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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 20 April 2022
Location	Council Chamber, Council Offices, Coalville
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 interests you should make clear the nature of that interest and whether it is a disclosable pecuniary interest, registerable interest or other interest	
3. MINUTES	
To confirm and sign the minutes of the meeting held on 19 January 2022.	3 - 6
4. COMMITTEE WORK PLAN	
To note the Committee's work plan	7 - 10
5. FUTURE EXTERNAL AUDIT ARRANGEMENTS	
Report of the Head of Finance	11 - 12
6. INTERNAL AUDIT PROGRESS REPORT	
Report of the Audit Manager	13 - 26
7. INTERNAL AUDIT ANNUAL PLAN 2022/23	
Report of the Audit Manager	27 - 34
8. CORPORATE RISK UPDATE	
Report of the Strategic Director	35 - 46

9.	TREASURY MANAGEMENT STEWARDSHIP REPORT 2021/22	
	Report of the Finance Team Manager	47 - 56
10.	ACCOUNTING POLICIES AND MATERIALITY 2021/22	
	Report of the Head of Finance	57 - 76
11.	STANDARDS AND ETHICS - QUARTER 4 REPORT	
	Report of the Head of Legal and Commercial Services	77 - 88
12.	DRAFT MEMBER CONDUCT ANNUAL REPORT	
	Report of the Head of Legal and Commercial Services	89 - 100

Circulation:

Councillor S Gillard (Chairman)
 Councillor N Smith (Deputy Chairman)
 Councillor E G C Allman
 Councillor C C Benfield
 Councillor J Clarke
 Councillor M D Hay
 Councillor R L Morris
 Councillor V Richichi
 Councillor S Sheahan
 Councillor M B Wyatt

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 19 JANUARY 2022

Present: Councillor S Gillard (Chairman)

Councillors N Smith, E G C Allman, C C Benfield, J Clarke, M D Hay, V Richichi, S Sheahan and M B Wyatt

In Attendance: Councillors

Officers: Mr D Bates, Beavis, Mrs C Hammond, Ms R Haynes, K Hiller, Mrs R Wallace, Miss E Warhurst and Miss A Wright

External Audit: Mr M Surridge

The Chairman informed Members of a slight change in the order of business, item 11 – Members Code of Conduct, would be considered following item 5.

22. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Morris.

23. DECLARATION OF INTERESTS

There were no declarations of interest.

24. MINUTES

Consideration was given to the minutes of the meeting held on 20 October 2021.

It was moved by Councillor N Smith, seconded by Councillor E Allman and

RESOLVED THAT:

The minutes of the meeting held on 20 October 2021 be confirmed as a correct record.

25. COMMITTEE WORK PLAN

Consideration was given to the Committee work plan.

By affirmation of the meeting it was

RESOLVED THAT:

The Committee Work Plan be noted.

26. EXTERNAL AUDIT UPDATE

The Head of Finance informed Members that in accordance with the ongoing audit on the published annual accounts 2020/21, the review of the council's property, plant and equipment was still underway. Therefore, there was a further delay in reporting the annual accounts to the committee until the confirmed valuations of those assets from the review could be included if necessary. It was confirmed that this was a technical issue and therefore had no impact at all on the General Fund or the Council's financial position.

The External Auditor addressed the committee to reaffirm comments made by the Head of Finance and to confirm that officers had been working closely with External Audit throughout the process.

Following a comment made by a Member raising concerns that the delay in the final annual accounts had now occurred in two consecutive years, the Head of Finance concurred that there had been issues in the past due to technical adjustments. Members were reassured that a clear action plan had been put in place to ensure completion as soon as possible.

A further discussion was had on the property, plant and equipment review issues and a technical explanation was given on the impact on the financial position.

The Chairman thanked External Audit for their attendance and update.

27. MEMBERS' CODE OF CONDUCT

The Head of Legal and Commercial Services presented the report to Members and handed over to the Legal Services Team Manager who went through the Code of Conduct detailed within appendix A of the report, including the reasonings behind the proposed changes.

A discussion was had on the integrity principle of public life and in response to a question, it was confirmed that a matter directly relating to a close friend, relative or close associate still needed to be declared at a meeting as detailed at paragraph 3.3 of Appendix B in the draft code. Members thanked officers for the hard work undertaken on bringing the matter forward and it was hoped collaborative working with other local authorities would continue.

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

RESOLVED THAT:

The report be noted.

28. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the report to Members and no comments were made.

It was moved by Councillor S Gillard, seconded by Councillor E Allman and

RESOLVED THAT:

The report be noted.

29. ASSESSMENT OF GOING CONCERN STATUS

The Head of Finance presented the report to Members.

A discussion was had on the ability to achieve a balanced budget in future financial years due to the forecasted reduction of funds. It was confirmed by the Head of Finance that although the 2023/24 financial year, as projected, would be the most difficult to date, he was confident the resilience was there to balance the budget. However, the financial years following this would be more difficult and it was important to now put plans in place for the long term.

The focus from national government on social care going forward was noted, along with the possible reduction in funds to the Council in the future as money was redirected to authorities that provided that service. It was confirmed that this would be included in future budget plans.

A comment was made in relation to the lack of reference to how future service provision to the community would be affected by budget reductions alongside the financial challenges. The Head of Finance explained that currently the Journey to Self Sufficiency Programme aimed to make savings that did not have an impact on services to the community, should that change in the future then it would be reported. It was requested that in future reports this be referenced even if there was no change to the provision of services at the time.

A concern was raised that a lot of reliance was being placed on the Journey to Self Sufficiency Fund going forward when there was some deficit within it. The Head of Finance explained that if funds were reduced in accordance with the worst scenario, national government should provide transitional relief that would reduce over time and there were also other nuisances in the scheme. The importance of focusing on obtaining a more sustainable budget over the next few years was reiterated.

It was moved by Councillor J Clarke, seconded by Councillor V Richichi and

RESOLVED THAT:

The conclusion that North West Leicestershire District Council is a going concern and the basis for that assumption be noted.

30. PROGRESS OF IMPROVEMENTS IDENTIFIED THROUGH ANNUAL GOVERNANCE REVIEW 2020/21

The Head of Finance presented the report to Members and no comments were made.

It was moved by Councillor N Smith, seconded by Councillor E Allman and

RESOLVED THAT:

The report be noted.

31. TREASURY MANAGEMENT ACTIVITY REPORT APRIL 2021 - DECEMBER 2021

The Finance Team Manager presented the report to Members.

A point made at a previous meeting was raised again in relation to the possibility of more ethical investments including moving away from fossil fuels. The Finance Team Manager confirmed that it was being investigated as part of the carbon zero programme and an update would be provided to committee as more information became available.

It was moved by Councillor V Richichi, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be approved.

32. CORPORATE RISK UPDATE

The Head of Finance presented the report to Members.

A Member noted that the EU exit risk had been reduced but felt that there should still be something included as there was still the potential for a no deal situation. It was also suggested that the risk of a local government reorganisation not be downgraded as the risk seemed higher when taking into consideration funding gaps as projected for future years.

The Head of Finance thanked Members for the comments and agreed to pass them on to the Risk Scrutiny Group at its next meeting.

It was moved by Councillor N Smith, seconded by Councillor E Allman and

RESOLVED THAT:

The report be noted.

33. STANDARDS AND ETHICS - QUARTER 3 REPORT

The Head of Legal and Commercial Services presented the report to Members and no comments were made.

It was moved by Councillor M Hay, seconded by Councillor E Allman and

RESOLVED THAT:

The report be noted.

Councillor M Wyatt left the meeting at 6.58pm.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.38 pm

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 08/04/22)

Issue	Report Author	Meeting at which will be reported
27 July 2022 (Provisional)		
External Audit Strategy Memorandum	Dan Bates, Head of Finance	27 July 2022
Progress of Improvements Identified through Annual Governance Review 2020/21	Dan Bates, Head of Finance	27 July 2022
Review of the Council's Constitution	Kate Hiller, Legal Team Manager and Deputy Monitoring Officer	27 July 2022
Treasury Management Activity Report - Quarter 1	Alex Branford, Finance Assistant	27 July 2022
Standards and Ethics Report - Quarter 1	Lauren Sturgess, Trainee Solicitor	27 July 2022
Internal Audit Progress Report	Kerry Beavis, Audit Manager	27 July 2022
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	27 July 2022
28 September 2022 (Provisional)		
2020/21 Audit Completion Report	Dan Bates, Head of Finance	28 September 2022
Annual Statement of Accounts 2020/21	Dan Bates, Head of Finance	28 September 2022
Annual Governance Statement 2020/21	Dan Bates, Head of Finance	28 September 2022
Annual Auditors Report 2020/21	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	28 September 2022
26 October 2022 (Provisional)		
Assessment of Going Concern 2021/22	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	26 October 2022

Issue	Report Author	Meeting at which will be reported
Treasury Management Activity Report - Quarter 2	Alex Branford, Finance Assistant	26 October 2022
Internal Audit Progress Report	Kerry Beavis, Audit Manager	26 October 2022
Standards and Ethics Report - Quarter 2	Lauren Sturgess, Trainee Solicitor	26 October 2022
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	26 October 2022
25 January 2023 (Provisional)		
Treasury Management Activity Report - Quarter 3	Alex Branford, Finance Assistant	25 January 2023
Annual Statement of Accounts 2021/22	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	25 January 2023
Annual Governance Statement 2021/22	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	25 January 2023
Annual Completion Report 2021/22	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	25 January 2023
Annual Auditors Report 2021/22	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	25 January 2023
Progress of Improvements Identified through Annual Governance Review 2020/21	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	25 January 2023
Internal Audit Progress Report	Kerry Beavis, Audit Manager	25 January 2023
Standards and Ethics Report - Quarter 3	Lauren Sturgess, Trainee Solicitor	25 January 2023
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	25 January 2023

Issue	Report Author	Meeting at which will be reported
26 April 2023 (Provisional)		
Accounting Policies and Materiality 2022/23	Anna Crouch, Finance Team Manager & Deputy S151 Officer	26 April 2023
Treasury Management Stewardship Report 2022/23	Alex Branford, Finance Assistant	26 April 2023
External Audit Strategy Memorandum 2022/23	Mark Walker, Head of Finance & Customer Services and Section 151 Officer	26 April 2023
Internal Audit Progress Report	Kerry Beavis, Audit Manager	26 April 2023
Standards and Ethics Report - Quarter 4	Lauren Sturgess, Trainee Solicitor	26 April 2023
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	26 April 2023

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022

Title of Report	FUTURE EXTERNAL AUDIT ARRANGEMENTS	
Presented by	Mark Walker - Head of Finance (Section 151 Officer) and Customer Services	
Background Papers	None	Public Report: Yes
Purpose of Report	This report sets out proposals for appointing North West Leicestershire's external auditor for the accounts for the five-year period from 2023/24.	
Recommendations	THAT THE COMMITTEE RECOMMEND TO COUNCIL THAT IT ENDORSE THE DECISION MADE TO ACCEPT PUBLIC SECTOR AUDIT APPOINTMENTS' (PSAA) INVITATION TO OPT INTO THE SECTOR-LED OPTION FOR THE APPOINTMENT OF EXTERNAL AUDITORS TO PRINCIPAL LOCAL GOVERNMENT AND POLICE BODIES FOR FIVE FINANCIAL YEARS FROM 1 APRIL 2023.	

1.0 BACKGROUND

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. North West Leicestershire District Council opted into the 'appointing person' national collective auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. Mazars have been the Council's appointed auditors for this period.
- 1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies need to make a decision about their external audit arrangements for 2023 onwards. When considering this issue NWLDC, like other councils, had the option to arrange their own procurement and make a direct appointment or to take advantage of the national collective scheme arranged by PSAA.
- 1.3 Having considered the options, the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;

- if it does not use the national appointment arrangements, the Council/Authority will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

1.4 The Council was required to make a decision about whether to opt in or out of the national scheme by 11 March 2022. Due to the timing of the work on this matter it was not possible to bring this report to an earlier meeting of this Committee and the Council. Based on advice from the Interim S151 Officer, which included an assessment of the benefits of opting in versus opting out, the Chief Executive took the decision to opt-in to the national auditor appointment arrangements ahead of the 11 March 2022 deadline. The committee is asked to endorse the decision to opt-in ahead of consideration by Full Council on 10 May 2022. It is worth noting that 470 out of 475 public sector bodies including all but one district opted-in to the arrangements for the next period.

Policies and other considerations, as appropriate	
Council Priorities:	No direct implications. The recommended opt-in is considered the best means for establishing value for money in respect of the external audit arrangements.
Policy Considerations:	No direct policy considerations.
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	Mark Walker Head of Finance (Section 151 Officer) and Customer Services mark.walker@nwleicestershire.gov.uk

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022



Title of Report	INTERNAL AUDIT PROGRESS REPORT 2021/22 Q4	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2021/22	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2021/22 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

1.0 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 2021/22 Audit Plan on 21 April 2021. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 January 2022 to 31 March 2022 (Q4) 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	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2021/22 Q4

1. Introduction

- 1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby DC and Charnwood BC. 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 2021/22 Internal Audit Plan up to 31st March 2022.

2. Internal Audit Plan Update

- 2.1. The 2021/22 audit plan is included at Appendix A for information and shows the audits in progress. Since the last update report three final reports have been issued from the 2021/22 audit plan.
- Green Homes Grant Phase 1b - Substantial
 - Grounds Maintenance - Reasonable
 - Building Control - Reasonable

The executive summaries for the reports are included at Appendix B.

- 2.2. The audits currently in progress:
- Estates Compliance Arrangements
 - Fire Safety and Management – Housing
 - Rent Accounting
 - Project Management

3. Internal Audit Recommendations

- 3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are three overdue Internal Audit recommendations which are included in Appendix C for information.
- 3.2. Both CLT and Audit and Governance Committee were keen to track the progress of recommendations made following the Safeguarding Audit and Health and Safety – Covid-19 (final reports issued February and March 2021 respectively). As there are now only 3 outstanding recommendations in total these have been included within the outstanding recommendations table at Appendix C.
- 3.3. A review of the process for the follow-up of recommendations has been carried out and it has been agreed with CLT that –
- Audit will carry out 2 follow-up reviews, the responsibility to advise audit of the implementation of the recommendation will then be passed to the officer responsible and the relevant head of service. In addition to this a report will be submitted to CLT on a monthly basis detailing all overdue recommendations.
 - Audit will continue to report outstanding/ overdue recommendations to Audit & Governance committee.

4. Internal Audit Performance Indicators

- 4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix D. Work on the 21/22 audit plan is progressing in line with work scheduling.

Appendix A

2021/22 AUDIT PLAN AS AT 31st MARCH 2022

Audit Area (Report No.)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
High value grant claim arrangements	Audit	8	19	Final	Reasonable	-	5	1	-	
Leisure Recovery Support	Audit	6	6	Final	Substantial	-	-	-	-	
Risk Management	Audit	7	7	Final	Reasonable	-	-	5	1	
Estates Compliance Arrangements	Audit	8	15	Draft Report						
Green Homes Grant Phase 1b Certification	Audit & Certification	10	9	Final	Substantial	-	1	-	-	Certification request yet to be received.
CCTV	Audit	6	-	Cancelled						Postponed due to procurement delays.
Grounds Maintenance	Audit	8	14	Final	Reasonable	-	2	-	2	
Fire Safety and Management - Housing	Audit	8	4	In progress						
Key Housing Systems	Audit	12	-	Postponed to 2022/23						Partially postponed to 2022/23 due to system implementation. Housing Rents is currently in progress – see below.
Housing Rents	Audit	8	6	In progress						
Building Control	Joint Audit	8	6	Final	Reasonable	-	1	3	-	
Project Management	Audit	8	2	In progress						
Covid-19 Related Assurance	Assurance	20	8	As required						Work on Compliance and Enforcement Grant and Business Grants.
New finance system advisory	Advisory	10	2	Monthly						

Audit Opinion Key

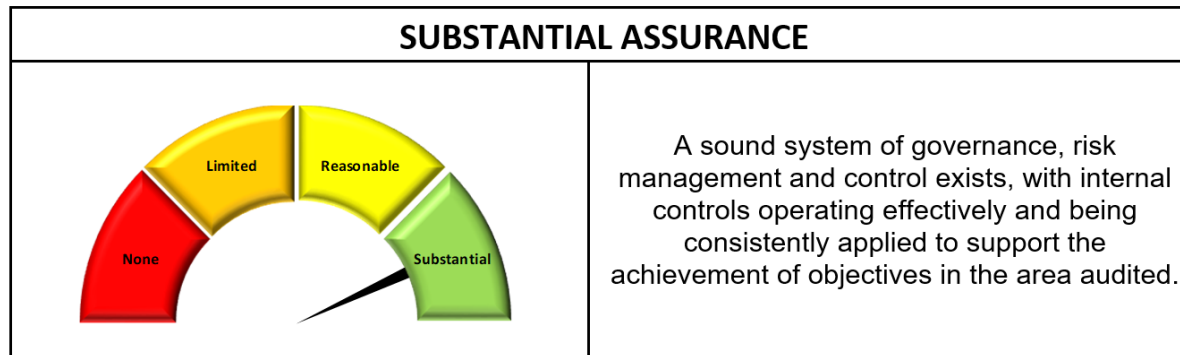
Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management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

Audit Recommendations Key

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed or potential opportunities for management to improve the operational efficiency and/ or effectiveness of the system.

SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 1st JANUARY & 31st MARCH 2022

GREEN HOMES GRANT



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Key Findings

Areas of positive assurance identified during the audit:

- Comprehensive records have been maintained detailing those properties selected and the improvements undertaken.
- Monthly progress reports have been provided to BEIS

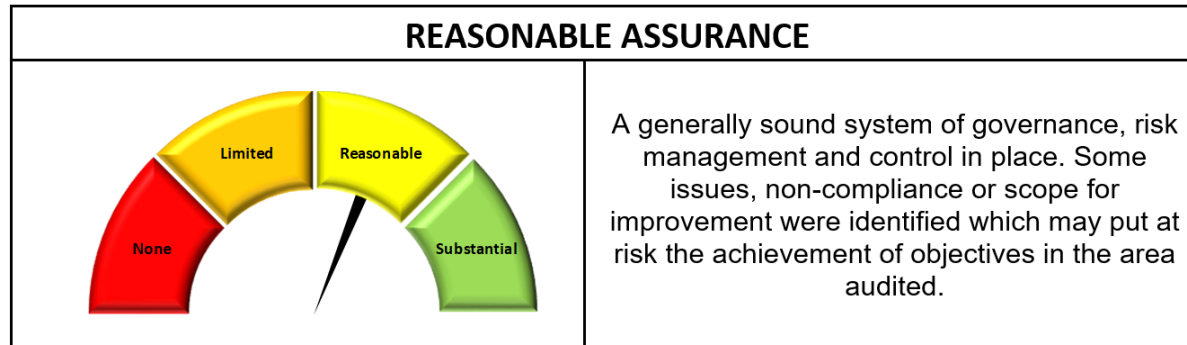
The main areas identified for improvement are:

- Verification of household income.

Appendix 1

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
All evidence should be retained to confirm that the criteria has been fully met as per the grant requirements.	High	<p>We have introduced a new formal process where we take screen shots from the housing system to confirm tenants' income when in receipt of benefits.</p> <p>If the tenants are not on benefits then a home visit/telephone call is arranged to confirm that household income does not exceed £30k.</p> <p>Currently awaiting confirmation from BEIS as to what they believe is acceptable evidence regarding low income checks.</p>	Housing Assets Team Manager	Immediate and ongoing.

GROUPS MAINTENANCE



Key Findings

Areas of positive assurance identified during the audit:

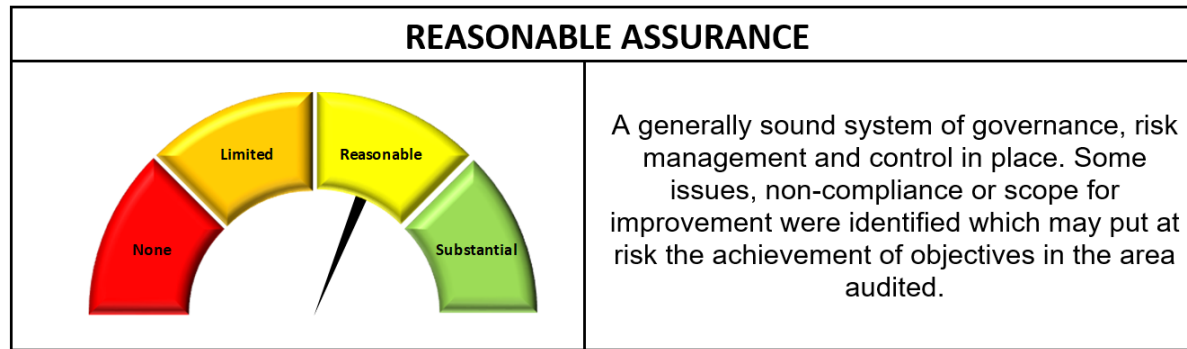
- Procedures are in place for key processes.
- Contract procedure rules have been followed for purchases.
- Internal recharges are dealt with promptly and posted to correct ledger codes.
- Contracts are invoiced regularly and correctly.
- There is regular and effective budget monitoring.
- Risk assessments are in place for activities carried out by Grounds Maintenance operatives.
- Processes are in place to ensure customer feedback is appropriately reviewed and responded to.

The main areas identified for improvement are:

- Inventory of plant and equipment.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The standard hourly rate to be used for operatives should be reviewed on an annual basis. There should be evidence retained to support the agreed hourly rate to be applied for each financial year.	Low	Hourly rate for operatives to be reviewed annually in liaison with the Finance Business Partner	Parks and Open Spaces Team Leader	1 st April 2022
2. The unpaid invoices raised in 2016 should be considered for write off.	Low	Debts have been discussed with staff at Grounds Maintenance and will be written off or have credit notes applied as appropriate.	Exchequer Services Team Leader	Complete
3. A full review of all equipment held by Grounds Maintenance is carried out and all items are recorded on the inventory with reviews being carried out at least annually going forward to ensure that Financial Procedure Rules are correctly followed.	High	Inventories to be reviewed as a year-end process by 31 May for the previous financial year	Parks and Open Spaces Team Leader	31st May 2022
4. The inventory should include full details of the items, and include purchase and disposal date and details of disposal	High	Process to be implemented to ensure inventories are updated on the purchasing and disposal of equipment	Grounds Maintenance Supervisor	31st May 2022

BUILDING CONTROL



Key Findings

Areas of positive assurance identified during the audit:

- Regular monitoring meetings are taking place, for both the Management Board and Sub-Group.

The main areas identified for improvement are:

- Contract monitoring information, including financial data and key performance indicators, requires review to ensure suitability.
- A process needs to be established that effectively monitors and records issues raised by the Joint Management Board.
- Vacancies within the building control service structure.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
A full review of the KPI's is carried out to ensure that the board are fully aware of the current position of the service and to assist in any future decisions.	High	Agreed as per recommendation.	Head of Planning and Regeneration in partnership with Head of Planning and Regeneration (CBC).	May 2022
KPI reports should include both specific period and year to date figures.	Medium	A KPI scorecard has been created in response to a request from the Joint Management Board (JMB) and was presented and adopted in the February 2022 Board meeting.	Presented to JMB in February 2022	Implemented
Each Board/ Group should develop an action plan to regulate direction and record progress.	Medium	Agreed as per recommendation. A suggestion will be made to extend sub-group meetings to discuss the reports being presented to Joint Management Board.	Head of Planning and Regeneration	May 2022
The issue of recruitment and the plans for recruitment to ensure that the service is able to meet the requirements of the agreement is raised at the Joint Management Board. Members of the board should determine the steps being undertaken by Charnwood Borough Council (CBC) to resolve this issue and establish what contingences are in place.	Medium	Agreed as per recommendation. There is a report on recruitment being presented at the next JMB meeting. This is as much a risk to CBC as NWLDC.	Head of Planning and Regeneration in partnership with the Head of Planning and Regeneration (CBC).	May 2022

Appendix C

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31st MARCH 2022

Report		Recommendation		Rating	Officer Responsible	Target Date	Internal Audit Comments
2020/21 Audits							
3	Safeguarding	8	The Recruitment Policy should be updated and include safer recruitment processes which should be undertaken when recruiting to posts that have contact with vulnerable groups.	High	Head of HR and Organisational Development	Jun-21	IA follow up has found this hasn't yet been published.
3	Safeguarding	5	A Modern Slavery Statement should be produced annually and published on the Council website within six months of the councils year end. Government guidance should be followed when preparing this document.	High	Head of Finance (S151)	Sep-21	Ongoing
4	Health & Safety COVID-19	1	There should be a comprehensive record of all statutory Health and Safety inspections / checks that are required by the Council. This record should cover all services and be monitored and reported against on a regular basis to ensure checks have taken place as required.	High	Head of Human Resources and Organisational Development in conjunction with the Head of Customer Services, Corporate Property and Assets in his role as Chair of the Statutory Duty Group.	Jun-21	This has now been transferred to the compliance audit carried out during 2021/22 and will be followed up there.

2021/22 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31/03/2022	Comments
Achievement of the Internal Audit Plan	70%	1 audit is currently at draft stage, and 3 audits are well underway.
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	
Annual Opinion Report - July 2021 Audit and Standards Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on 3 for 20/21 and 2 for 21/22.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 th November 2020 which confirmed that we conform with the Public Sector Internal Audit Standards.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022**



Title of Report	INTERNAL AUDIT 2022/23 ANNUAL AUDIT PLAN.	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards	Public Report: Yes
Purpose of Report	To inform the Committee of the proposed Internal Audit Annual Plan for 2022/23 and allow them to comment and approve.	
Recommendations	THAT THE COMMITTEE 1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. 2. APPROVES THE 2022/23 INTERNAL AUDIT ANNUAL PLAN.	

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service and risk based plan supports the delivery of all council priorities.
Consultation/Community Engagement:	The corporate leadership team have been consulted during the development of the plan.
Risks:	The absence of a risk based internal audit plan could lead to an inefficient internal audit service.
Officer Contact	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

2022/23 Internal Audit Annual Plan

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive (the Audit Manager for this Council) to develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. This document sets out the background and the approach to producing the annual plan, with the 2022/23 annual plan attached at Appendix A.

2. BACKGROUND

- 2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.
- 2.2. Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 2.3. The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:
- establishes Internal Audit's position within the organisation;
 - authorises access to records, personnel and physical properties relevant to the performance of engagements; and
 - defines the scope of Internal Audit activities.
- 2.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



Source: Chartered Institute of Internal Auditors

3. INTERNAL AUDIT PLAN

3.1. Overall Strategy

- 3.1.1 The key aim of the service is to provide an independent, objective assurance and advisory function which is designed to add value and improve the Council's operations. This supports North West Leicestershire District Council in the achievement of its priorities and helps services to provide good value for money, as it brings a systematic disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.
- 3.1.2 The Audit Manager has produced a risk-based annual audit plan for 2022/23. This is informed by a risk assessment which is based on a combination of:
- consulting with key stakeholders including senior management;
 - reviewing the strategic risk register and committee minutes;
 - reviewing reports from external agencies (for example external audit) and legislative updates;
 - factors such as changes in staffing, systems and processes; and
 - the Audit Manager's professional judgement.

This approach enables the finite resources of the team to be focussed on areas where it can add value and conforms to the Public Sector Internal Audit Standards.

- 3.1.3 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Audit Manager's annual opinion on the Council's internal control environment. This opinion feeds into the Council's Annual Governance Statement.
- 3.1.4 It should be noted that the Public Sector Internal Audit Standards state that
- "The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls."*

The Audit Manager will ensure that the audit plan is regularly reviewed and adjusted as necessary throughout 2022/23. In practice this may mean that audits are added to or removed from the plan, with details included in the quarterly progress reports.

3.2. Resources Available

- 3.2.1 The Audit Team who will deliver the 2022/23 annual audit plan at North West Leicestershire District Council consists of the Audit Manager (0.32 FTE), Senior Auditor (0.2 FTE), Internal Auditor (0.69 FTE), and an IT audit contractor Table 1 shows a calculation of the available audit days for 2022/23, this does not include the days for the IT auditor.

Table 1: Resources Available

Available Days	245
Team and Contract Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports/External Audit	33
Corporate Meetings/General Admin/ Minutes Review/Regional Audit Groups	20
Available Audit Days	192

3.3. Internal Audit Annual Plan 2022/23

- 3.3.1 The proposed 2022/23 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council's objectives and the risks identified by management and the audit team. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

Table 2: 2022/23 Annual Audit Plan

Risk Based Audit Work 2022/23 (see Appendix A)	119
Completion of 2021/22 Outstanding Audits	10
Follow up reviews	10
Advisory – Ad hoc	10
Public Sector Internal Audit Standards	4
NFI and RIPA	22
Risk Scrutiny	4
Contingency	13
Total Audit Days	192

- 3.3.1 Three of the Council's key financial systems (Benefits, Council Tax and NNDR) are provided by the Leicestershire Revenues and Benefits Partnership, and therefore the audits in relation to these systems will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council. The Audit Manager will review the audit reports to take assurance from them.
- 3.3.2 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high-level consideration of the scope and existing arrangements. As part of the set-up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audits days against actual and for ad-hoc or fraud investigations that may arise during the year. Due to the limited resources available, only 13 days have been included at this time. However, 10 days have been allocated in the plan to respond to any Covid-19 related assurance which may be required but cannot be specified at this time and 22 days have been included for NFI work, with the majority specifically relating to the COVID-19 grant

match outcomes. The quarterly progress reports to Audit and Governance Committee will include a comparison of planned to actual days for each audit undertaken.

3.4 Limitations

- 3.4.1 The matters raised in the audit reports will only be those which come to our attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all the improvements that may be required. Whilst every care will be taken to ensure that the information contained in audit reports is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained therein. Our work does not provide absolute assurance that material errors, losses or fraud do not exist.

2022/23 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA/RISK REGISTER	PLANNED AUDIT DAYS
REGENERATION				
Cultural Services	Advisory	As required	1	2
Subtotal				2
HOUSING				
Housing Repairs	Audit	Q2	3	10
Housing Planned Maintenance	Audit	Q2	3	10
Choice Based Lettings	Audit	Q1/2	3	8
Rent Arrears	Audit	Q3	3/ RR11	7
Right to Buy	Audit	Q1	3	8
Social housing decarbonisation grant	Advisory	As required	3	2
Subtotal				45
COMMUNITY SERVICES				
Anti-social behaviour	Audit	Q3	2	8
Waste Services	Advisory	As required	5	2
Subtotal				10
FINANCE				
New finance system	Advisory	As required	All/RR2 & 3	10
Key financial systems	Risk based	Q2/3/4	All/RR2 & 3	30
Tax	Audit	Q2	All/RR2 & 3	10
Subtotal				50
LEGAL & COMMERCIAL SERVICES				
Information Governance	Advisory	As required	All	2
Subtotal				2

CROSS CUTTING				
Covid-19 Related Assurance	As required	As required	All	10
Subtotal				10
Total				119

Key

1. Supporting Coalville to be a more vibrant, family friendly town
2. Our communities are safe, healthy and connected
3. Local people live in high quality, affordable homes
4. Support for businesses and helping people into local jobs
5. Developing a green and clean district

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022

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 FOR CONSIDERATION BY THE RISK SCRUTINY GROUP.	

1.0 BACKGROUND

- 1.1 As part of the agreed Risk Management approach this report presents the latest version of the Corporate Risk Register as reviewed at the last meeting of the Risk Scrutiny Group in March 2022. In line with the policy, members of this Committee, and Cabinet are to receive periodic updates on risks monitored through the Corporate Risk Register.
- 1.2 The updated Risk Register can be found at Appendix 1 . No changes have been made to the Risk Register in the last period. Out of the 14 active risks, 0 are Red, 7 are Amber and 7 are Green.
- 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. The report is based on an update in March 2022, any further update on significant changes in risk will be provided at the meeting.
- 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 at its next meeting.

Policies and other considerations, as appropriate	
Council Priorities:	Effective risk management underpins the ability of the Council to deliver against all 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 and non financial risks
Officer Contact	<p>Andy Barton Strategic Director</p> <p>Andy.Barton@nwleicestershire.gov.uk</p>

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	
37	1 SOCIAL/ POLITICAL/ LEGAL Death / serious harm to a vulnerable person receiving a council service and safeguarding compliance	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. Ensuring compliace with Safeguarding legislation and practise.	Lack of response to a safeguarding report. Service failure. Modern slavery. poor safeguarding assurnace	4	3	12	Environmental Health Team Manager	Head of Community Services	The organisation has the following structures in place; A recent audit with action plan of reasonable assurance An identified Corporate 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 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.	3	1	3	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	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 Monthly management reviews monitor actual spend against budgets and forecast to the end of the year.	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.						Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place. Financial planning processes have been documented and are reviewed regularly. Internal and External audit of systems and accounts. Procurement of new finance system with increased controls and monitoring underway				
38	3 REPUTAITONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies / changes to financial picture	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.	4	3	12	Head of HR and OD	Chief Executive	Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise.	3	2	6	Stable
			Changes to income or financial climate						Current and forecasted balance MTFS, although uncertainty regarding future gov funding streams and impacts of changes such as DevCo/Freeport etc				
			Inability to recruit to vacancies / retain staff.						Advance planning will help to mitigate this risk; recent COVID expereince demonstrates NWL able to react and adjust				
			unexpected or unplanned event (eg pandemic)						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, and boyant at present. 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.				

	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	
									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'.				
39	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.	3	3	9	Finance Team Manager. All Team Managers.	All Heads of Service	Oversight Board structure in place to oversee major project work & compliance group now in place to oversee these elements of contracted work.	2	3	6	Stable
			Legal and procurement teams not consulted when contractors are engaged. Loss of key staff or supplier. Procurement procedures are not followed. The council contributes to modern slavery via it's contracts and supplies.						Corporate procurement support and legal team to support where necessary on contract management. Corporate procurement team re-established and charged with reviewing Procurement Strategy as part of MTFS. Analysis of sepnd undertaken and procurement toolkit to be produced to cover majority of lower value procurments with high value and complex procurements to be supported by specialised function.				
	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.	Systems not in place to protect sensitive data. Staff are not properly trained in managing information, and do not follow internal procedures. Changes in working practises casuing unintended risk/exposure	3	3	9	Legal Services Team Manager	Head of Legal & Support Services	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. The Council has a dedicated SIRO and DPO. Corporate Governance Groups are in place to scrutinise impacts/issues arising. Internal audit was carried out in December 2019. The outcome of the audit was a Grade 1. One medium risk recommendation	2	2	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	
									Information Governance Team to cooperate with the supervisory authority and monitor compliance with Data Protection laws.				
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre).	Lack of planning, training and exercising of Emergency plans	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	Business continuity plans have been documented, policies and procedures are in place.	4	1	4	Stable
		Adverse publicity. “Business as usual” not possible without appropriate business continuity plan in place.	Inadequate Corporate Business Continuity Management.						The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations.				
		Breakdown in relationship with other responders.	Lack of procedural understanding						Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place & continued reassessment for ongoing incidents. COVID experience shows capability and works.				
40	7 LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	“Business as usual” would not be possible. Cost of repelling cyber threat and enhancing security features.	Systems not in place or kept current to deflect any foreseeable cyber attack. Limited staff awareness of possible threats. Lapse in security awareness and basic processes from a technical and human perspective.	4	4	16	ICT Manager	Head of Customer Services	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. 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. 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. Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at work and in the office. New business services are run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres.	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	
									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. Latest Audit / assessments all confirm secure environment Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials Plus and the Public Services Network.				
8 41	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	Greater use of professional project managers for key projects. Work ongoing to address project methodologies deployed across the council. Greater use of external / out of subject board members. Board structure covering all major projects in place 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 2020 was, GRADE 1, with one recommendation, which has already been addressed and provides assurance that the organisation's IT arrangements are	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	
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	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.	4	1	4	Stable
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to serious fraud, corruption or theft	Financial, reputational and political damage to Council.	Lack of checks and balances within financial regulations. Poor budget / contract management. Poor monitoring of / adherence to financial systems	4	3	12	Head of Finance. All Team Managers & Heads of Service.	Directors	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. Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed. Completion of the Annual Governance statement. A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. Policy Refreshed late 2020 - refresh of training underway.	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	
43			Changes in working practises casuing unintended risk/exposure						<p>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. New Covid related Grants all subject to external audit and compliance checks.</p> <p>Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes.</p> <p>Participation and strengthening of involvement in National Fraud Initiative (mandatory)</p> <p>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.</p> <p>Information on how to report fraud is on the website including relevant links.</p>				

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	
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, and will be reviewed in light of October 21 Comprehensive Spending Review. Change in budgeting focus from incremental to outcomes focussed expected to identify quick wins and pland for longer term self-sufficiency. 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	Stable
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, or elected Major 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 any 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. Gov stance changed to no longer pursue wholesale LGR - County Deals not linked to LGR.	1	3	3	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	
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	Strategic Director & 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. Establish contingency plans after scenario based assessment of resources required for increase in checks and controls, & access to alternative IT systems. Watching brief 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. Applied for and gainted additional support funding for Port activity	2	2	4	Reduced
45													
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	Balanced budget achieved with additional government grant support. Continued active engagment and lobbying to ensure that all options for support are considered and actioned where possible. Are some serice areas that contiune to struggle to maintain services due to restrictions / staffing shortages.	3	2	6	Stable

	Corporate Risk Register												
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	Movement of Risk

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

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 Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY,
20 APRIL 2022

Title of Report	TREASURY MANAGEMENT STEWARDSHIP REPORT 2021/22	
Presented by	Anna Crouch Finance Team Manager and Deputy S151 Officer	
Background Papers	Capital Strategy 2022/23 – Council 1 February 2022 Treasury Management Strategy Statement 2022/23 and Prudential Indicators 2021/22 to 2023/24 – Council 1 February 2022 Investment Strategy – Service and Commercial 2022/23 – Council 1 February 2022 Budget and Council Tax 2022/2023 – Council 1 February 2022 Treasury Management Activity Report April 2021 to December 2021 – Audit and Governance 19 January 2022	Public Report: Yes
Purpose of Report	For Members to consider the draft Treasury Management Stewardship Report for 2021/22 before approval by Cabinet in June.	
Recommendations	THAT MEMBERS CONSIDER 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 This report fulfils the council's legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the Statutory Guidance on Local Government Investments.
- 1.3 In 2021/22, Council approved its Capital Strategy (included in the Budget and Council Tax report) and Treasury Management Strategy Statement, including the Borrowing Strategy, Debt Rescheduling Strategy, Annual Investment Policy and Strategy, Interest Apportionment Policy, Prudential Indicators and Annual Minimum Revenue Position Statement in its meeting on 23 February 2022.

- 1.4 Investing or borrowing activities expose the council to financial risks including the loss of invested funds and the revenue effect 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 U.K. ECONOMY AND OTHER FACTORS

- 2.0 An economic update and interest rate forecast has been provided by our Treasury advisors Arlingclose on 04/04/2022

Q4 Economic Commentary

Economic background: The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase

scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

Financial markets: The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

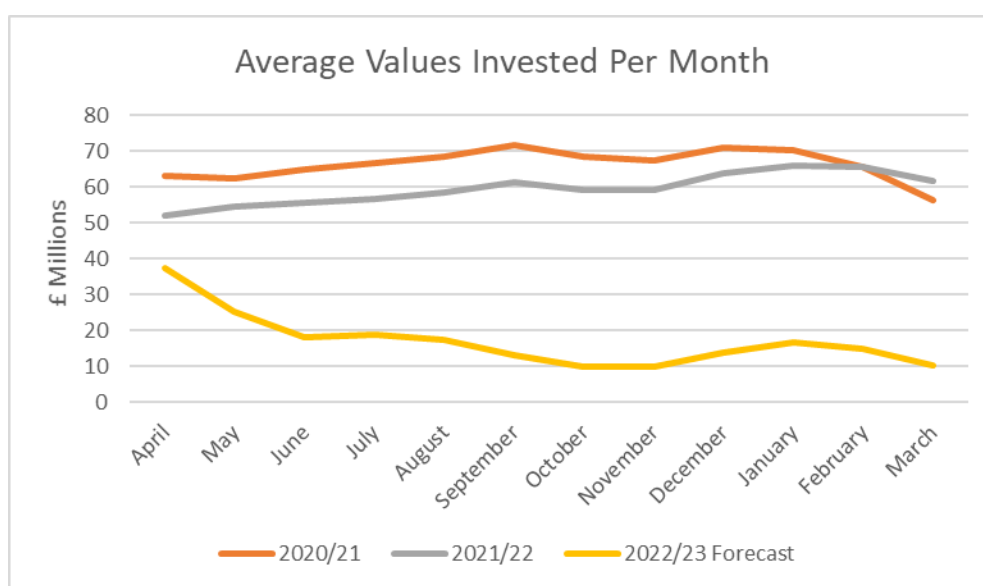
3.0 THE COUNCIL'S TREASURY POSITION.

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

	01.04.21 Balance £m	Movement £m	31.03.22 Balance £m	31.03.22 Rate %
Long-term borrowing	79.05	-14.19	64.86	3.37%
Short-term Borrowing	0.00	0.00	0.00	0.00%
Total Borrowing	79.05	-14.19	64.86	3.37%
Long-term investments	0.00	0.00	0.00	0.00%
Short-term investments	33.00	-2.00	31.00	0.67%
Cash & cash equivalents	14.50	3.50	18.00	0.32%
Total Investments	47.50	1.50	49.00	0.54%
Net Borrowing - Investments	31.55		15.86	

3.2 The average value of treasury balances per month are shown in the graph below. The forecasted balances for 2022/23 based on expected cash flows are also shown in the graph. The 2022/23 levels are significantly lower than previous years largely due to:

- the repayment of £14m of HRA PWLB loans on the 28 March 2022;
- a £1m bond repayment is due to Cornwall County Council in September 2022;
- Covid 19 and energy rebate grant payments; and
- the delivery of capital programmes.



4.0 BORROWING ACTIVITY.

- 4.1 The Council's Borrowing Strategy 2022/23 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 In 2021/22 two HRA PWLB loans matured at a value of £13m on the 28 March 2022. Additionally, two HRA PWLB annuity loans that require a part of the principle to be repaid each year were repaid at a value of £1.2m. £2.7m has been paid in interest on existing loans split over both the GF and the HRA.
- 4.3 The Treasury Management Strategy Statement (TMSS) identified that borrowing would potentially be required during 2022/23 to maintain MIFID investment levels of £10m. Maintaining £10m in investment balances allows the Council to keep its professional investment status giving

greater access to investment opportunities and higher level advice from our treasury advisors Arlingclose. A decision has been made by a previous Head of Finance to keep balances at a minimum £10m for this reason. If borrowing is required during 2022/23 short term investments will be used to maintain balances and keep borrowing costs down until the time at which it is identified that a longer period of borrowing is required.

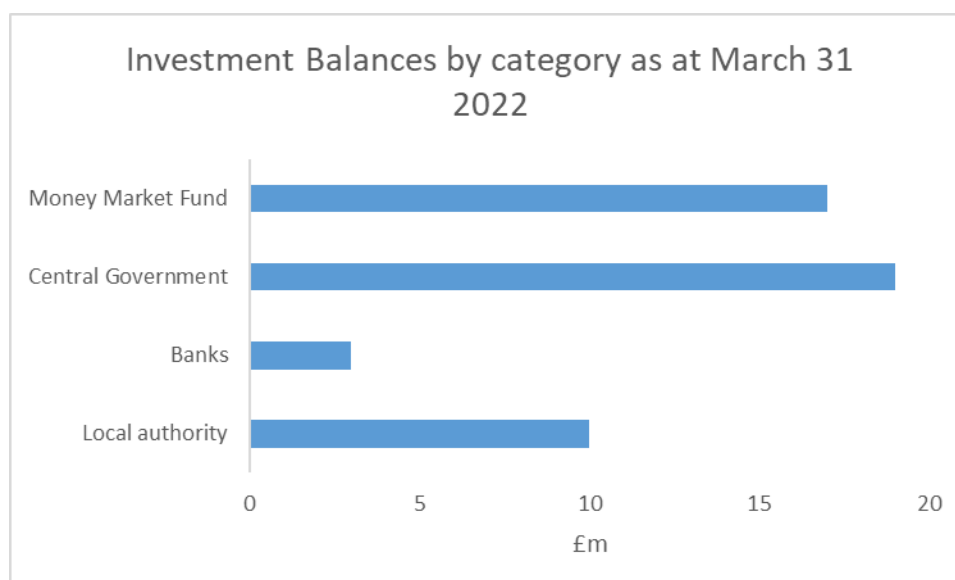
- 4.4 The Council had approximately £16m of internal debt at 31 March 2022. This is the cumulative value of internal cash balances used to finance new capital expenditure instead of financing through unsupported borrowing. This is currently judged to be the most cost-effective means of funding the capital programme.
- 4.5 The estimated Minimum Revenue Provision (MRP) is intended to ensure that the capital financing debt is paid off over the longer term. The MRP charge made to General Fund revenue account for 2020/21 is £962k.
- 4.6 The Housing Revenue Account is not required to make MRP charges. However, the Council classes the principal repayments made in respect of the two PWLB annuity loans taken out as part of the housing self-financing in 2011/12, as MRP. In 2020/21, this repayment was £14.2m.

5.0 DEBT RESCHEDULING ACTIVITY.

- 5.1 The Council's Debt Rescheduling Strategy 2021/2022 established 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 year.
- 5.3 The council's portfolio of eleven loans - eight PWLB loans and three market loans continue to be monitored alongside Arlingclose for debt rescheduling opportunities.

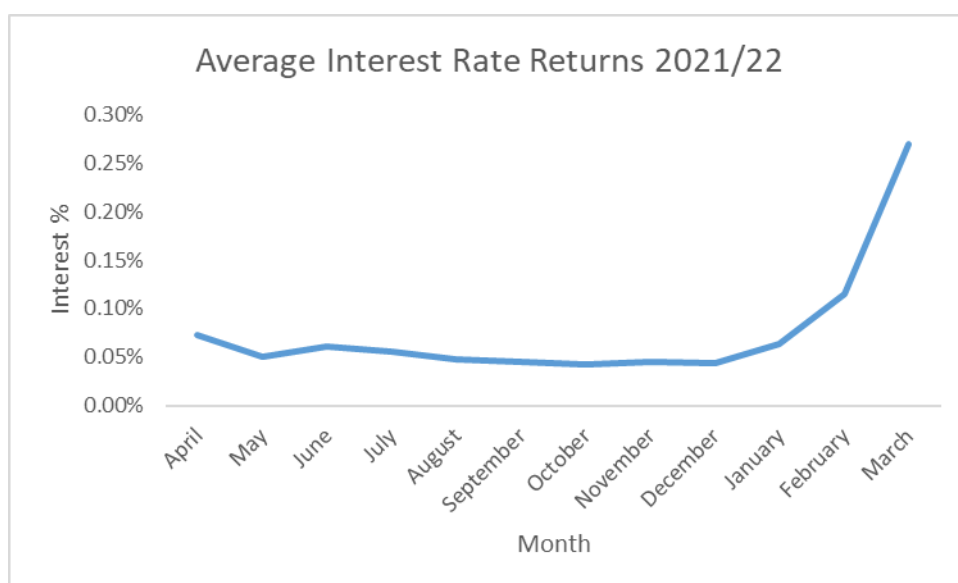
6.0 TREASURY MANAGEMENT INVESTMENT ACTIVITY.

- 6.1 The main objective of the council's Investment Policy and Strategy 2021/22 is to invest its surplus funds prudently.
- 6.2 The council's investment priorities (S.L.Y.) are:
- **S**ecurity of the invested capital;
 - **L**iquidity to permit investments; and,
 - **Y**ield which is commensurate with security and liquidity.
- 6.3 To lower the inherent investment risk, the Council has set limits for the amount invested in each type of investment. This can be found in the Treasury Management Strategy Statement for 2021/22 and has been updated for the next financial year in the Treasury Management Strategy Statement 2022/23. A range of lengths of investment from overnight to 304 days are currently utilised to ensure that the principles of security, liquidity and yield are followed. The table below shows the range of counterparties used by the council and the values invested at 31 March 2022.

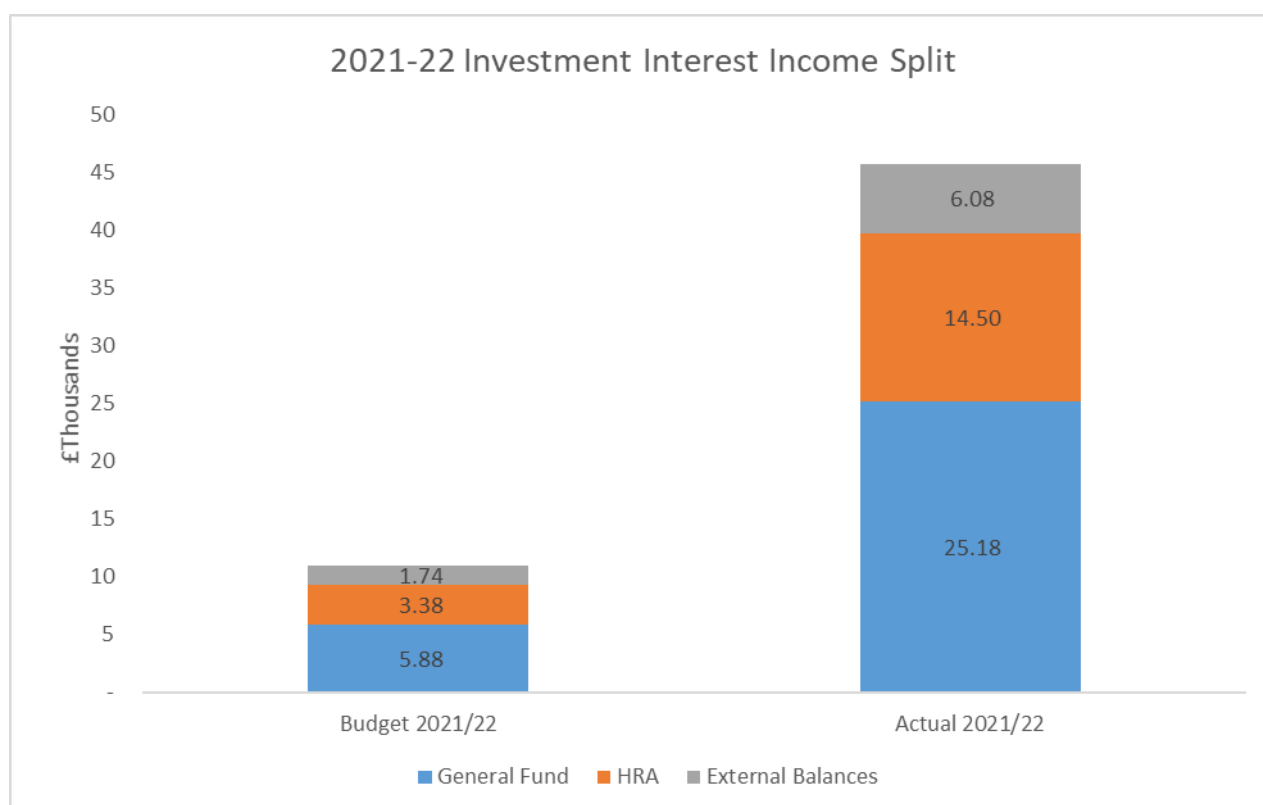


- 6.4 The counterparties that the council currently use all meet the criteria set out in the Treasury Management Strategy Statement 2021/22 and are monitored by the Treasury Management Advisors. A detailed list of the counterparties used and amounts currently invested can be seen in Appendix A.
- 6.5 The Council's investments are made with reference to the Council's cash flow forecast, the outlook for the UK Bank Rate, money market rates, the economic outlook and advice from the Council's treasury adviser.
- 6.6 The Council exercises due diligence by assessing the organisation's financial stability. This is achieved by reviewing their credit status, most recent audited financial statements, auditor's report, budget report and current news which is financial in nature. All decisions are signed off the by the Section 151 Officer or the Deputy Section 151 Officer.
- 6.7 The average rate of return on the Council's investment balances for the year was 0.07%. For comparison purposes, the average benchmark return, SONIA (Sterling Overnight Index Average), for the year was 0.14%, for a more direct comparison similar Local authorities at Period 9 had an average return of 2.79%. The Councils returns are lower than comparison largely due to taking a very low risk approach in addition to not having funds invested long term due to forecasts showing us entering a borrowing position during the next financial year.
- 6.8 Paragraph 6.7 above explains that the current average rate of return of 0.07% has been achieved. This was an over performance from the budgeted interest of 0.034%, this was achieved in part due to the increased bank rate from 0.1% to 0.25% in December increasing investment income across the board. Bank rate was again increased in February 2022 to 0.5% and again to 0.75% in March. The later increases can be seen in the below graph in section 6.10 towards the end of the year.
- 6.9 Investment return for the year was £40,000 - £31,000 above the budgeted figure of £9,000. This was largely due to the unanticipated bank rate increases.
- 6.10 Average investment percentage returns for the year are shown in the graph below. This reflects actual money received from investment maturity rather than interest on existing investments that have not yet matured. This means that the rate of return will continue to rise into the new

financial year. This is best demonstrated by the difference between total interest rate of 0.54% shown in Appendix A in comparison to the below graph.



- 6.11 Of the income achieved, 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 amount to be applied is forecast at £6,000. This is not budgeted for as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 6.12 The remaining balance of £40,000 is apportioned between the General Fund which will receive £25,000 and Housing Revenue Account which will receive £15,000. These values are subject to change as final balances for 2021/22 are still to be confirmed.
- 6.13 The budgeted and actual levels of investment income to be apportioned is represented in the table below.



6.14 There were two breaches of investment limits in the year and have been reported in year to the Audit and Governance Committee:

1. On 20 July 2021 an expected repayment of a loan from a Local Authority was not received resulting in an overdrawn balance of £4.7m. The Local Authority was contacted and funds repaid the following day along with the Authority being invoiced the charge for the overnight overdraft.
2. On 1 December 2021 the bank balance limit of £5m was exceeded by £79,000 this was due to an unexpected, large payment of rates being received into the Council's bank account late in the day.

7.0 NON-TREASURY INVESTMENT ACTIVITY

7.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in Statutory Investment Guidance, in which the definition of investments is further broadened to include all such assets held partially for financial return.

7.2 The following list represents the council's current investments in this area.

Property or Type	Value at 31 Mar 2022
Industrial Units	TBC
Markets	TBC
Land	TBC
Whitwick Business Centre	TBC

7.3 More detailed information can be found in the "Investment Strategy – Service and Commercial" which was presented to Council on 24 February 2022.

8.0 SUMMARY

- 8.1 For the financial year 2021/22, the council can confirm that it has complied with its Prudential Indicators, which were approved as part of the council's Treasury Management Strategy Statement
- 8.2 The Council can confirm that during the financial year, other than the breach of prescribed limit detailed in paragraph 6.13, it has complied with its Treasury Management Practices.

Policies and other considerations, as appropriate	
Council Priorities:	Value for Money
Policy Considerations:	Treasury Management Strategy Statement
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 Crouch Finance Team Manager & Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk

APPENDIX A**Counterparties and Investment Summary as at 31/03/2022**

Investments as of 31/03/2022			
Counterparty	Length	Amount	Interest Rate
Goldman Sachs MMF	Overnight	1,000,000.00	0.50%
Blackrock MMF	Overnight	5,000,000.00	0.32%
Aberdeen Asset Management MMF	Overnight	5,000,000.00	0.43%
Federated Investors MMF	Overnight	2,000,000.00	0.41%
CCLA MMF	Overnight	4,000,000.00	0.30%
Santander Notice Account	95 days	2,000,000.00	0.55%
Lloyds Market Call Account	Overnight	1,000,000.00	0.01%
Birmingham City Council	304 days	5,000,000.00	0.18%
London Borough of Southwark	184 days	5,000,000.00	0.75%
DMADF	Various	19,000,000.00	0.39%
Total		49,000,000.00	0.54%

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022

Title of Report	ACCOUNTING POLICIES 2021/22	
Presented by	Mark Walker - Head of Finance (Section 151 Officer) and Customer Services	
Background Papers	None	Public Report: Yes
Purpose of Report	To review and approve the draft accounting policies for the 2021/22 financial statements and to update members on the progress of the 20/21 published accounts.	
Recommendations	TO CONSIDER AND APPROVE THE DRAFT ACCOUNTING POLICIES FOR THE 2021/22 FINANCIAL STATEMENTS AS DETAILED IN APPENDIX A.	

1.0 BACKGROUND

- 1.1 The accounting policies need to be reviewed and agreed, prior to the closure of the accounts.

2.0 ACCOUNTING POLICIES

- 2.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
- 2.2 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements.
- 2.3 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as:
- Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.*
- 2.4 The Audit and Governance Committee's Terms of Reference require the committee to 'consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. It is therefore considered good practice for

the committee to have greater visibility over these accounting policies before they are applied.

- 2.5 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice and international Financial Reporting Standards (IFRS) requirements. Any new requirements are added to the policies and policies, which are no longer relevant or have no material effect to the Statement of Accounts, are removed.
- 2.6 Following review, there are no accounting changes to the CIPFA Code which have required an update to the Accounting Policies in 2021/22. Two changes to the accounting policies for 2021/22 are proposed:
- a) Previously the council had adopted a policy of not capitalising borrowing costs, however the Code allows borrowing costs for assets under construction to be capitalised which will allow the costs to be spread over the life of the asset instead of being expensed in the period they are incurred.
 - b) The council's threshold for capitalising assets was set at £10,000 several years ago, however this was not documented within the accounting policies at the time. The accounting policies have been updated to reflect this.
- 2.7 The proposed accounting policies for 2021/22 are included at Appendix A (with the changes highlighted in yellow) and are presented to the committee for approval. Adopting the proposed policies will support the timely production of the annual accounts.
- 2.8 On 3 February 2022 CIPFA/LASAAC issued an emergency 4 week Code consultation with proposed changes to the 2021/22 and 2022/23 Codes. There were suggested changes to the valuation arrangements for operational property, plant and equipment (PPE) and a delay in the adoption of IFRS16 Leases to the 2023/24 financial year (previously due to be adopted in the 2022/23 financial year).
- 2.9 The consultation has been driven by the Department of Levelling Up Housing and Communities (DLUHC) to address the crisis with the audit publication deadlines in England, with only 9% of authorities achieving 30 September 2021 deadline for publication last year.
- 2.10 CIPFA/LASAAC met on 9 March 2022 to consider responses to the exceptional consultation to decide whether to progress options explored. The decisions were as follows:
- The Board decided not to progress any option to pause professional valuation of operational property, plant and equipment, or to apply indexation to otherwise paused balances of operational property, plant and equipment.
 - The Board decided to pursue the option of deferring implementation in the Code of IFRS 16 Leases, subject to consideration and review of this approach by the Financial Reporting Advisory Board (FRAB). This deferral would be for a fixed period of two years and apply to all UK jurisdictions.
- 2.11 During the year-end process there may be changes required to the policies arising from changes in circumstances or updated guidance. These will be approved by the Section 151 Officer and reported to the Audit Committee alongside the final version of the Statement of Accounts.

3.0 STATEMENT OF ACCOUNTS UPDATE

- 3.1 As reported to members at the January committee, the review of the council's property, plant and equipment (PPE) was still underway, and this resulted in a further delay in reporting the 2020/21 annual accounts to this committee for approval. Progress has been made since the last meeting and we are expecting to be in receipt of revised valuations by the end of April. Upon receipt of the valuations, the accounts will be updated to reflect the revised values where applicable.
- 3.2 Mazars are scheduled to conclude the audit of the 2020/21 accounts in June and the accounts will be presented to committee in September for approval.
- 3.3 The closedown of the 2021/22 accounts is also now in progress and we are forecasting that the draft accounts will be published by the 31 July in line with the statutory deadline. Due to the delay in the 2020/21 accounts, this has had an impact on the audit of the 2021/22 accounts. The audit is currently scheduled to take place during November 2022 and the proposal is to present the accounts to committee early in 2023 for approval.

Policies and other considerations, as appropriate	
Council Priorities:	Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting all the council priorities.
Policy Considerations:	CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
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	Anna Crouch Finance Team Manager & Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk

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Notes to the accounts

Accounting policies

1. General Principles

The Statement of Accounts has been prepared with reference to the objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them, and on the underlying assumption of a going concern basis.

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021.

The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the statement to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The council's accounting policies are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the council's accounts.

The council's accounting policies as far as possible have been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable, and are applied consistently. A glossary of terms can be found at the end of this document.

2. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as

income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

overdrafts that are repayable on demand and form an integral part of the council's cash management.

4. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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3. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank

5. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more

6. Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

MRP has previously been determined as 4% of the opening balance for the financial period (the Regulatory Method). Going forward the Section 151 Officer has revised this policy for 2019/20 onwards to the asset life method, based on Option 3 of the MHCLG guidance, whereby MRP is determined by reference to the useful life of the asset.

7. Council tax and non-domestic rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

8. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the council can no longer withdraw the offer of those benefits or

when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by Leicestershire County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council pension fund attributable to the council are

included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of Leicestershire County Council pension fund attributable to the council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of

years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at

the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the Leicestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years.

The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their Cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and

- Fair value through other comprehensive income (FVOCI).

There are some exceptions, where the council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the district.

This means that some investments are ones where contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the

council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The council has not given any loans to external or voluntary organisations, nor provided guarantees against loans they have received from financial institutions.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against

the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected credit loss model

The council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Financial assets measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1

that are observable for the asset, either directly or indirectly

- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument-by-instrument basis based on the assessed benefit to the council from the chosen classification.

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until

conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has

been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Heritage Assets

The council has three heritage assets which are held in support of increasing the knowledge, understanding and appreciation of the council's history and local area. These are Moira Furnace, a listed monument of historical interest located in Moira, the Memorial Clock Tower, a Grade II listed building that services as a historic war memorial located in the centre of Coalville and the 'Heart of the Forest' Sculpture in Ashby.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of

impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see note 18. The council will occasionally dispose of heritage assets. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 18 below).

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council

can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not

depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the

lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as

Lessee Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period). The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue

contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

17. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

18. Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council's threshold for recognising an individual asset is £10,000. Where the Council purchases a number of individual assets which are separately below this threshold, but collectively above it, they will be treated as a grouped asset and treated in the same regard.

The council has adopted a policy of capitalising borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV), except for a few offices that

are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their

current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

- Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service

line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases – straight-line allocation over the useful life of the property as estimated by the valuer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to

the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previously recognised

losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the

carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

A proportion of capital receipts relating to housing disposals is payable to the government (50% for land and other assets, net of statutory deductions and allowances and for dwellings, amounts determinable under the Right to Buy and One for One Agreement that the council signed in 2012). The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the

General Fund Balance in the Movement in Reserves Statement.

19. Provisions, contingent liabilities, and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not

probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit

on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

21. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital

Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022**



Title of Report		STANDARDS AND ETHICS - QUARTER 4 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 of Quarter 4 of 2021/2022.	
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 4 Report include updates on the progress of ongoing cases as requested by members at the Q4 20/21 meeting.

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 and Monitoring Officer elizabeth.warhurst@nwleicestershire.gov.uk

Standards and Ethics

Quarter 4 Report

2021-2022

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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 2021/22.

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 5 complaints about the same matter in Quarter 4 of 2021/22.

2 complaints received were unable to be progressed as it was determined that the Councillors were acting in a private capacity.

2.1 Assessment Sub-committee Decisions

There has been 0 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.

2 complaints have been resolved informally in Quarter 4. 1 complaint received in Quarter 4 has not yet been resolved and is still ongoing.

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 0 review requests in Quarter 4. 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

None to report - see above.

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

Complaints made to the Monitoring Officer under the Code of Conduct during Q4 2021/22

88

Qtr 4 21/22	Complaint from	About district/ parish councillor	Regarding	status
	Member of the public	Parish Cllr	Allegation of exchange of words in public place	It was concluded this complaint was unable to be progressed as the subject member was not acting in their capacity as a Councillor at the time
	Member of the public	District Cllr	Allegation of making comments and taking photographs	It was concluded this complaint was unable to be progressed as the subject member was not acting in their capacity as a Councillor at the time
	Parish Cllr	Parish Cllr	Allegation of disrespect due to language used in public meeting	Apology to be made at Council meeting on 16 May - hoped that this should resolve the complaint
	Parish Cllr	District Cllr	Disrespect in an email exchange	Resolved informally
	Member of the public	Parish Cllr	Comments made regarding member of the public	Resolved informally

Ethical Indicators

PERFORMANCE INDICATOR0	Q1			Q2			Q3			Q4		
	19/ 20	20/ 21	21/ 22	19/ 20	20/ 21	21/ 22	19/ 20	20/ 21	21/ 22	19/ 20	20/ 21	21/ 22
Instances of concerns raised re Modern Slavery	0	0	0	1	0	0	0	0	0	0	0	1
Instances of concerns raised re Modern Slavery referred to national agencies	1	0	0	1	0	0	0	0	0	0	0	0
Number of whistle blowing incidents reported	0	0	0	0	0	0	0	0	0	0	0	0
Number of Challenges to procurements	0	0	0	0	0	0	0	0	0	0	0	0
Public interest Reports	0	0	0	0	0	0	0	0	0	0	0	0
Objections to the Councils Accounts	0	0	0	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	0	0	0
Follow up action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0	0	0	0

Freedom of Information Requests

	Q1			Q2			Q3			Q4		
	19/20	20/21	21/22	19/20	20/21	21/22	19/20	20/21	21/22	19/20	20/21	21/22
Total Number (FOIs)	84	55	102	100	93	107	79	152	90	79	94	196
% answered on time	99%	72.2%	81.9%	95.8%	84.1%	71.9%	99%	75%	95.1%	95.8%	86%	78.17%
Average per month	28	18	34	33	31	36	26	51	30	26	31	65
Average response time (days)	11	15	14	10	13	13	10	17	10	11	11	15
Business as usual (BAUs)	59	27	1	73	24	14	62	26	2	65	11	N/A
Withheld due to exemption/fees (FOI and BAU)*	6	10	19	18	16	12	7	31	15	8	10	13
Transfers (TFRs)	18	14	18	22	18	12	30	25	24	33	23	28
Subject access requests (SARs)	2	3	1	12	6	2	6	12	5	5	5	13
Internal Reviews	tbc	1	0	tbc	tbc	2	tbc	0	1	2	0	2
Environmental Information Requests/ Land Charges Searches (personal)	437	213	6	367	1	491	308	2	336	334	11	325

- The number of requests received in Q4 is higher than average.
- The 78.17% answered on time. The percentage is lower than Q3. We feel that this is due to the implementation of the new case management system coinciding with the vacant Information Governance Officer post.
- We do not log requests as a BAU on the new system. All requests are logged on the case management system as an FOI request.
- The EIR request figure is low as there was no functionality to classify an EIR request on the system until recently.

FOI Exemptions for Q4 21/22

Exemption	Description	FOI	BAU	Total
S21	Information Already Reasonably Accessible	2		2
S22	Information Intended for Future Publication			
S27	International Relations			
S28	Relations within the UK			
S29	The Economy			
S30	Investigations			
S31	Law Enforcement	6		6
S32	Court Records			
S36	Effective Conduct of Public Affairs			
S38	Endangering Health and Safety			
S39	Environmental Information			
S40	Personal Information of the Requester/Personal Information	5		5
S41	Confidentiality			
S42	Legal Professional Privilege			
S43	Trade Secrets and Prejudice to Commercial Interests	2		2
S44	Prohibitions on Disclosure			
Total	<i>Number need not match the number of cases. Multiple exemptions may apply to one case.</i>	15	0	15

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.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 20
APRIL 2022

Title of Report	DRAFT MEMBER CONDUCT ANNUAL REPORT	
Presented by	Elizabeth Warhurst Head of Legal & Commercial Services and Monitoring Officer	
Background Papers	Localism Act 2011 The Current NWL Code of Conduct is available on the Council's website and in the Constitution .	Public Report: Yes
Purpose of Report	To receive and note the draft Annual Report and authorise the Head of Legal & Commercial Services and Monitoring Officer to make any minor amendments before being recommended to Council.	
Recommendations	1) THAT THE DRAFT MEMBER CONDUCT ANNUAL REPORT 2021/22 BE RECEIVED AND NOTED; 2) THAT AUTHORITY BE DELEGATED TO THE HEAD OF LEGAL AND COMMERCIAL SERVICES AND MONITORING OFFICER TO MAKE ANY MINOR AMENDMENTS TO THE REPORT FOLLOWING COMMENTS FROM THE AUDIT AND GOVERNANCE COMMITTEE; 3) THAT COUNCIL BE RECOMMENDED TO ENDORSE THE MEMBER CONDUCT ANNUAL REPORT 2021/22.	

1.0 BACKGROUND

- 1.1 It is important that the work of the Audit and Governance Committee should be visible to the Authority and wider public. It is felt that the annual report acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.
- 1.2 The Committee is recommended to receive and note the draft Member Conduct Annual Report 2021/22 and authorise the Head of Legal and Commercial Services and Monitoring Officer to make any necessary amendments following comments from this Committee before being recommended to Council for endorsement.

Policies and other considerations, as appropriate	
Council Priorities:	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:	Code of Conduct and Constitution
Safeguarding:	N/A
Equalities/Diversity:	Detailed in the Annual Report attached as an appendix.
Customer Impact:	N/A
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	N/A
Risks:	By receiving this information members will be able to manage risks of misconduct.
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services and Monitoring Officer elizabeth.warhurst@nwleicestershire.gov.uk



MEMBER CONDUCT ANNUAL REPORT 2021-22

This is the Member Conduct Annual Report of North West Leicestershire District Council's Audit and Governance Committee and covers the period from 1 April 2021 to 31 March 2022.

In addition to the responsibilities detailed in the Terms of Reference below, the Audit and Governance Committee promotes high standards of conduct by District Council Members and Members of Town / Parish Councils in North West Leicestershire.

On 24 February 2022, the Council adopted a new Members' Code of Conduct and Arrangements for dealing with complaints about Councillors. The new Code was based on the Local Government Association's model Members' Code of Conduct, published in 2021, which was reviewed and amended following a collaborative piece of work with the other Leicestershire MOs (District/Borough and County). Those authorities all now share a common code.

2. Audit and Governance Committee Terms of Reference

Membership: Ten District Councillors

Quorum: Three District Councillors

Terms of Reference during the 2021-2022 financial year:

Statement of purpose

1. The Audit & Governance Committee is a key component of North West Leicestershire District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the Audit & Governance Committee is to provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment. It provides independent review of North West Leicestershire District Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit arrangements, helping to ensure efficient and effective assurance mechanisms are in place.

Governance, risk and control

3. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor and provide scrutiny over the effective development and operation of risk management in the council.
8. To monitor progress in addressing risk-related issues reported to the committee such as the Corporate Risk Register.

9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
11. To monitor the Anti-Fraud and Corruption strategy, actions and resources.

Internal audit

12. To approve the internal audit charter.
13. To approve (but not direct) the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
14. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
15. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
16. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
17. To consider progress reports from the head of internal audit on internal audit's performance during the year
18. To consider the head of internal audit's annual report, including the statement of the level of conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion. These will assist the committee in reviewing the Annual Governance Statement.
19. To consider summaries of specific internal audit reports in accordance with agreed protocols.
20. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
21. To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
22. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

23. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised.
24. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
25. To consider specific reports as agreed with the external auditor.

26. To comment on the scope and depth of external audit work and to ensure it gives value for money.

Financial reporting

27. To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
28. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
29. To seek assurances that the council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Accountability arrangements

30. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
31. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
32. To publish an annual report on the work of the committee.

Functions	Matters reserved for a Decision
The Council has determined under the powers conferred on it by Section 28(6) of the Localism Act 2011 to appoint an Audit and Governance Committee and it has the following roles and functions:	To determine any issues referred to the Committee (except for any matter reserved to the Council).
Promoting and maintaining high standards of conduct by councillors and co-optees Assisting the councillors and co-optees to observe the Members' Code of Conduct Advising the Council on the adoption or revision of the Members' Code of Conduct Monitoring the operation of the Members' Code of Conduct Advising, training or arranging to train councillors and co-opted members on matters relating to the Members' Code of Conduct Granting dispensations to councillors who require such dispensations for more than one meeting or on more than one occasion from requirements relating to interests set	

<p>out in the Members Code of Conduct as appropriate</p> <p>Dealing with any report from the Monitoring Officer on any matter concerning Governance</p> <p>To establish Sub-committees for the Assessment of Determination of matters concerning allegations of Members Conduct</p> <p>And in addition the Audit and Governance Committee also oversees the ethical framework of the Council including oversight of:</p> <ul style="list-style-type: none"> • the Whistle Blowing Policy • complaints handling • Ombudsman investigations 	
<p>To exercise the above functions for the parish councils wholly or mainly in its area and the members of those parish councils</p>	

Sub-committees of the Audit and Governance Committee

All Audit and Governance Committee members form a pool from which members will be drawn based on their availability and the requirements of the particular Sub-committee as and when required.

Assessment Sub-committee

Assessment of complaints in accordance with the Council's Guidance and to either:

- Refer the complaint to the Monitoring officer to take other action.
- Request further information from the parties.
- Refer the complaint to the Monitoring Officer for investigation.
- Take no action to be taken in respect of the complaint.

Review Sub-committee

Consideration of requests for a review in accordance with the Council's Guidance. The Arrangements state that a review of a decision of the Assessment Sub-committee will not be allowed unless new evidence is submitted.

Determinations Sub-committee

To receive reports from the Monitoring Officer or her appointed Investigating Officer and to decide either:

- To determine finding of no failure to comply with the Code of Conduct
- To determine finding of failure to comply with the Code of Conduct and impose relevant sanctions
- Refer the matter for other action

in accordance with the Council Guidance.

3. Composition

District Councillors

All appointed by Council on 25 May 2021

Chairman: Councillor S Gillard

Deputy Chairman: Councillor N Smith

Councillor E Allman

Councillor C Benfield

Councillor J Clarke

Councillor M Hay

Councillor R Morris

Councillor V Richichi

Councillor S Sheahan

Councillor M Wyatt

Parish Representatives

The following parish councillors were appointed as Parish Representatives with effect from 8 September 2020 for the remainder of the Administration (May 2023):

Councillor Patricia Thomas – Ashby Woulds Town Council

Councillor Ray Woodward – Whitwick Parish Council

Councillor Stephen Leary – Measham Parish Council

Councillor Brian Beggan – Ashby Town Council

Independent Persons

The legislation requires the Council to appoint at least one Independent person who potentially advises all those involved in a Standards complaint, including the Monitoring Officer, and who must be consulted prior to the determination of a complaint.

Through an open advertising process conducted with partner authorities the Council appointed the following pool of independent persons from whom one can be drawn as and when required:

Michael Pearson

Mark Shaw

Gordon Grimes

Richard Gough

Michael Gibson

Laurence Faulkner

The main officer support for the Committee is provided by the Monitoring Officer (Elizabeth Warhurst), the Deputy Monitoring Officer (Kate Hiller) and the Democratic Support Officer (Rachel Wallace).

4. Meetings and Work Programme

The Audit and Governance Committee meets a minimum of four times per annum. In addition to its scheduled meetings, sub committees still meet on an ad hoc basis in order to consider and determine allegations of Member conduct. The Committee has its main work planned in advance through a Work Programme which enables it to be more proactive, strategic and focused in its approach to key issues.

5. Reporting Arrangements

The Audit and Governance Committee receives quarterly reports which have enabled Members to be reminded of the issues it has dealt with during each quarter and address any issues which this has highlighted.

6. Procedures and Workloads

(a) Dispensations

During 2021/22, there were no applications received for a dispensation from either District or Parish members. Under the new Members' Code of Conduct, Dispensations for Parish Councillors will be dealt with by the Parish Council.

(b) Complaints made to the Monitoring Officer under the Code of Conduct during 2021/22

Qtr	Complaint From	About District/Parish Councillor	Regarding	Status
Q1 21/22	Member of the public (4 complainants)	District Councillor	BREXIT and the pandemic	No action taken – not acting in capacity as Cllr
	Member of the public	Parish Councillor	Comments made on social media	No action taken – not acting in capacity as Cllr
	Member of the public	Parish Councillor	Comments made in a local public house regarding Covid	No action taken – not acting in capacity as Cllr
Q2 21/22	Member of the public	District Councillor	Lack of communications about a bin replacement	Partial not acting in capacity as Cllr and did not amount to a breach of the Code of Conduct
Q3 21/22	Member of public	Parish Cllr	Comments made on social media	No action taken – not acting in capacity as Cllr
	Member of public	Parish Cllr	Comments made on social media	No action taken – not acting in capacity as Cllr
	Member of public	Parish Cllr	Comments made on social media	No action taken – not acting in capacity as Cllr
Q4 21/22	Member of the public	Parish Cllr	Allegation of exchange of words in public place	No action taken – not acting in capacity as Cllr
	Member of the public	District Cllr	Allegation of making comments and taking photographs	No action taken – not acting in capacity as Cllr

	Parish Cllr	Parish Cllr	Allegation of disrespect due to language used in public meeting	Apology to be made at Council meeting on 16 May – hoped that this should resolve the complaint
	Parish Cllr	District Cllr	Disrespect in an email exchange	Resolved informally
	Member of the public	Parish Cllr	Comments made regarding member of the public	Resolved informally

(c) Complaints referred to the Standards Assessment Sub Committee

From the above-mentioned complaints: 0

(d) Members' Register of Interests

The Democratic Services Officers undertake regular checks of the Register of Members' Interests and provide advice and assistance to Parish Councils on the completion of the Registers.

(e) Advice and Training

The Monitoring Officer and Deputy Monitoring Officer continue to provide both parish and district members with advice, both proactively and on request, on member's interests and governance.

Following the adoption of the Members' Code of Conduct by Council on 24 February 2022, the Monitoring Officer provided training to District and Parish Members. An external trainer was engaged to provide training over 4 sessions (one in person, 2 hybrid and one wholly virtual session). The sessions were well attended and the feedback has been positive. The training slides and a recording of the virtual session will be posted on the Members' hub for ease of reference.

7. Policies & Procedures

The Audit and Governance Committee oversees the ethical framework of the Council including oversight of:

- the Whistle Blowing Policy*
- complaints handling
- Ombudsman investigations.
- Freedom of Information and Data Protection
- Anti Fraud and Corruption Policy*
- Anti Money Laundering Policy*
- Risk Management Policy*
- RIPA Policy*
- Information Management Policy*
- Data Protection Policy*
- ICT & Cyber Security Policy*
- Local Code of Corporate Governance*

The policies marked with an * were reviewed as part of the annual governance policy review process in 2021/22. They were considered by Audit and Governance Committee on 21 July 2021 and approved by Cabinet on 21 September 2021.

**Elizabeth Warhurst
Monitoring Officer**

OUR VISION

North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home

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