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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 26 October 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 27 July 2022	3 - 8
4. COMMITTEE WORK PLAN	
To note the Committee's work plan	9 - 10
5. STATEMENT OF ACCOUNTS UPDATE REPORT	
Report of the Head of Finance	11 - 12
6. FUTURE EXTERNAL AUDIT ARRANGEMENTS - UPDATE	
Report of the Head of Finance	13 - 16
7. INTERNAL AUDIT PROGRESS REPORT	
Report of the Audit Manager	17 - 38
8. CORPORATE RISK UPDATE	
Report of the Strategic Director	39 - 50

9. TREASURY MANAGEMENT ACTIVITY REPORT - QUARTER 2

Report of the Finance Team Manager **51 - 66**

10. STANDARDS AND ETHICS REPORT - QUARTER 2

Report of the Head of Legal and Commercial Services **67 - 78**

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, 27 JULY 2022

Present: Councillor S Gillard (Chairman)

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

In Attendance: Councillors R Johnson

Officers: Mr A Barton, Ms K Beavis, Mrs A Crouch, Ms R Haynes, Mr M Murphy, Mr M Walker, Mrs R Wallace and Miss E Warhurst

External Audit: Mr M SurrIDGE

46. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Morris and V Richichi.

47. DECLARATION OF INTERESTS

There were no declarations of interest.

48. MINUTES

Consideration was given to the minutes of the meeting held on 20 April 2022.

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

RESOLVED THAT:

The minutes of the meeting held on 20 April 2022 be confirmed as a correct record.

49. COMMITTEE WORK PLAN

Consideration was given to the committee work plan.

In reference to the 'Review of the Council's Constitution' report scheduled for 28 September, the Head of Legal and Commercial Services confirmed that discussions were being held with the Constitution Working Group which could lead to a change in timetable where the report would be taken later in the year. If that was the case, then the September meeting would not be required, Democratic Services would confirm outside of the meeting.

By affirmation of the meeting it was

RESOLVED THAT:

The committee work plan be noted.

50. STATEMENT OF ACCOUNTS UPDATE REPORT

The Finance Team Manager presented the report to Members highlighting the delay in the publication of the draft 2021/22 accounts due to ongoing issues. Members were reminded that this was a national issue with 50 percent of local authorities also delaying the publication of their accounts.

At the request of a Member for more information on the staffing issues highlighted in paragraph 3.2 of the report, the Strategic Director explained that unfortunately there were a number of vacant positions concurrently which took some time to fill due to the challenging recruitment market. Members were reassured that all the posts had now been filled on an interim and permanent basis. Members were also reminded that although this had contributed to the delay in the publication of the accounts, there was still several other issues to be resolved.

It was moved by Councillor N Smith, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be noted.

51. EXTERNAL AUDIT PROGRESS REPORT

The Head of Finance introduced the item and then handed over to the External Auditor to present the report to Members.

In response to a question, the External Auditor assured Members that there was nothing concerning in the 2021/22 accounts at present, but he stressed that the audit was not yet complete.

A concern was raised in relation to the high turnover of staff and the Strategic Director reiterated comments made earlier in the meeting. He added that recruitment was a national issue, particularly in the professional services such as Legal and Planning. A further discussion was then had on the national recruitment problems.

In response to a comment made in relation to the statement in the report that 'present local government audit is under-resourced, undervalued and is not having impact in the right areas', the External Auditor made assurances that investments were being made in his audit teams and they were fully staffed at present. He added that recruitment issues would remain a challenge that was unlikely to be unresolved within the next 18 months, but he was committed to doing all that was possible to assist.

In relation to the current recruitment problems within the Planning Service, a Member questioned how waiting times for the determination of planning applications was being addressed as he had been approached by a constituent on the matter. Officers apologised for any incidents where waiting times were lengthy and asked Members to pass on the details so they could be investigated. It was noted that unfortunately services were being affected by the recruitment problems.

A Member commented that as the discussions indicated the effect the recruitment problems were having on services; this should be included within the 'policies and other considerations' table within the report as a risk.

It was moved by Councillor J Clarke, seconded by Councillor N Smith and

RESOLVED THAT:

The report be noted.

52. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the report to Members.

At the request of a Member, the Audit Manager gave further details on the four audit areas that had limited assurance and reassured the Committee that she was satisfied with the work being undertaken by officers to address the issues.

In relation to the asbestos recommendation within appendix one, clarification was sought on the current position as the recommendation seemed to be completed, but the implementation date was not until October. The Audit Manager agreed to consult with the relevant team manager and confirm with the Member outside of the meeting.

A Member referred to the staffing issues identified over several areas and asked why it was not being identified as one of the Council's biggest risks. The Audit Manager confirmed that as it was not an issue over all four of the audit areas, it was difficult to classify it as a high risk. The Strategic Director assured Members that recruitment was a focus for the authority and staffing structures would be reviewed in the coming months with an emphasis on 'growing our own'. It was noted that the authority was being as agile and flexible as possible with recruitment, but the reality was that it was currently a very difficult market.

Due to the amount of discussion had during the meeting on the labour market and the impact on recruitment, the Head of Human Resources and Organisational Development explained that the authority had a good benefits package and the authority's employment offer was being reviewed regularly to compete with other local authorities and the private sector. It was also noted that there was a good apprenticeship programme in operation.

In relation to the audit recommendations for staff training, the Head of Human Resources and Organisational Development gave an explanation on the current management development programme and the emphasis on staff training. He assured Members that the specific areas of training identified within the report would be addressed.

A Member commented on the importance of the asbestos and fire alarm recommendations and asked if there was an opportunity to move resources from other areas to fill the gaps in the service. The Strategic Director assured Members that work was underway and that the recommendations related to processes rather than the checks themselves. The team were currently catching up with the workloads and regular meetings were held to ensure work was on track. Unfortunately, resources could not be moved due to the technical nature of the work that required qualifications to carry out.

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

RESOLVED THAT:

The report be noted.

53. INTERNAL AUDIT ANNUAL REPORT

The Audit Manager presented the report to Members.

It was moved by Councillor E Allman, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be noted.

54. CORPORATE RISK UPDATE

The Strategic Director presented the report to Members.

In response to a query on the risk ratings, the Strategic Director clarified that a rating of stable meant that there was no movement since the last report. In relation to the discussions had on the recruitment issues, it was noted that it was included as a risk but had to be considered in context as the number of vacant posts was approximately 30, which as the workforce was made up of approximately 500 members of staff, meant it was not a high risk. Further discussion was had on the impact of the recruitment problems and the Strategic Director agreed to look at how this risk was presented within the register for the next meeting.

Following a comment in relation to risk reference 4 – Legal/Financial, the Strategic Director agreed to reconsider the wording regarding the modern slavery cause.

Some concern was raised that not enough had been done to properly mitigate the risks following the UK's departure from the European Union which could lead to unprepared for situations. The Strategic Director assured Members that currently the risk was well managed as could be in the current climate when much was still unknown. It was also noted that with other impacts such as the economic downturn and the war in Ukraine, it was difficult to decipher the full effect of 'Brexit'.

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

RESOLVED THAT:

The report be noted.

55. TREASURY MANAGEMENT ACTIVITY REPORT - QUARTER 1

The Finance Team Manager presented the report to Members.

A Member commented on the very slow progress of the net carbon target as it was raised by the committee approximately three years ago and not being reviewed until 2023/24. The Finance Team Manager explained that the current strategy was restrictive, and the ongoing work was to improve that. It was also noted that officers were looking at all investments to ensure they were carbon neutral.

It was clarified that the statement in relation to the inflationary pressures due to the invasion of Ukraine had been provided by the Council's treasury advisors.

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

RESOLVED THAT:

The report be approved.

56. ANNUAL REVIEW OF CORPORATE GOVERNANCE POLICIES

The Head of Finance presented the report to Members.

In response to a question in relation to the effectiveness of the policies, Members were assured that they were embedded into management training at all levels and included into employment contracts. All policies were also available to view and complete online. It was confirmed that the effectiveness was difficult to measure and that a record was not kept for all policies. However it was noted that some instances of policies being used, such as whistleblowing, were reported to the Audit and Governance Committee.

In response to a suggestion that reviews of the policies be undertaken by other local authorities rather than in-house, the Audit Manager explained that they were standard policies that were compared with neighbouring authorities as good practice.

The Chair thanked the Members for their contributions and confirmed that comments would be presented to Cabinet when considering the report.

57. STANDARDS AND ETHICS REPORT - QUARTER 1

The Head of Legal and Commercial Services presented the report to Members.

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

RESOLVED THAT:

The report be noted.

Councillor C Benfield entered the meeting at 6.32pm

Councillor M B Wyatt left the meeting at 7.02pm

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.47 pm

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AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 18/10/22)

Issue	Report Author	Meeting at which will be reported
25 January 2023		
Annual Statement of Accounts 2020/21	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
Annual Governance Statement 2020/21	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
Annual Auditors Report 2020/21	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
2020/21 Audit Completion Report	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
2021/22 Annual Audit Letter	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
External Audit Strategy Memorandum	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	25 January 2023
Assessment of Going Concern 2021/22	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
Treasury Management Activity Report - Quarter 3	Anna Crouch, Finance Team Manager	25 January 2023
Progress of Improvements Identified through Annual Governance Review 2020/21	Glenn Hammons, Interim Head of Finance and Section 151 Officer	25 January 2023
Internal Audit Progress Report	Kerry Beavis, Audit Manager	25 January 2023
Review of the Council's Constitution	Elizabeth Warhurst, Head of Legal and Commercial Services	25 January 2023

Issue	Report Author	Meeting at which will be reported
Standards and Ethics Report - Quarter 3	Elizabeth Warhurst, Head of Legal and Commercial Services	25 January 2023
26 April 2023		
Annual Statement of Accounts 2021/22	Glenn Hammons, Interim Head of Finance and Section 151 Officer	26 April 2023
Governance Statement 2021/22	Glenn Hammons, Interim Head of Finance and Section 151 Officer	26 April 2023
Annual Completion Report 2021/22	Glenn Hammons, Interim Head of Finance and Section 151 Officer	26 April 2023
Annual Auditors Report 2021/22	Glenn Hammons, Interim Head of Finance and Section 151 Officer	26 April 2023
External Audit Strategy Memorandum 2022/23	Glenn Hammons, Interim Head of Finance and Section 151 Officer	26 April 2023
Accounting Policies and Materiality 2022/23	Anna Crouch, Finance Team Manager & Deputy S151 Officer	26 April 2023
Treasury Management Stewardship Report 2022/23	Anna Crouch, Finance Team Manager	26 April 2023
Internal Audit Progress Report	Kerry Beavis, Audit Manager	26 April 2023
Standards and Ethics Report - Quarter 4	Elizabeth Warhurst, Head of Legal and Commercial Services	26 April 2023
Corporate Risk Update	Andy Barton, Strategic Director of Housing and Customer Services	26 April 2023
Draft Member Conduct Annual Report	Elizabeth Warhurst, Head of Legal and Commercial Services	26 April 2023

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
OCTOBER 2022

Title of Report	STATEMENT OF ACCOUNTS UPDATE REPORT	
Presented by	Anna Crouch Finance Team Manager and Deputy S151 Officer	
Background Papers	Statement of Accounts Update Report – Audit and Governance Committee 27 July 2022	Public Report: Yes
Purpose of Report	To provide the Audit Committee with an update on the progress of the Authority's 2020/21 and 2021/22 Statement of Accounts.	
Recommendations	FOR THE AUDIT AND GOVERNANCE COMMITTEE TO NOTE THIS REPORT AND PROVIDE ANY COMMENTS.	

1.0 BACKGROUND

- 1.1 The committee were provided with an update on the status of both 2020/21 and 2021/22 Statement of Accounts at its meeting in July. This report is to provide an update on progress since the last meeting

2.0 STATEMENT OF ACCOUNTS 2020/21

- 2.1 In the last update, it was reported that the finance team were waiting for the valuation data from the council's valuer. This was expected to be received by the end of July. Due to additional measurements required for the council offices and additional valuations required for the garage sites, the valuations were not concluded until the 14 October. This has therefore delayed the publication of the updated draft accounts from the 30 September to the 18 November 2022.
- 2.2 The Council's External Auditors, Mazars, have confirmed they will be concluding the audit of the 2020/21 from week commencing 21 November for 4 weeks.

3.0 STATEMENT OF ACCOUNTS 2021/22

- 3.1 As reported to the July meeting, the publication of the draft 2021/22 Statement of Accounts will be delayed due to the ongoing issues with the 2020/21 accounts. This meant that the statutory deadline was missed. A notice has been placed on the council's website to this effect.

4.0 PUBLICATION TIMELINE

- 4.1 Due to the delays in obtaining the valuation data, the timetable presented to the committee in July has been updated to reflect the revised forecasted timeline for publishing the 2020/21 and 2021/22 accounts.

Table A: Statement of Accounts Updated Publication Timeline

Activity	Forecast Date
2020/21 Statement of Accounts – updated Draft	18/11/22
2020/21 Statement of Accounts – Final	13/01/23
2020/21 Statement of Accounts – Approval - Audit Committee	25/01/23
2021/22 Provisional Outturn – Cabinet	28/03/23
2021/22 Statement of Accounts – Draft	31/03/23
2021/22 Statement of Accounts – Final	TBC
2021/22 Statement of Accounts – Approval - Audit Committee	TBC

4.2 The successful achievement of the above timeline is based on several factors, some of which are outside the control of the Council:

- a) External Audit resources are available to complete the audits.
- b) The findings from the external audit do not to create any further delays.
- c) The capacity of the finance team is available to be able to finalise the accounts and support the audit. In addition to the accounts, the team is also in the process of implementing a new finance system which is scheduled to go live in December 2022, budget setting for 2023/24 which commenced in September and the monitoring of the 22/23 budgets will continue throughout the year.

Policies and other considerations, as appropriate	
Council Priorities:	Effective management of the council's finances underpins the delivery of 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/Tenant Engagement:	None
Risks:	The late publication of the accounts could have a detrimental impact of the Council's financial standings and reputation.
Officer Contact	Anna Crouch Finance Team Manager & S151 Officer anna.crouch@nwleicestershire.gov.uk

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
OCTOBER 2022

Title of Report	FUTURE EXTERNAL AUDIT ARRANGEMENTS - UPDATE	
Presented by	Glenn Hammons Interim Head of Finance	
Background Papers	Future External Audit Arrangement – Council 10 May 2022	Public Report: Yes
Purpose of Report	This report provides an update on the appointment of North West Leicestershire District Council's external auditor for the five year period commencing financial year 2023/24.	
Recommendations	THAT THE COMMITTEE NOTE THE PROGRESS UPDATE ON THE PUBLIC SECTOR AUDIT APPOINTMENTS' (PSAA) PROCESS FOR THE APPOINTMENT OF EXTERNAL AUDITORS TO PRINCIPAL LOCAL GOVERNMENT AND POLICE BODIES FOR FIVE FINANCIAL YEARS FROM 1 APRIL 2023.	

1.0 BACKGROUND - test

- 1.1 The current external 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 At its meeting on 20 April 2022 the Audit and Governance Committee considered a report on the process for appointing an external auditor for the period from 1 April 2023. The Committee recommended to Council that it endorse the decision made to accept the 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 2024.. At the Council meeting on 10 May 2022 this recommendation was formally agreed.
- 1.3 This report provides an update to the Committee on progress with the appointment of an external auditor through the PSAA.

2.0 PROGRESS UPDATE ON APPOINTMENT OF EXTERNAL AUDIT ARRANGEMENTS

2.1 On the 3 October 2022 the PSAA provided an update on the outcome of their procurement process for the appointment of external auditors for the five year period commencing 1 April 2023.

2.2 A full copy of the PSAA announcement can be found at the following link ([Press release: PSAA Announcement of Procurement Outcome – PSAA](#)).

2.3 The key points from the PSAA announcement are set out below:

- 470 local government, police and fire bodies (99% of eligible local bodies) have opted into the PSAA national scheme for the next appointing period spanning the audits from 2023/24 to 2027/28
- The procurement took place against the challenging backdrop of a troubled audit profession, a turbulent market and a local audit system that is facing unprecedented difficulties including large volumes of delayed audit opinions.
- PSAA have offered contracts to six suppliers following a competitive process that was protracted reflecting the limited capacity available in the market.
- PSAA are to retain the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, to welcome former supplier KPMG back to the market, and to be entering into contracts with two new suppliers, Bishop Fleming and Azets Audit Services.
- The bid prices received in this procurement reflect a significant increase compared to the previous procurement in 2017. The audit industry has faced major challenges in the intervening period. In addition local audit faces several distinctive difficulties which have resulted in a less competitive market.
- In Autumn 2023 PSAA will consult on the proposed scale of audit fees payable by bodies in respect of the audit of 2023/24 accounts. At this stage our advice to bodies is to anticipate a major re-set of total fees for 2023/24 involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required.

2.4 On the 17 October 2022 the PSSA wrote to the Council advising that the proposed external auditor from 1st April 2023 for 5 years would be Azets Audit Services. In line with the PSAA appointment process there is a period of consultation, which closes on 14 November 2022, where the council is required to confirm they are satisfied with the proposed appointment or make representations with clear reasons why the proposed appointment should not be made.

3.0 FINANCIAL IMPLICATIONS

3.1 As set out in the final bullet point in paragraph 2.3 there is estimated to be a significant increase for councils audit fees. The table below sets out the estimated impact for the Council. It should be noted this is only an estimate and the PSAA will consult on their proposed fees in Autumn 2023 for the 2023/24 audit of accounts. The council will need to ensure that this pressure is included in its Budget plans for 2023/24 and beyond.

	Current Budget 2022/23	Estimated Budget 2023/24	Change
Audit Scale Fee	£45,000	£103,000	+ £58,000
Grant Audits (Capital Receipts Pooling and Housing Benefit Subsidy)	£11,000	£27,000	+ £16,000
Total	£56,000	£130,000	+ £74,000

Policies and other considerations, as appropriate	
Council Priorities:	There are no direct implications. The procurement route chosen by the council is considered the best means for establishing value for money in resources.
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/Tenant Engagement:	None.
Risks:	None.
Officer Contact	Glenn Hammons Interim Head of Finance glenn.hammons@nwleicestershire.gov.uk

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL



**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
OCTOBER 2022**

Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2022/23	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2022/23 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 2022/23 Audit Plan on 20 April 2022. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 July 2022 to 30 September 2023 (Q2) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Safeguarding:	The report includes progress against the recommendations made during the 2020/21 Safeguarding Audit .
Risks:	There are no specific risks associated with this report however if the Audit and Governance Committee did not receive periodic reports from Internal Audit, there would be a risk of not conforming with the Public Sector Internal Audit Standards.
Officer Contact	Kerry Beavis Audit Manager kerry.beavis@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2022/23 Q2

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 2022/23 Internal Audit Plan up to 30th September 2022.

2. Internal Audit Plan Update

2.1. The 2022/23 audit plan is included in Appendix A for information and shows the audits in progress. Since the last update report, three grant certifications have been completed and one final report has been issued from the 2022/23 plan.

- Right to buy – Reasonable assurance.

The executive summary for this report is included at Appendix B

2.2 The audits due to take place in Q3 are:

- Rent arrears
- Anti-social behaviour
- Choice Based Lettings

3. Internal Audit Recommendations

3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are currently no overdue audit recommendations.

4. Internal Audit Performance Indicators

4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix C. Work on the 22/23 audit plan is progressing in line with work scheduling.

5. Internal Audit Charter

5.1. The Audit Manager has completed the annual review of the Charter, detailed in full in Appendix D. No amendments have been made.

Appendix A

2022/23 AUDIT PLAN AS AT 30th SEPTEMBER 2022

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Repairs	Audit	10	4	In progress						
Housing Planned Maintenance	Audit	10	1	In progress						
Choice Based Lettings	Audit	8	0.5	Q1/2						Moved to Q3 due to system implementation
Rent Arrears	Audit	7		Q3						
Right to Buy	Audit	8	10	Final	Reasonable	-	4	5	2	
Anti-social behaviour	Audit	8		Q3						
Key financial systems	Risk based	30		Q2/3/4						
Tax	Audit	10	1	In progress						
Covid-19 Related Assurance	As required	10	1.5	As required						
LAD 1b Green Grant	Certification	-	5.5	Completed		-	-	-	-	Addition to plan
Tenant Association Accounts	Advisory and review		1	In progress						Addition to plan
COMF grant funding	Certification		1.5	Completed		-	-	-	-	Addition to plan
DFG	Certification		0.5	Completed		-	-	-	-	

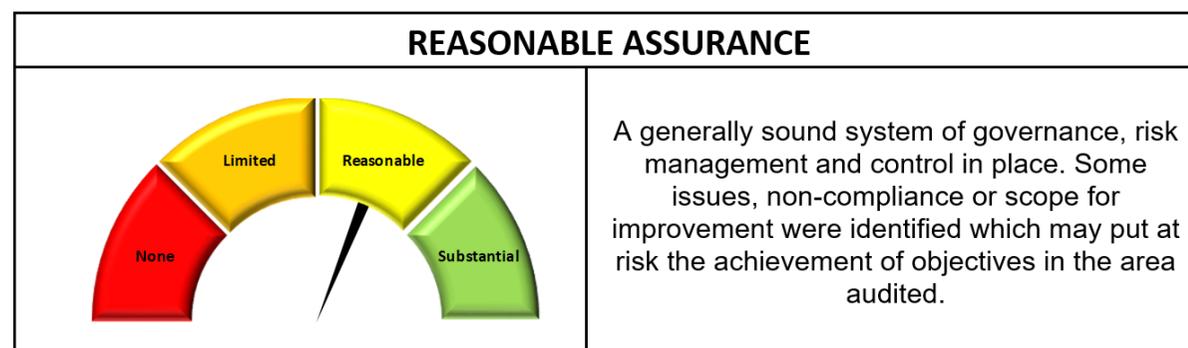
Audit Opinion Key

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 Q2 2022-23

RIGHT TO BUY

23

Key Findings

Areas of positive assurance identified during the audit:

- Procedures incorporate key information relating to timescales associated with legislation governing the RTB process.
- RTB sales income has been collected and correctly accounted for.
- There is a Housing Tenancy Fraud Policy which includes RTB fraud.
- Charges and restrictions are placed on properties at point of sale to ensure the authority are aware of any future sales within the 10-year period following the right to buy sale.

The main areas identified for improvement are:

- Adherence to RTB legislative time scales.
- Evidencing of RTB application verification checks.
- Calculation of cost floor.
- Checking and verification of discount calculations.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The RTB procedure document should be updated to reflect the changes to procedures following migration to the new housing system (QL). The procedures should then be reviewed / updated on a regular basis.	Medium	Agreed and work is already underway with some system issues needing to be resolved before it can be finalised. Procedure document to be reviewed bi-yearly.	Housing Management Team Manager / Senior Housing Assistant	31.12.2022
2. RTB applications are monitored to ensure legislative timescales are met.	High	Agreed. Housing Assistants to schedule dedicated time for Right to Buy application processing each week and some sampling to be completed. Possible impact on call handling to be managed to understand if Right to Buy process is being applied efficiently. Yearly application number of Right to Buys are low. The cancellation and rearranging of property valuations is at the tenants request directly with the independent valuers which we have little control over. The valuers are scheduling in a timely way, and this is discussed at contract review meetings.	Housing Management Team Manager / Senior Housing Assistant	31.10.2022
3. The letter acknowledging receipt of the RTB1 (application) should be updated to include the date the application was accepted as complete.	Medium	Agreed	Housing Management Team Manager / Senior Housing Assistant	Completed
4. Standard letters should be updated to include action which is available to purchasers should there be delays by the council with processing their RTB application.	Low	Agreed	Housing Management Team Manager / Senior Housing Assistant	Completed
5. The current requirements to verify RTB applicants should be reviewed to ensure that sufficient checks are being carried out. All verification checks should be documented with evidence retained to confirm that checks have taken place.	High	Agreed. Additional checks to be undertaken by authorising officer. New checklist created. Team to be advised that any checks undertaken should be evidenced in the RTB folder. Signature check and property inspection to be undertaken at the beginning of the process (pre RTB2) to add an additional layer of checks. The Right to Buy process should be programmed into the new IT system. RTB applications cannot progress to the next stage in the process unless the required checks are completed and verified. The system will record an effective audit trail.	Housing Management Team Manager / Senior Housing Assistant	Completed Completed 31.12.2022

6.Details of those officers who have completed and checked the discount calculation should be clearly recorded on the discount calculator.	Medium	This is a transition issue from paper RTB files to electronic files. Confirmation will have been provided by reply e-mail. Electronic signatures have been added in more recent cases. A new checklist has been created which will require electronic signature to be confirmed.	Housing Management Team Manager	Completed
7.Details of all evidence used to support discount calculations should be held on the electronic file. Where paper documents have been used these should be scanned and saved to the electronic file.	Low	Agreed. Team to be advised of the requirement. A new checklist has been created which will require this check to be completed.	Housing Management Team Manager / Senior Housing Assistant	Completed Completed
8.A cost floor calculation should be carried out for all RTB properties.	Medium	Agreed. Training to be provided to officers on calculating the cost floor. A new checklist has been created which will require this check to be completed as part of the authorisation process.	Housing Management Team Manager / Senior Housing Assistant	31.12.2022. Completed
9.All evidence used in calculating the sale price of the property should be provided to the officer checking the calculation.	High	Agreed. A new checklist has been created which will require this check to be completed as part of the authorisation process.	Housing Management Team Manager	Completed
10.The error in the calculation should be reviewed and a decision made as to what action should be taken.	High	Agreed. Legal advice will be sought, and appropriate action undertaken. It should be noted that there was no loss of income for the council.	Housing Management Team Manager / Senior Housing Assistant	31.12.2022
11.Consideration should be given to subscribing to the NFI AppCheck module to assist with the prevention and detection of fraud	Medium	Agreed. We will investigate the use of the NFI AppCheck module. A trial of the NFI AppCheck is already in progress, the outcomes of this to be reported to Internal Audit.	Housing Management Team Manager / Principal Housing Management Team Leader.	Completed.

2022/23 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 30.09.2022	Comments
Achievement of the Internal Audit Plan	25%	1 final audit report issued, certification work has been completed and 3 audits in progress.
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 1 for 22/23.
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.



INTERNAL AUDIT CHARTER

North West Leicestershire District Council

Version Control

Author	Date	Action
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.
Kerry Beavis Audit Manager	September 2022	No changes required.

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1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2 Definitions

- 2.1 In line with the PSIAS:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 For the purpose of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At this Council this shall mean the Audit and Governance Committee.

Senior Management – those responsible for leadership and direction of the Council. At this Council this shall mean the Corporate Leadership Team.

Chief Audit Executive – the person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications.

At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

3 Mission and Purpose of Internal Audit

- 3.1 In line with the PSIAS the mission of Internal Audit is:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

- 3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

4 Professionalism

- 4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.
- 4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:
1. Demonstrates integrity.
 2. Demonstrates competence and due professional care.
 3. Is objective and free from undue influence (independent).
 4. Aligns with the strategies, objectives and risks of the organisation.
 5. Is appropriately positioned and adequately resourced.
 6. Demonstrates quality and continuous improvement.
 7. Communicates effectively.
 8. Provides risk-based assurance.
 9. Is insightful, proactive, and future-focused.
 10. Promotes organisational improvement.
- 4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

5 Scope of Internal Audit

- 5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
 - appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
 - assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
 - reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
 - reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
 - appraising the economy, efficiency and effectiveness with which resources are employed;

- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

6 Authority of Internal Audit

6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:

- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
- have access at all times to the Council's records, documents and correspondence;
- require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
- require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.

6.2 The Audit Manager shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

7 Responsibility of Internal Audit

7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.

7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:

- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
- the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
- the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

8 Reporting Lines

8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.

- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Commercial Services Team reporting to the Head of Legal and Commercial Services.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

9 Independence and Objectivity

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.
- 9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:
- retains no executive or operational responsibilities;
 - operates in a framework that allows unrestricted access to senior management and the Board;
 - reports in their own name;
 - rotates responsibilities for audit assignments (where possible) within the Internal Audit team;
 - completes individual declarations confirming compliance with rules on independence and conflicts of interest; and
 - has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.
- 9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.
- 9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

10 Accountability

- 10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:
- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;

- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
- co-ordination with other significant assurance functions.

11 Internal Audit Resources

- 11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.
- 11.2 The Head of Finance (Section 151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.
- 11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

12 Management Responsibilities

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
- agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
 - sponsoring each audit at senior management level;
 - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
 - responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
 - implementing agreed management actions in accordance with the agreed timescales; and
 - updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in processes and systems, newly identified significant risks and cases of a criminal nature.
- 12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

13 Nature of Services

13.1 The Public Sector Internal Audit Standards define assurance as

“An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.”

13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.

13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:

- the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the scope of the consulting/advisory engagement has been clearly defined;
- Internal Audit is considered to have the rights skills, experience and available resource;
- management understand that the work being undertaken is not Internal Audit work; and
- Internal Audit’s involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

14 Role of Internal Audit in Fraud-Related Work

14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.

14.2 All fraud investigations will be conducted in accordance with the Council’s Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.

14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”.

15 Relationships

15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships with Management**

The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.

- **Relationships with External Audit**

Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.

- **Relationships with Regulators and Inspectors**

The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships with Elected Members**

The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit and Governance Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit and Governance Committee if required.

16 Quality Assurance

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

16.2 Internal Assessments

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.

16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to the Board and senior management team;
- customer satisfaction surveys following each audit;
- monthly meetings with the Head of Finance (S151 Officer); and
- monthly meetings with the Head of Legal and Commercial Services.

16.4 External Assessments

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

17 Records Retention

- 17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

18 Review

- 18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
OCTOBER 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 meetings of the Risk Scrutiny Group and CLT in Sept and October 2022. In line with the policy, members of this Committee and Cabinet are to receive periodic updates on the risks monitored through the Corporate Risk Register.
- 1.2 The updated Register can be found in Appendix 1 and a summary of changes set out below.
- 1.3 Out of the 14 active risks, 0 and Red, 6 Amber and 8 are Green. Updated mitigations and or descriptions have been made to risks 2, 3 (particularly addressing the HR resourcing issues as discussed at the last meeting of the Committee), 9 and 14. On this latter risk the listing of mitigations has been increased reducing the overall score by 2 points (dropping from Amber to Green).
- 1.4 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 are appropriate. The report is based on an updated in October 2022, and any significant changes will be provided at the meeting.
- 1.5 The Audit & Governance Committee are asked to review and note this risk update, and provide and feedback they wish to be considered by the Risk Scrutiny Group at its next meeting.

2.0 FINANCIAL IMPLICATIONS

2.1 None directly

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 directly
Equalities/Diversity:	None directly
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	The Council management its risk with existing budgets, Effective risk management protects the Council from insurance and/or compensation claims, fraud and a rang ef other financial and non financial risk.
Officer Contact	Andy Barton Strategi Director Andy.barton@nwleicestershire.gov.uk

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
1	SOCIAL/ POLITICAL/ LEGAL Death / serious harm to a vulnerable person receiving a council service 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 compliance with Safeguarding legislation and practise.	Lack of response to a safeguarding report. Service failure. Modern slavery. poor safeguarding assurance	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 Annual report to CLT and Corporate Scrutiny as required by exception. Commitment to raise awareness of the scale and extent of modern slavery in the UK and ensure our contracts and supplies don't contribute to modern day slavery and exploitation. 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	Central Government intervention/special measures. Adverse publicity. Possible litigation. Withdrawal of services. Inability to deliver council objectives	Mis-interpreting of or not responding appropriately to a change in fiscal policy.	4	4	16	Head of Finance/s151	Strategic Director	Statutory compliance with CIFPA codes, accounting codes, and audit processes (external and internal)	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	
	finances		Poor budget planning / management. Internal financial systems and regulations not being properly applied.						Regular management reviews monitor actual spend against budgets and forecast to the end of the year. Regular 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				
42	3 REPUTAITONAL/ LEGAL COMMERCIAL Insufficient resources due to unplanned / unforeseen absences / vacancies / changes to financial picture	Council unable to perform its statutory duties and/or deliver objectives. Council's Partners unable to perform duties. Inflationary pressures. Use of external resources at significantly higher cost. Short / Medium Term Exposure.	Failure to horizon scan and interpret future needs in crucial roles. Changes to income or financial climate Inability to recruit to vacancies / retain staff globally or in spacialist areas . unexpected or unplanned event (eg pandemic)	4	3	12	Head of HR and OD & Head of Finance S151	Chief Executive	Membership of CIPFA and engagement of Arling Close gives access to specialist advice, analysis and expertise. Current and forecasted balance MTFS, although uncertainty regarding future gov funding streams and impacts of changes such as DevCo/Freeport etc Advance planning to mitigate this risk; recent COVID expereince demonstrates NWL able to react and adjust 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, some challenges in some specialist areas The Council can offer a package of additional benefits to enhance the recruitment offer. Mitigtions in place for variety of staffing related aspects - eg mental health awareness, overall wellbeing work etc	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	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	The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive.	2	3	6	Stable
			Legal and procurement teams not consulted when contractors are engaged.						Loss of key staff or supplier.				
	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 causing 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 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	
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	<p>General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre).</p> <p>Adverse publicity. "Business as usual" not possible without appropriate business continuity plan in place.</p> <p>Breakdown in relationship with other responders.</p>	<p>Lack of planning, training and exercising of Emergency plans</p> <p>Inadequate Corporate Business Continuity Management.</p> <p>Lack of procedural understanding</p>	4	3	12	Head of Human Resources and Organisation Development	Chief Executive	<p>Information Governance Team to cooperate with the supervisory authority and monitor compliance with Data Protection laws.</p> <p>Business continuity plans have been documented, policies and procedures are in place.</p> <p>The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations.</p>	4	1	4	Stable
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	"Business as usual" would not be possible. Cost of repelling cyber threat and enhancing security features.	<p>Systems not in place or kept current to deflect any foreseeable cyber attack.</p> <p>Limited staff awareness of possible threats.</p> <p>Lapse in security awareness and basic processes from a technical and human perspective.</p>	4	4	16	ICT Manager	Head of Customer Services	<p>Business Continuity exercises show the readiness of the Council to deal with emergencies.</p> <p>System of ICO / FLM duty rotas is in place & continued reassessment for ongoing incidents. COVID experience shows capability and ability to perform.</p> <p>Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment.</p> <p>Yearly IT security health check and PEN (penetration) testing carried out, by a CREST security accredited supplier, with remediation action plan in place to mitigate any risks found.</p> <p>Phishing campaigns ran twice a year to test staff security awareness and feed back results to CLT, with improvement plans in place for those who have not passed the test.</p> <p>Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at work and in the office.</p>	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 or those which it does not have the correct permissions to undertake	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 or conditions of service delivery.	4	3	12	Legal Services Team Manager & Service Managers	Head of Legal & Support Services	2022 audit has identified areas of weakness in controls and upon implementation of these the risk will be reduced and therefore these will continue to be monitored	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 Changes in working practises causing unintended risk/exposure	4	3	12	Head of Finance. All Team Managers & Heads of Service.	Directors	Properly convened project teams with PID and project plan in place, including project risk registers. Progress on corporate projects scrutinised by CLT. Implementation of contract management framework for outsourced services. Scrutiny of quarterly monitoring reports on capital expenditure. Utilising Internal Audit to conduct audits of individual projects or Project management more widely. Use of external resources to be used to support the Coalville and Leisure projects. Scrutiny of 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. 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 Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes.	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	
									Participation and strengthening of involvement in National Fraud Initiative (mandatory) Information on how to report fraud is on the website including relevant links. Leicestershire Revenues and Benefits Partnership have two trained officers working solely on Council Tax Reduction Scheme Fraud and act as Single Point of Contact for DWP referrals.				
11 47	FINANCIAL / COMMERCIAL / ECONOMIC The Council is subject to a reduction in income long term	Services are unable to be delivered. Potential staff redundancies. Funding of external groups is withdrawn. Potential breach of statutory duties/ability to deliver objectives compromised	Gov plans reduction in business rates share to NWL. Changes to the local authority financial settlement. Economic downturn / recession. Commercial opportunities not progressed. Changing rent policies.	4	4	16	Head of Finance. All Heads of Service.	Directors. Chief Executive.	Medium Term Financial Strategy in place, and will be reviewed at key events. Change in budgeting focus from incremental to outcomes focussed expected to identify quick wins and plan 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 Pooling. Accessing external funding where appropriate. Income collection procedures in Revs & Bens Service and Housing sound.	2	3	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	
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. Leicestershire Cat 2 County Deal	1	3	3	Stable
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU	The UK's departure from the EU, leads to impacts on supply of goods, staff, services generally. Specifically increase in checks on goods by Environmental Officers at East Midlands Airport meaning increase in resources / costs.	UK departure from EU/Brexit	4	4	16	Chief Executive and Head of Economic Regeneration & Team Manager for Environmental Health	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. 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 gained additional support funding for Port activity	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	
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 engagement and lobbying to ensure that all options for support are considered and actioned where possible. COVID 19 experience has led to myriad of changes to make service provision more robust . Further mitigations for other similar events in place - eg promotion of vaccinations, system readiness and deployment remotely, updating Business Continuity plans etc	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	

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, 26
OCTOBER 2022

Title of Report	TREASURY MANAGEMENT ACTIVITY REPORT - QUARTER 2	
Presented by	Anna Crouch Finance Team Manager & Deputy S151 Officer	
Background Papers	Prudential Indicators and Treasury Strategies 2022/34– Council 24 February 2022	Public Report: Yes
Purpose of Report	To inform Members of the Council's Treasury Activity for the first six months of 2022/23 (April - September 2022).	
Recommendations	THAT MEMBERS APPROVE THIS REPORT AND COMMENT AS APPROPRIATE.	

1.0 BACKGROUND

- 1.1 Treasury Management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement annually on the likely financing and investment activity. The Prudential Indicators and Treasury Strategies were approved by Council on the 24 February 2022.
- 1.2 As a minimum, the code requires that the council reports on the performance of the Treasury Management function at least twice yearly (mid-year and at year end. Appendix A is the second of four reports to be presented in 2022/23 designed to inform Members of the council's treasury activity and enable scrutiny of activity and performance.

2.0 TREASURY MANAGEMENT ADVISORS' COMMENTARY – ARLINGCLOSE LTD

- 2.1 This commentary below has been provided by our treasury management advisors:
- 2.2 NWLDC is currently taking a relatively low credit and liquidity risk approach to its investment strategy by investing mainly in deposits with UK central government, Money Market Funds (MMFs), UK local authorities, and a small number of UK banks, for short terms (up to 12 months). Most of these options avoid the direct bail-in risk associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).
- 2.3 Interest rates have been rising globally, including UK Bank Rate, and further large increases in the policy rate are expected, albeit uncertainty is high given recent political, fiscal, economic and market volatility. The council's investment returns have therefore increased but the level of real return (i.e. adjusting for inflation) is negative

given current high inflation. The latest client investment benchmarking exercise that NWLDC took part in (September 2022) showed the council's credit risk (as measured by credit ratings) and return were both slightly lower than the average for other local authorities on internally managed investments.

- 2.4 Other investment options that may fit with the council's current risk appetite could include longer- term loans to local authorities (the council has done this before), covered or supranational bonds and loans to Registered Providers (housing associations), which would also require a longer investment horizon (3 to 5 years).
- 2.5 Going beyond this would be an alternative approach – investing for the long-term (5 years +) in asset classes such as property, bonds and equities which fluctuate in value, and carry a different and typically higher set of risks but offer the potential for higher returns. The Council would need to identify a long-term investment horizon and/or these types of investments may need to be part of a documented strategy to manage liquidity, interest rate, exchange rate and/or inflation risks

3.0 SUMMARY

- 3.1 In compliance with the requirements of the CIPFA code of practice, Appendix A provides Members with a summary report of the Treasury Management activity for the period April 2022 to September 2022. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 3.2 For the reporting period, there has been no breaches of Treasury Management Strategy Statement that need bringing to the attention of the committee and the Treasury Management practices have been complied with.

Policies and other considerations, as appropriate	
Council Priorities:	The Treasury Strategies and Prudential Indicators help the Council achieve all its properties.
Policy Considerations:	Prudential Indicators and Treasury Strategies 2022/34– Council 24 February 2022
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

Treasury Management Activity Report Q2 2022/23

1. Introduction

- 1.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
- 1.2 The Authority's treasury management strategy for 2022/23 was approved at a Council meeting on 24 February 2022. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 1.3 CIPFA published its revised Treasury Management Code of Practice [the TM Code] and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish. The Authority adopted the revised reporting requirements with effect from 2022/23.
- 1.4 Treasury risk management at the Authority is conducted within the framework of the TM Code. This Code now also includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

2. External Context as at 30/09/2022 (provided by Arlingclose)

- 2.1 **Economic background:** The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.
- 2.2 The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.
- 2.3 Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.
- 2.4 UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.
- 2.5 The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay

(including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and -2.8% for regular pay.

- 2.6 With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of -44 in August, down -41 in the previous month. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.
- 2.7 The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. The September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.
- 2.8 On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.
- 2.9 Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.
- 2.10 After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.
- 2.11 Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from -0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.
- 2.12 **Financial markets:** Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.
- 2.13 Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

- 2.14 Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.
- 2.15 **Credit review:** In July Fitch revised the outlook on Standard Chartered from negative to stable as it expected profitability to improve thanks to the higher interest rate environment. Fitch also revised the outlook for Bank of Nova Scotia from negative to stable due to its robust business profile.
- 2.16 Also in July, Moody’s revised the outlook on Bayerische Landesbank to positive and then in September S&P revised the GLA outlook to stable from negative as it expects the authority to remain resilient despite pressures from a weaker macroeconomic outlook coupled with higher inflation and interest rates.
- 2.17 Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose’s recommended list is 100 days. These recommendations were unchanged at the end of the period.
- 2.18 Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority’s counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

- 3.1 On 31st March 2022, the Authority had borrowing of £94.48 arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.22 Actual £m
General Fund CFR	38.05
HRA CFR	56.43
Total CFR	94.48
External borrowing	64.78
Internal borrowing	29.70
Total borrowing	94.48

- 3.2 The treasury management position on 30th September 2022 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.22 Balance £m	Movement £m	30.09.22 Balance £m	30.09.22 Rate %
Long-term borrowing	63	0	63	3.57%
Short-term borrowing	2	- 1	1	2.25%
Total borrowing	65	1	64	3.56%
Long-term investments	0	0	0	0
Short-term investments	31	9	40	1.61%
Cash and cash equivalents	18	-7	11	1.94%
Total investments	49	2	51	1.68%
Net borrowing	16	-1	15	

4.0 Borrowing

- 4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.
- 4.2 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 4.3 The Authority currently holds £9.1m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.
- 4.4 As shown in table 1 the authority has internally borrowed £29.7m. This internal borrowing foregoes a potential interest income rate of 1.68%. However, if we had externally borrowed PWLB rates are currently 4.34% for one year. This demonstrates a net saving overall to internal borrowing.

5. Borrowing Strategy and Activity

- 5.1 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 5.2 Over the April-September period short term PWLB rates rose dramatically, particular in late September after the Chancellor's 'mini-budget', included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies. Exceptional volatility threatened financial stability, requiring Bank of England intervention in the gilt market. Over a twenty-four-hour period some PWLB rates increased to 6%, before the intervention had the desired effect, bringing rates back down by

over 1% for certain maturities. A truly wild and unprecedented period in fixed income markets, with a direct impact on PWLB rates.

- 5.3 Interest rates rose by over 2% during the period in both the long and short term. As an indication the 5-year maturity certainty rate rose from 2.30% on 1st April to 5.09% on 30th September; over the same period the 30-year maturity certainty rate rose from 2.63% to 4.68%.
- 5.4 As the Council has not undertaken any new borrowing this financial year the effects of these rate rises have not been felt. However, the authority is forecasting a borrowing requirement starting within the next two years.
- 5.5 At 30th September the Authority held £63.1m in loans, a decrease of £1.6m since 31st March 2022. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.22	Net Movement	30.09.22	30.09.22	30.09.2022
	Balance	£m	Balance	Weighted Average	Weighted Average
	£m		£m	Rate	Maturity
				%	(years)
Public Works Loan Board	56	-1	56	3.40%	16.19
Banks (LOBO)	4	0	4	4.80%	32.38
Banks (fixed-term)	4	0	4	4.74%	31.39
Local authorities (long-term)	0	0	0	-	-
Local authorities (short-term)	1	-1	0	0.00%	0.00
Total borrowing	65	-2	63	3.62%	18.03

- 5.6 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 5.7 The Authority continues to hold £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the quarter.
- 5.8 In addition to the external borrowing as shown in the table above, the authority also has £29.7m of internal borrowing as shown in Table 1.

6. Treasury Investment Activity

- 6.1 CIPFA revised TM Code defines treasury management investments as those which arise from the Authority’s cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.
- 6.2 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority’s investment balances have ranged between £44m and £64 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.22	Net	30.09.22	30.09.22	30.09.22
	Balance	Movement	Balance	Income	Weighted
	£m	£m	£m	Return	Average
				%	Maturity
					days
Banks & building societies (unsecured)	3.0	-0.9	2.1	1.46%	90.52
Government (incl. local authorities)	29.0	8.5	37.5	1.61%	82.59
Money Market Funds	17.0	-6.0	11.0	1.96%	1.00
Total investments	49.00	1.60	50.60	1.68%	65.01

- 6.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4 The increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose by around 1.5% for overnight/7-day maturities and by nearly 3.5% for 9-12 month maturities.
- 6.5 By end September, the rates on DMADF deposits ranged between 1.85% and 3.5%. The return on the Council’s sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.4% - 0.6% p.a. in early April and between 1.6% and 1.8% at the end of September.
- 6.6 The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
					%
31.03.2022	4.00	AA-	41%	71	0.39%

30.09.2022	3.52	AA-	26%	65	1.67%
Similar LAs	4.34	AA-	57%	42	0.89%
All LAs	4.29	AA-	55%	17	1.47%

6.7 The Authority had budgeted £9,000 income from these investments in 2022/23. Actual income received by September was £289,000. We are now forecasting interest received to be £800,000 by the end of the year and after deductions income to be £708,000. £450,000 of this will go to the General Fund and £258,000 to the HRA.

6.8 Clearly this is a large increase from forecast and is a result of two factors. Firstly the rapidly changing wider economic situation has led to an increase in interest rates which in turn has increased the return on the authority's investment. Secondly, we have a larger investment balance than forecasted due to delayed repayment of grants to central government, slippage in capital programmes and higher income than predicted from income streams such as council tax and rates.

7. Non-Treasury Investments

7.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

7.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

7.3 The Authority held £9.1m of investments made for commercial purposes. This consisted entirely of directly owned property and land. A full list of the Authority's non-treasury investments is available in the Investment Strategy 2022-23 document. These investments generate a forecast £387,800 of investment income for the Authority after taking account of direct costs.

7.4 The main purpose of these investments is regeneration of the local area rather than investment income. All commercial investments are located within the District.

8. Treasury Performance

8.1 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

8.2 Since the beginning of the reporting period the Council has paid £1.2m in interest. The forecasted amount to be spent on interest on loans for the financial year 22/23 in total is £2.3m. The overall interest rate on borrowing is 3.5%. For comparison purposes the current PWLB Maturity Loan rate for new 10 year borrowing is 5.3%.

- 8.3 During the reporting period we have fully repaid a loan of £1m held with a Local Authority. We have also repaid £600k in principle on our two annuity loans (loans in which a percentage of the principle is repaid annually).
- 8.4 We do not expect to have to undertake any new borrowing in this financial year and none has so far been undertaken.
- 8.5 As discussed above investment interest yield during the reporting period was £289,000. Investment interest return percent on 30 September 2022 was 1.67%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 2.15% and investment yield for similar local authorities advised by Arlingclose was 0.89% and for all other local authorities advised by Arlingclose was 1.47%. This can all be seen visually in Appendix 2.
- 8.6 As demonstrated in the benchmarking data our return percentage was very similar to other local authorities when looking at internal investment return. However, when looking at overall interest return our yields are above other local authorities. This is due to the fact that strategic investments have produced negative returns. NWLDC does not have any investments in strategic funds so therefore have a better return.

9. Compliance

- 9.1 The Deputy S151 Office reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.
- 9.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 5 below.

Table 5: Debt Limits

	Q2 Maximum during period	30.9.22 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	£64.8m	£64.8m	£72.9m	£82.9m	Yes

- 9.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, there were no days in the reporting period in which the operational boundary was breached.

Table 6: Investment Limits

	Q1 Maximum	30.09.2022 Actual	2022/23 Limit	Complied?
The UK Government	Unlimited	£24m	Unlimited	Yes
Local authorities & other government entities	£5m	£5m	£5m	Yes
Secured investments	£5m	£0	£5m	Yes
Banks (unsecured)	£2.5m	£2.3m	£2.5m	Yes
Building societies (unsecured)	£2.5m	£0	£2.5m	Yes
Registered providers (unsecured)	£2.5m	£0	£2.5m	Yes

Money market funds	£5m	£5m	£5m	Yes
Strategic pooled funds	£5m	£0	£5m	Yes
Real estate investment trusts	£5m	£0	£5m	Yes
Other investments	£2.5m	£0	£2.5m	Yes

10. Treasury Management Indicators

10.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

10.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.22 Actual	2022/23 Target	Complied?
Portfolio average credit rating	AA-	A-	Yes

10.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.9.22 Actual	2022/23 Target	Complied?
Total cash available within 3 months	34.1m	2.5m	Yes

10.4 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.9.22 Actual	2022/23 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-243,465	-200,000	No
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	243,645	200,000	No

10.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates. Although the indicator has not been complied with this is not a compliance failure as it reflects the increase in investment balances over the year and the fact that all of the authority's investments are due to mature this year. Longer investments would reduce the interest rate risk but would expose the authority to higher liquidity risk.

10.6 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. [This indicator covers the risk of replacement loans being unavailable, not interest rate risk.] The upper and lower limits on the maturity structure of all borrowing were:

	30.09.22 Actual £	30.09.22 Actual %	Upper Limit	Lower Limit	Complied?
Under 12 months	5,713,657	9%	30%	0%	Yes

12 months and within 24 months	2,740,936	4%	30%	0%	Yes
24 months and within 5 years	3,892,820	6%	30%	0%	Yes
5 years and within 10 years	3,033,321	5%	30%	0%	Yes
10 years and above	49,477,609	76%	90%	0%	Yes

10.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

10.8 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£10m	£10m	£10m
Complied?	Yes	Yes	Yes

Arlingclose's Economic Outlook for the remainder of 2022/23 (based on 26th September 2022 interest rate forecast)

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.25	4.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.25
Downside risk	0.00	-1.00	-1.00	-0.75	-0.50	-0.50	-0.50	-0.75	-1.25	-1.50	-1.75	-1.75	-1.75

Arlingclose expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the year.

The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200bps of increases this calendar year.

This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024.

Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.

Background:

Monetary policymakers are behind the curve having only raising rates by 50bps in September. This was before the “Mini-Budget”, poorly received by the markets, triggered a rout in gilts with a huge spike in yields and a further fall in sterling. In a shift from recent trends, the focus now is perceived to be on supporting sterling whilst also focusing on subduing high inflation.

There is now an increased possibility of a special Bank of England MPC meeting to raise rates to support the currency. Followed by a more forceful stance over concerns on the looser fiscal outlook. The MPC is therefore likely to raise Bank Rate higher than would otherwise have been necessary given already declining demand. A prolonged economic downturn could ensue.

Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns which could include for instance another Conservative leadership contest, a general election, or further tax changes including implementing windfall taxes.

The government's blank cheque approach to energy price caps, combined with international energy markets priced in dollars, presents a fiscal mismatch that has contributed to significant decline in sterling and sharp rises in gilt yields which will feed through to consumers' loans and mortgages and business funding costs.

UK government policy has mitigated some of the expected rise in energy inflation for households and businesses flattening the peak for CPI, whilst extending the duration of elevated CPI. Continued currency weakness could add inflationary pressure.

The UK economy already appears to be in recession, with business activity and household spending falling. The short- to medium-term outlook for the UK economy is relatively bleak.

Global bond yields have jumped as investors focus on higher and stickier US policy rates. The rise in UK government bond yields has been sharper, due to both an apparent decline in investor confidence and a rise in interest rate expectations, following the UK government's shift to borrow to loosen fiscal policy. Gilt yields will remain higher unless the government's plans are perceived to be fiscally responsible.

The housing market impact of increases in the Base Rate could act as a “circuit breaker” which stops rates rising much beyond 5.0%, but this remains an uncertainty.



Investment Benchmarking
30 September 2022

NW Leicestershire
44 English Non-Met Districts Average
120 LAs Average

Internal Investments	£50.1m	£38.3m	£82.0m
Cash Plus & Short Bond Funds	£0.0m	£0.0m	£0.0m
Strategic Pooled Funds	£0.0m	£14.3m	£14.7m
TOTAL INVESTMENTS	£50.1m	£52.5m	£96.7m

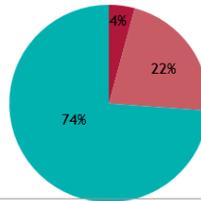
Security			
Average Credit Score	3.52	4.34	4.29
Average Credit Rating	AA-	AA-	AA-
Average Credit Score (time-weighted)	3.03	4.23	4.07
Average Credit Rating (time-weighted)	AA	AA-	AA-
Number of Counterparties / Funds	9	13	13
Proportion Exposed to Bail-in	26%	57%	55%

Liquidity			
Proportion Available within 7 days	22%	42%	45%
Proportion Available within 100 days	72%	62%	71%
Average Days to Maturity	65	42	17

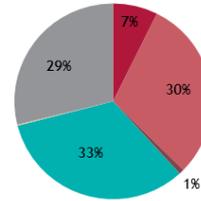
Market Risks			
Average Days to Next Rate Reset	73	53	46
Strategic Fund Volatility	-	4.5%	6.2%

Yield			
Internal Investment Return	1.67%	1.70%	1.72%
Cash Plus Funds - Income Return	-	-	-
Strategic Funds - Income Return	-	3.84%	3.93%
Total Investments - Income Return	1.67%	2.22%	2.05%
Cash Plus Funds - Capital Gain/Loss	-	-	-
Strategic Funds - Capital Gain/Loss	-	-1.73%	-1.15%
Total Investments - Total Return	1.67%	0.89%	1.47%

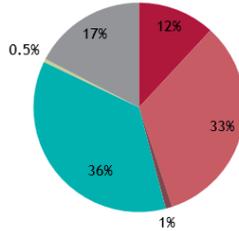
NW Leicestershire



English Non-Met Districts



All Arlingclose Clients



- Bank Unsecured
- Fund Unsecured
- Bank Secured
- Government
- Corporate/RP
- Strategic Funds

Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 26
OCTOBER 2022

Title of Report	STANDARDS AND ETHICS REPORT - QUARTER 2	
Presented by	Elizabeth Warhurst Head of Legal and Commercial Services and Monitoring Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To receive the figures for local determination of complaints and the ethical indicators for Quarter 2 of 2022/2023	
Recommendations	THE REPORT BE RECEIVED AND NOTED.	

1.0 BACKGROUND

- 1.1 The Standards and Ethics Report provides information in two categories: Local Determination of Complaints and Ethical Indicators.
- 1.2 The Quarter 2 Report includes updates on the progress of ongoing cases as requested by members at the Q1 22/23 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:	Detail any impact the decision will have on customers
Economic and Social Impact:	N/A
Environment and Climate Change:	N/A
Consultation/Community Engagement:	Customers have the opportunity to report on measures that are included in this report
Risks:	By receiving this information members will be able to manage risks
Officer Contact	Elizabeth Warhurst Head of Legal and Commercial Services elizabeth.warhurst@nwleicestershire.gov.uk

Standards and Ethics

Quarter 2 Report

2022-2023

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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 2022/23.

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 0 complaints in Quarter 2 of 2022/23 (1 July 2022 - 30 September 2022)

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.

2.2 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 2. Review requests can only be made following a decision of ‘No further Action’ by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.4 Subsequent Referrals

None to report - see above

2.5 Outcome of Investigations

There were no investigations concluded in this period

2.6 Parts of the Code Breached

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

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

N/A

Complaints made to the Monitoring Officer under the Code of Conduct during Q2 2022/23

<u>Qtr 2</u> <u>22/23</u>	<u>Complaint from</u>	<u>About district/ parish councillor</u>	<u>Regarding</u>	<u>status</u>

Ethical Indicators

PERFORMANCE INDICATOR0	Q1			Q2			Q3			Q4		
	20/ 21	21/ 22	22/ 23	20/ 21	21/ 22	22/ 23	19/ 20	20/ 21	21/ 22	19/ 20	20/ 21	21/ 22
Instances of concerns raised re Modern Slavery	0	0	0	0	0	0	0	0	0	0	0	1
Instances of concerns raised re Modern Slavery referred to national agencies	0	0	0	0	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

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	Q1			Q2			Q3			Q4		
	20/21	21/22	22/23	20/21	21/22	22/23	19/20	20/21	21/22	19/20	20/21	21/22
Total Number (FOIs)	55	102	147	93	107	122	79	152	90	79	94	196
% answered on time	72.2%	82.9%	51%	84.1%	71.9%	79%	99%	75%	95.1%	95.8%	86%	78.17%
Average per month	18	34	49	31	36	41	26	51	30	26	31	65
Average response time (days)	15	14	7	13	13	9	10	17	10	11	11	15
Business as usual (BAUs)	27	1	N/A	24	14	N/A	62	26	2	65	11	N/A
Withheld due to exemption/fees (FOI and BAU)*	10	19	0	16	12	0	7	31	15	8	10	13
Transfers (TFRs)	14	18	29	18	12	21	30	25	24	33	23	28
Subject access requests (SARs)	3	1	3	6	2	6	6	12	5	5	5	13
Internal Reviews	1	0	1	Tbc	2	3	tbc	0	1	2	0	2
Environmental Information Requests/ Land Charges Searches (personal)	213	6	4	1	491	4	308	2	336	334	11	1

- The number of requests received in Q2 has reduced by a small amount in comparison to Q1.
- We have seen a significant improvement to FOI request response time. The Information Governance Officer and Information Governance working group have worked hard to improve this figure from Q1.
- The aim is to achieve 90% + response rate moving forward.
- We have been unable to report on number of exemptions applied due to reporting issues on the new case management system. This has been rectified and the figures should be included in Q3 report.
- 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.

FOI Exemptions for Q2 22/23

Exemption	Description	FOI	BAU	Total
S21	Information Already Reasonably Accessible			
S22	Information Intended for Future Publication			
S27	International Relations			
S28	Relations within the UK			
S29	The Economy			
S30	Investigations			
S31	Law Enforcement			
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			
S41	Confidentiality			
S42	Legal Professional Privilege			
S43	Trade Secrets and Prejudice to Commercial Interests			
S44	Prohibitions on Disclosure			
Total	<i>Number need not match the number of cases. Multiple exemptions may apply to one case.</i>	0	0	0

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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