Additional licences purchased and bandwidth increased Monitoring of infrastructure and scale up as and when required, lone worker response still required	1	2	2	↔
Resourcing 10	Loss of senior staff structure	loss of all / significant posts within staff leadership eg CEO Directors CLT	limited decision making, lack leadership, inability to engage in main and recovery phases	3	4	12	social distancing in place, rota for mutual exposure,	1	3	3	↔
Resourcing 11	Waste Services	Insufficient trained waste services staff to collect domestic waste. Limited reserve staff to cover supervisor duties. Insufficient trained mechanics to provide maintenance, out of hours and repair damaged vehicles. Insufficient trained staff to cover Street Cleansing duties. Limited reserve staff to cover Depot and yard duties.	Loss of some waste collection services, loss of street cleansing services, loss of garage, loss of yard, loss of depot	4	4	16	Additional staff from different departments within the Authority trained to work on waste collections, external advert to recruit more staff and training to be provided so they also can work when required. Use of Everyone Active under a contract variation, revised approach to garage ensuring continuity. Additional staff trained to work in the yard and cover supervisor and depot manager roles. Business continuity plan refreshed with services in order of priority, all services now back in place - additional costs agreed. Issue of out break in depot mitigated as far as practical	2	3	6	↔
Response 01	Non-compliance with Health advice	Failure to comply with PHE advice leads to inconsistency and misinformation for customers	Customers in NWL suffer unnecessary disruption to services	3	3	9	Strategic CAT review and interpretation of PHE guidance; discussions with County partners.	1	2	2	↔

Response 02	Unsafe working environment	Failure to take adequate steps to maintain clean/safe working environment	Increased likelihood of staff contracting Covid-19 at work.	4	4	16	Increased cleaning services implemented with immediate effect; At risk staff identified and instructed to be at home (and work where role and technology allows); Self-Isolation requirements clearly articulated; Customer Services face to face appointments suspended; PHE advice signposting; regular staff updates via blog, articles and direct email in line with PHE advice; visiting officers mitigation	2	1	2	↔
Response 03	Ineffective advice to staff	Failure to provide effective advice to staff working on site and in homes	Incohesion, confusion, frustration amongst staff. Reduction in productivity; social distancing measures not followed during work time.	4	3	12	Regular contact with staff working on site and at home via direct email, regular contact with line manager; continuation of 1/1's via telephone/skype; blogs and PHE advice signposting; regular staff updates via blog, articles and direct email in line with PHE advice. Guidance for visiting officers issued to all staff undertaking essential face to face visits and non face to face visits.	2	1	2	↔
8 Response 04	Delay and non-delivery of some Council priorities	Some of the Council's work may be paused to enable resources to prioritise on the emergency - leading to delays or non-delivery of BAU/projects.	Important projects/priorities not taken forward; service objectives not met; strategic priorities not delivered; adverse publicity; reduction in motivation of staff./ inability to determine planning applications negatively impacting the economy and causing appeals against non-determination and related costs. Local plan could become out of date and control lost over new developments	4	4	16	Planning applicants to agree extensions of the time for determination and government suspending some planning regulations; closure of other programmes of work and impacts on other services . Projects impacted to date : Areon, Finance System, HiP - mainly all related to supply chain in some form or staff resource	3	2	6	↔
Response 05	Excess deaths - capacity	Insufficient trained burial staff for administration of the burials service. Insufficient space in burials ground. Insufficient staff to prepare burial plot. Insufficient action or capacity within mortuaries and funeral directors lead to burial issues	Public health risk as a result of delays to burying the deceased. Reputational risk due to sensitivity of the service, community cohesion tensions in terms of faith issues.	4	4	16	Additional training provided to increase competent staff for burials resource. NWL has sufficient burial space for 5800 plots. Business continuity. Refreshed Business Continuity Plans in place with identification of staff critical to services/functions, whether they are at risk, have caring responsibilities and technology read. Key staff represented at Excess Deaths cell organised by LLR prepared. Representation on internal task force group and internal SCG to feedback and monitor the situation as it develops. Community cohesion issues and tensions to be reported into the Community/Voluntary/Faith engagement cell.	1	2	2	↔

Response 06	Excess deaths - deliver of Charnwood's contract	Inability to deliver burials contract for Charnwood Borough Council due to lack of staff, IT, access to CBC building and/or CBC grounds maintenance contractor unable to prepare burials space.	Public health risk as a result of delays to burying the deceased. Reputational risk due to sensitivity of the service, community cohesion tensions in terms of faith issues.	4	4	16	CBC to review their business continuity plan. NWL are only required to provide staff. Additional training of staff is ongoing.	1	2	2	↔
Response 07	Lack of Rediness for removal of lockdown	ensure that NWL is ready for the cessation/reduction in lockdown and the effect on service demand, provision and premises use and or lack of clarity in guidance	Services swamped, staff return to non safe environment, political/reputational damage, safety of staff, members and public	3	3	9	Workstream kicked off to review, decision needed to not bring services back until readiness is complete, comms via channels above, ensuring gov guidance is followed	2	2	4	↔
Response 08	Local Restrictions	implementation of local restrictions and the necessary processes	unprepared for local measures to be introduced and inability to perform	3	3	9	documentation drawn up for implementation of IMT process. Highly context dependant, mitigation above those in other DCs	3	2	6	↔
Community 01	Adverse economic Impact to Local Businesses	Loss of business / Failure of business	Increase in unemployment; Increase in NDR arrears and calls on hardship funds and other reliefs and government support measures; Increase in Council Tax arrears and calls on hardship funds and other government support measures; Increase in need for business support advice; increase in rent arrears for council tenants affected; increase in commercial property void rate.	4	4	16	Data Capture of enquiries and information by Business Focus team to enable targeted communications. Signposting businesses to the governments website for support information. Administration of government support measures for council tax and NDR. Review of Council led reliefs and opportunity to use flexibly. discretionary scheme launched and extended . significant monitoring underway of situation. too early to truly assess	4	3	12	↔
Community 02	Community Incohesion	Increased risk of community incohesion	Civil unrest in NWL	3	4	12	Regular communications with local and national groups, including police	2	2	4	↔
Community 03	Social Isolation	Increased risk of social isolation for public and staff	Mental health decline	4	2	8	regular contact with staff most effected from managers and team leaders. General messageing via all channels re mental well being	2	2	4	↓
Community 04	Homelessness	Increased homelessness/rough sleeping as a result of economic impact	Increased demand on Housing Advice team; Increased need for emergency accommodation and budgets to cover this; Increased demand for benefits.	3	2	6	Continuity of Housing Advice service, central control and ICO/FLM rota for out of hours response; Ability to fund emergency accommodation. Evidence shows not occurring.	1	2	2	↔
Community 05	Administration of grants/reliefs	Staff shortages/staff at capacity and have difficulty in administering Hardship payments	Businesses and customers inmost need do not receive reliefs/payments when they need it	4	4	16	Changes to incoming call handling by Revenues and Benefits team to free up staff to focus on administration of grants/reliefs; redeployment of NWL staff to Revenues & Benefits team to be undertaken. Creation of secondary process to enable different method for customers to make grant claims. new local discretionary scheme now in place 2 week window	2	2	4	↔
Community 06	Food Safety	Food safety - knock on impact to businesses changing operational strategies to ensure business continuity and therefore increased risk around food safety	Increase in food poisoning cases	3	2	6	comments to be provided for food inspections and takeaway premises	2	2	4	↔

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY,
21 OCTOBER 2020



Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Lisa Marron Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2020/21	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2020/21 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

1. BACKGROUND

- 1.1 The Public Sector Internal Audit Standards require the Authority's Audit Committee to approve the audit plan and monitor progress against it. The Standards state that the Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2020/21 Audit Plan on 17 March 2020. The Committee receives quarterly progress reports.

2. PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 July 2020 to 30 September 2020 (Q2) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
Risks:	There are no specific risks associated with this report.
Officer Contact	<p>Lisa Marron Audit Manager Lisa.marron@nwleicestershire.gov.uk</p> <p>Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk</p>



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2020/21 Q2

1. Introduction

- 1.1 Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight progress against the 2020/21 Internal Audit Plan up to 30th September 2020.

2 Internal Audit Plan Update

- 2.1 During Q2 the Audit Manager liaised with CLT to review the 2020/21 audit plan and ensure that it reflects the changing risks following changes to services during the Covid-19 response. This has resulted in some audits being removed from the plan and a refocus and prioritisation of audit resources on the key financial systems and new risk areas. The updated plan can be found at Appendix A, with the original plan included at Appendix B for information.

3 Internal Audit Recommendations

- 3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. All ongoing Internal Audit recommendations are included in Appendix C for information.
- 3.2 It is noted that a number of recommendations due to be implemented have been delayed due to the impact of Covid-19 on the individual services. The Audit Manager does not have any concerns to highlight at this time and where appropriate extensions to target dates have been agreed.

4 Internal Audit Performance Indicators

- 4.1 Progress against the agreed Internal Audit performance targets is documented in Appendix D. Up until the end of Q2 the audit team were mostly redeployed to support the COVID-19 response. In agreement with CLT the audit plan was reviewed and work started on the plan as soon as possible. Whilst no audits have been completed at the time of writing this report, there are a number of audits in progress therefore the position will improve from Q3 onwards providing the IA team and the services being audited are not subject to further disruption due to Covid-19.

5. Internal Audit Charter

- 5.1 The Internal Audit Charter has been updated following its annual review by the Audit Manager. There have been some changes to the layout but the content remains largely unchanged. The main addition is a section on professionalism and reference to the Code of Ethics and Core Principles which the Internal Audit team follow. The full version of the Charter is available on the intranet.

Appendix A

2020/21 AUDIT PLAN (REVISED)

AUDIT AREA	TYPE	TIMING	PLANNED AUDIT DAYS	COMMENTS	STATUS
HR & ORGANISATIONAL DEVELOPMENT					
Health & Safety	Audit	Q3	8	Covid-19 H&S audit to be delivered by in-house team.	In progress
HOUSING					
Rent Accounting System	Audit	Q3/4	8		In progress
New Housing System Project Risk Management	Assurance	TBC	3		
Domestic Heating Services Contract Management	Audit	Q3	6		Audit engagement plan agreed. Field work to take place in November.
COMMUNITY SERVICES					
Grounds Maintenance	Audit	Q4	6		
CCTV	Audit	Q4	5		
Safeguarding	Audit	Q3	6		In progress
FINANCE					
Income Collection	Audit	Q3	8	Full audit of all KFS required	In progress
Creditors	Audit	Q4	8	Full audit of all KFS required	In progress
Debtors	Audit	Q4	8	Full audit of all KFS required	
Main accounting system and budgetary control	Audit	Q4	8	Full audit of all KFS required	
HR and Payroll	Audit	Q3	8	Full audit of all KFS required	

Treasury Management	Audit	Q3	8	Full audit of all KFS required	Audit engagement plan agreed. Field work to take place in December.
CUSTOMER SERVICES					
Central Control	Audit	Q3	6		Engagement Planning
CROSS CUTTING					
Fire Safety and Management	Audit	Q3	8	To review arrangements for all Council properties	

Appendix B

2020/21 INTERNAL AUDIT PLAN (ORIGINAL)

AUDIT AREA	TYPE	TIMING	PLANNED AUDIT DAYS	AMENDMENTS AGREED WITH CLT
HR & ORGANISATIONAL DEVELOPMENT				
Health & Safety	Audit	Q3	3*	Replace with audit focussing on Covid-19 H&S to be delivered by in-house team.
HOUSING AND PROPERTY				
Key Housing Systems	Audit	Q3/4	20	Rent accounting system only.
New Housing System Data Validation	Assurance	Q1	3	Not required. Replace with review of risk management arrangements when project recommences.
Gas Repairs and Maintenance Contract	Audit	Q3	6	To go ahead as planned.
Fire Safety and Management	Audit	Q2	8	To go ahead in Q3.
COMMUNITY SERVICES				
Grounds Maintenance	Audit	Q3	6	Put back to Q4 at request of service manager.
Waste Services	Audit	Q2/3	8	Defer to 21/22 due to focus on Covid-19 response.
CCTV	Audit	Q2	5	Put back to Q4 at request of service manager.
Fleet Management	Audit	Q2/3	8	Defer to 21/22 due to focus on Covid-19 response.
Safeguarding	Audit	Q1	6	Put back to Q3 at request of service manager.
FINANCE				
CIPFA Financial Management Code	Audit	Q2	6	Removed from plan to prioritise audit resources where needed.
Key financial systems	Risk Based	Q3/4	30	Full audits of all key financial systems required following significant change to ways of working.
CUSTOMER SERVICES				
Central Control	Audit	Q2/3	6	To go ahead in Q3.

Customer Services	Audit	Q2/3	6	Removed from plan to prioritise audit resources where needed and due to service capacity.
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Appendix C

RECOMMENDATIONS TRACKER – ONGOING RECOMMENDATIONS (CRITICAL, HIGH AND MEDIUM ONLY)

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
2018/19 Audits						
7	Health and Safety	6	The role of the Safety Officer should be reviewed and a benchmarking exercise undertaken to determine the level of resource and responsibilities in this area at other Councils. Where the current resource is found to be insufficient to meet requirements the need for additional resource should be explored.	High	Head of HR & OD	<p>Jul 19</p> <p>March 2020 further extended to August due to Covid</p> <p>Verbal update to be provided by Head of HR and OD at this meeting in response to the Committee request for him to attend the next meeting.</p>
2019/20 Audits						
9	General Fund Assets	1	A single asset register should be maintained which contains all council assets. Each asset should have a unique reference number in order that it can be easily identified and responsibility for maintaining the asset register should be clearly assigned.	Medium	Finance Team Manager in conjunction with Property Services Manager	<p>31st May 2020</p> <p>30th Sept 2020</p> <p>Audit follow up in June 2020 established that recommendation has not be implemented due to Covid-19. Target date extended and new audit follow up date October 2020.</p>

10	Information Governance Arrangements	1	The Data Protection Officer (DPO) should work to develop a user friendly web page which contains information the Council is required to publish as part of the Local Transparency Code. Once developed the DPO should monitor the page to ensure that the information contained is up to date and prompt services to update information where required.	Medium	Data Protection Officer (DPO)	31st Mar 2020 31st August 2020 30 th November 2020	The work is in progress however is taking longer than planned to complete due to the impact of Covid-19 on the team. The DPO hopes to train up the team apprentice in this area to support this task.
11	Affordable Housing – S106/Commut ed Sums	2	The completion of an Affordable Housing – Supplementary Planning Document (SPD) should be progressed. In the meantime it should be formally agreed that where a calculation is required to agree a commuted sum in lieu of affordable housing that the guidance in the 2011 SPD is referred to.	High	Planning Policy Team Manager	31 st August 2021	Follow up was planned for September 2020 and September 2021 as the target date acknowledges the work involved in completing an Affordable Housing SPD. Recent follow up has found that the work is in progress however is being hindered by the current situation.
		4	The forms required to be completed when requesting release of S106 affordable housing commuted sums should be reviewed to ensure they are relevant and up to date. Consideration should be given to including a section for	Medium	Affordable Housing Enabling Officer	31st August 2020 30 th November 2020	The form has been produced however awaiting input from the Planning Policy team.

			finance to complete prior to the authorisation section to complete any appropriate checks for example confirmation that the amounts have not be committed elsewhere. Once updated and agreed the forms should be made available on SharePoint.				
13	Commercial Lettings	1	The service should review the procedures in place relating to Commercial Lettings. Where areas are identified that would benefit from there being written procedures in place these should be produced. As a priority this should include procedures for carrying out rent reviews to ensure these are reviewed on a timely basis.	High	Property Officer	30th Sep 2020 31 st March 2021	Due to staffing issues within the team combined with the impact of COVID-19 this recommendation has not yet been progressed therefore an extension has been agreed.
		2	Property Services should put in place a process whereby evidence is requested from tenants to confirm that they are complying with the terms of their lease agreement. Examples of this would be gas servicing / boiler maintenance, any relevant insurance etc.	Medium	Property Services Team Manager	30th Sep 2020 31 st March 2021	Due to staffing issues within the team combined with the impact of COVID-19 this recommendation has not yet been progressed therefore an extension has been agreed.

Appendix D

2020/21 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 30.09.20	Comments
Achievement of the Internal Audit Plan	0%	Up until the end of Q2 the audit team were mostly redeployed to support the COVID-19 response. In agreement with CLT the audit plan was reviewed and work started on the plan as soon as possible. Whilst no audits have been completed to date, there are a number of audits in progress therefore the position will improve from Q3 onwards.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	Follow up testing up to date however some delays to implementation of recommendations due to Covid-19.
Annual Opinion Report - July 2020 Audit and Standards Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on returns for 19/20.
Compliance with Public Sector Internal Audit Standards	External inspection overdue	External inspection was due in April 2020 however it was agreed to put back to later in the year to allow all three partners to be fully represented in the inspection under the new expanded shared service. Inspection due w/c 30 th November 2020.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 21
OCTOBER 2020**



Title of Report	STANDARDS AND ETHICS - QUARTER 2 REPORT	
Presented by	Elizabeth Warhurst Head of Legal and Commercial Services and Monitoring Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2020/2021	
Recommendations	THE REPORT BE RECEIVED AND NOTED.	

1.0 BACKGROUND

- 1.1 The Standards and Ethics Report provides information in two categories: Local Determination of Complaints and Ethical Indicators.
- 1.2 The Quarter 2 Report follows the revised format and includes commentary where there is a variation in trends reported.

Policies and other considerations, as appropriate	
Council Priorities:	Our communities are safe, healthy and connected
Policy Considerations:	N/A
Safeguarding:	Safeguarding in relation to Modern Slavery
Equalities/Diversity:	N/A
Customer Impact:	Customers have the opportunity to report on measures that are included in this report.
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	Customers have the opportunity to report on measures that are included in this report.
Risks:	By receiving this information members will be able to manage risks.
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk

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Standards and Ethics

Quarter 2 Report

2020-2021

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Introduction

This is the 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 2020/21.

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.

Local Determination of Complaints

The Monitoring Officer received 9 complaints in Quarter 2 of 2020/21.

One complaint has been withdrawn as it was determined that the matter was not Code of Conduct issue, 1 complaint which was received in Quarter 1 was unable to be progressed as it was determined the Code of Conduct was not engaged and 3 are not active as further information is being awaited. Of those complaints which are pending, the Monitoring Officer will periodically review with a view to closing complaints which are inactive.

2.1 Assessment Sub-committee Decisions

There has been no Assessment Sub-committee meetings in this quarter.

The Monitoring Officer pursues an informal dispute resolution process prior to initiating formal proceedings via the Sub-committee route.

One complaint received in Quarter 1 has been resolved informally in this Quarter .

2.2 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.

2.3 Review Requests

There have been no review requests in Quarter 2. 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.

2.4 Subsequent Referrals

None to report – see above.

2.5 Outcome of Investigations

There were no investigations concluded in this period.

2.6 Parts of the Code Breached

This section is intended to show where there are patterns forming to enable the Audit and 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

Ethical Indicators

PERFORMANCE INDICATOR0	Q1			Q2			Q3			Q4		
	18/ 19	19/ 20	20/ 21	18/ 19	19/ 20	20/ 21	18/ 19	19/ 20	20/ 21	18/ 19	19/ 20	20/ 21
Instances of concerns raised re Modern Slavery	n/a	0	0	n/a	1	0	n/a	0		n/a	0	
Instances of concerns raised re Modern Slavery referred to national agencies	n/a	1	0	n/a	1	0	n/a	0			0	
Number of whistle blowing incidents reported	0	0	0	0	0	0	0	0		n/a	0	
Number of Challenges to procurements	n/a	0	0	n/a	0	0	n/a	0			0	
Public interest Reports	0	0	0	0	0	0	0	0			0	
Objections to the Councils Accounts	0	0	0	0	0	0	0	0			0	
Disciplinary action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0			0	
Follow up action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0		n/a	0	

Modern Slavery – It is the statutory duty of the Council to refer all concerns raised regarding modern day slavery to the national agencies. This does not mean that Modern Slavery has been confirmed. The case referred in Q1 was found not to be Modern Slavery. The figures show that where reported to the Council, we are promptly complying with our duty to report.

Freedom of Information Requests

	Q1			Q2			Q3			Q4		
	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21
Total Number (FOIs)	43	84	55	57	100	93	69	79		109	79	
% answered on time	84%	99%	72.2%	96%	95.8%	84.1%	100%	99%		91%	95.8%	
Average per month	14	28	18	19	33	31	23	26		36	26	
Average response time (days)	12	11	15	9	10	13	11	10		10	11	
Business as usual (BAUs)	58	59	27	86	73	24	55	62		73	65	
Withheld due to exemption/fees (FOI and BAU)*	7	6	10	11	18	16	5	7		10	8	
Transfers (TFRs)	29	18	14	32	22	18	32	30		42	33	
Subject access requests (SARs)	3	2	3	3	12	6	2	6		7	5	
Internal Reviews**	tbc	tbc	1	tbc	tbc	tbc	tbc	tbc		tbc	2	
Environmental Information Requests/ Land Charges Searches (personal)	40	437	213	47	367	572	5	308			334	

* Withheld due to exemptions has been moved up the table so that it sits below FOI's and BAU's thereby making it easier to compare and put into context the number of exemptions applied.

** Appeals has been amended to Internal Review as appeals were consistently zero but a number of reviews had been requested during 2019/2020.

All statistics presented from 19/20 Q4 should be viewed in the context of the pandemic and the subsequent disruption to service. The standard FOI timescale for response is 20 days, however the ICO has expressed leniency given that work relating to the pandemic should be given priority over completing FOI work.

- Q2 saw a total of **93 FOI cases**. This is a 70% increase in cases since Q1 (55) and the highest number since the same quarter last year.
- The number of cases handled as **BAUs** remains low (**24**).
- A larger than normal number of FOI cases remain pending.
- **Average response time** is still higher than normal at **13 days** but shows improvement since Q1 (15 days).
- **% answered on time** stands at **84.1%**, lower than usual standards, but is up compared to Q1 (72.2%) suggesting recovery.
- While the number of **SARs** received is doubled it is not historically high. Many of cases have been particularly large and time consuming. Other Local Authorities have also noted an increase in SARs, but no pattern has been established.
- Past data regarding **Internal Reviews** is being collated.

FOI Exemptions for Q2 20/21

Exemption	Description	FOI	BAU	Total
S21	Information Already Reasonably Accessible	2	1	3
S22	Information Intended for Future Publication		4	4
S27	International Relations			
S29	The Economy			
S30	Investigations			
S31	Law Enforcement	2		2
S32	Court Records			
S36 S36	Effective Conduct of Public Affairs			
S38	Endangering Health and Safety			
S39	Environmental Information			
S40	Personal Information of the Requester/Personal Information	6	2	8
S41	Confidentiality			
S43	Trade Secrets and Prejudice to Commercial Interests		2	2
Total	<i>Number need not match the number of cases. Multiple exemptions may apply to one case.</i>	10	9	19

Definitions

Business as usual Information requested can be sent quickly and easily within the normal course of business

Land Charges specific information about a particular property

Ombudsman Complaint a customer has followed Stage 1 and 2 complaints procedure but unhappy with the outcome they are entitled to take complaint to the Local government Ombudsman who will decide if the Council has a case to answer.

Subject Access Request a request by an individual to see information an organisation holds on them

Transfers requests received that fall out of our remit i.e. Adult social Care or Highways

Environmental Information Request a right for any person to request access to environmental information held by public authorities.

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 08/10/20)

Issue	Report Author	Meeting at which will be reported
November		
Annual Governance Statement 2019/20	Tracy Bingham, Head of Finance	24 November 2020
Annual Statement of Accounts 2019/20	Tracy Bingham, Head of Finance	24 November 2020
Report to those charged with Governance 2019/20	Tracy Bingham, Head of Finance	24 November 2020
January		
External Audit Plan	Tracy Bingham, Head of Finance	20 January 2021
External Audit Progress Report	Tracy Bingham, Head of Finance	20 January 2021
Annual Audit Letter	Tracy Bingham, Head of Finance	20 January 2021
Internal Audit Progress report	Lisa Marron, Audit Manager	20 January 2021
Corporate Risk Update	Andy Barton, Strategic Director	20 January 2021
Treasury Management Activity Report April 2020 to December 2020	Anna Wright, Finance Team Manager	20 January 2021
Standards and Ethics - Quarter 3 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	20 January 2021

Issue	Report Author	Meeting at which will be reported
April		
Internal Audit Progress Report	Lisa Marron, Audit Manager	21 April 2021
Treasury Management Stewardship Report 2020/21	Anna Wright, Finance Team Manager	21 April 2021
Accounting Policies and Materiality 2020/21	Anna Wright, Finance Team Manager	21 April 2021
Annual Report on Grants and Claims	Tracy Bingham, Head of Finance	21 April 2021
Corporate Risk Update	Andy Barton, Strategic Director	21 April 2021
Standards and Ethics - Quarter 4 Report	Elizabeth Warhurst, Head of Legal and Commercial Services	21 April 2021
Draft Member Conduct Annual Report	Elizabeth Warhurst, Head of Legal and Commercial Services	21 April 2021