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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 24 April 2024
Location	Abbey Room, Stenson House, London Road, Coalville, LE67 3FN
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 24 January 2024	3 - 6
4. COMMITTEE WORK PLAN	
To note the Committee's work plan	7 - 8
5. EXTERNAL AUDIT UPDATE	
The report of the Strategic Director of Resources	9 - 22
6. SIRO (SENIOR INFORMATION RISK OFFICER) ANNUAL REPORT	
The report of the Head of Legal and Support Services	23 - 34
7. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2023/24	
The report of the Strategic Director of Resources	35 - 52
8. DRAFT MEMBER CODE OF CONDUCT ANNUAL REPORT	
The report of the Head of Legal and Support Services	53 - 60

9.	INTERNAL AUDIT PLAN 2024-25	
	The report of the Audit Manager	61 - 70
10.	ANNUAL GOVERNANCE STATEMENT 2021/22 AND 2022/23	
	The report of the Strategic Director of Resources	71 - 90
11.	INTERNAL AUDIT PROGRESS REPORT	
	The report of the Audit Manager	91 - 104
12.	CORPORATE RISK UPDATE	
	The report of the Strategic Director of Resources	105 - 118
13.	QUARTER 3 TREASURY MANAGEMENT ACTIVITY REPORT	
	The report of the Head of Finance	119 - 140
14.	STANDARDS AND ETHICS REPORT - QUARTER 4	
	The report of the Head of Legal and Support Services	141 - 152

Circulation:

Councillor D Everitt (Chair)
Councillor P Moulton (Deputy Chair)
Councillor R Boam
Councillor D Cooper
Councillor G Rogers
Councillor J G Simmons
Councillor N Smith
Councillor R Sutton
Councillor A Barker

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Abbey Room, Stenson House, London Road, Coalville, LE67 3FN on WEDNESDAY, 24 JANUARY 2024

Present: Councillor D Everitt (Chair)

Councillors P Moulton, D Cooper, G Rogers, J G Simmons, N Smith and R Sutton

Officers: Ms K Beavis, Mrs A Crouch, Miss E Warhurst, Mr T Devonshire and Mr P Stone

External Audit: Ms B Hincks and Mr M Surridge

23. APOLOGIES FOR ABSENCE

Apologies were received from Councillor A Barker and R Boam.

24. DECLARATION OF INTERESTS

There were no interests declared.

25. MINUTES

Consideration was given to the minutes of the meeting held on 25 October 2023.

It was moved by Councillor N Smith, seconded by Councillor J G Simmons, and

RESOLVED THAT:

The minutes of the meeting held on 25 October 2023 be confirmed as an accurate record of proceedings.

26. COMMITTEE WORK PLAN

Consideration was given to the inclusion of any items on the work programme.

The Head of Legal and Support Services corrected the title of a report going to the Committee in April 2024.

The Strategic Director of Resources took the opportunity to explain to Members the arrangements for the signing-off of both the Statement of Accounts 2021/22 and 2022/23. He hoped that this allayed some concerns which Members had. He then invited the External Auditor, Mark Surridge, to contextualise and explain for the Committee the delays which had occurred in completing the audits.

The External Auditor advised Members on the national picture and the struggles which Local Authorities had been having to carry out adequate audits largely due to resourcing issues within the sector. He then advised how these issues would be resolved, ready for a handover to the Council's new External Auditor in September 2024.

A Member asked for clarification on the backstop envisaged in September 2024 and the ramifications of the Council's accounts receiving an unqualified assurance. In response, the External Auditor advised that the External Auditors are committed to completing the work. The External Auditors are working with the Council's Finance Team to aim for an unqualified opinion in respect of the Statement of Accounts for 2021/22 and 2022/23. If the Council were unable to complete these Statement of Accounts by the backstop date, then the External Auditor would have to issue a disclaimer.

The Chair thanked Members for their comments.

27. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the report.

A Member inquired whether the staffing issues reported were caused by uncompetitive remuneration or a sector-wide lack of internal auditors. In response, the Audit Manager advised that the organisation's pay was lower than in the private sector, although she was working with HR on the whole recruitment package, and there was also a national shortage of Internal Auditors.

A Member raised a concern regarding the Audit recommendation about IT equipment purchasing. The Audit Manager confirmed that this recommendation to follow the contract procedure rules had now been implemented.

In response to questions regarding the delay with completing the Statement of Accounts for both 2021/22 and 2022/23 financial years, the Strategic Director of Resources stated that he would arrange training for the Committee on the annual accounts process. The Committee welcomed this suggestion.

In response to a question regarding Housing Service Audits, the Audit Manager stated that 80 days of Audits had been allocated in the Annual Audit Plan. To manage the workload in the Housing and Internal Audit Services it had been planned to undertake a proportion of Audits in each quarter of 23/24. Resourcing issues in both services had meant that had not been possible to complete the work as planned. Additional temporary audit resources had been secured and it was planned to complete the 80 days audit work between December 2023 and April 2024.

In response to a question regarding the outstanding audit recommendation from the IR35 and Tax audit, the Audit Manager stated that a meeting had been arranged with the Head of Human Resources to discuss the progress of the recommendation.

The Chair thanked Members for their comments.

28. TREASURY MANAGEMENT ACTIVITY REPORT 2023/24 - QUARTER 2

The Head of Finance presented the report.

A Member commended the report and the work that Officers were doing, and asked whether there would be challenges in the next few years regarding future borrowing to fund capital spending. The Head of Finance drew the Committees attention to the Treasury Management Strategy which stated that there would be no borrowing to finance the General Fund revenue expenditure, which was funded by Council Tax. General Fund capital expenditure would be financed by grants and Business Rates reserve. As for the HRA account, there was planned to be a relatively small amount of borrowing for capital expenditure.

A Member asked for further details on some of the specifics of the organisation's approach to investments and loans in the context of current and projected inflationary trends. In response, Officers advised that the organisation receives advice from external treasury advisors and considers all available options. Furthermore, particularly stringent due diligence is applied when lending and borrowing from other Local Authorities, in the current climate of Local Authorities across the country having widely reported financial difficulties.

The Chair thanked Members for their comments.

29. CORPORATE RISK UPDATE

The Strategic Director of Resources presented the report.

In response to a concern in relation to the slippage of risks, in particular risk 1 increasing and no indication that it was being managed, and if officers should be brought before the committee, the Strategic Director stated that the Committee did have the power to hold Officers to account, and he was happy for the relevant Officers to be brought before the Committee at the appropriate stage in the process, if the Committee considered that it was appropriate to do so.

The Audit Manager added that the relevant Heads of Service were asked to attend the Committee when an Audit report with a limited assurance finding was completed in their service area. Whilst the Audit report in relation to Safeguarding was in draft stage, it was likely that this would be a limited assurance audit and the Head of Community Service would be invited to attend the meeting.

A Member noted that, in relation to risk 3, issues of pay, staffing, and the use of agency workers had arisen once again; there might also be a need to bring Officers before the Committee to examine this problem in greater detail. In response, the Strategic Director advised the Committee that recruitment was a national issue and was not unique to the Council. The organisation frequently examined recruitment processes and were working hard to try and ensure that vacancies were filled.

The Chair thanked Members for their comments.

30. UPDATE ON ACTION PLAN IN RESPONSE TO ANNUAL INTERNAL AUDIT OPINION 2022/23

The Strategic Director of Resources presented the report.

A Member inquired about the arrangements for internal audit recommendations and sought clarity on whether the Committee had the power to hold officers to account if the Committee considered that actions were not being completed in timely manner. In response, the Strategic Director clarified that yes, the Corporate Leadership Team had tried to strengthen the arrangements and make sure Officers were working appropriately, but the Committee may ask officers to attend meetings where it is appropriate to do so.

The Chair thanked Members for their comments.

31. ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION

The Head of Legal and Support Services presented the report. She noted for Members that there was a minor error in the recommendations, Council was on 22 February, not 23 February as stated.

It was moved by Councillor P Moulton, seconded by Councillor J G Simmons, and

RESOLVED THAT:

It be recommended to Council that on 22 February 2024 the changes to the constitution be endorsed for adoption with effect from 7 May 2024.

32. STANDARDS AND ETHICS REPORT - QUARTER 3

The Head of Legal and Support Services presented the report.

The Chair thanked Members for their comments.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.31 pm

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 16/04/24)

Issue	Report Author	Meeting at which will be reported
August 2024		
Review of Corporate Governance Policies	Charlotte Smith, Apprentice Solicitor	7 August 2024
Update on Action Plan in Response to Annual Internal Audit Opinion 2022/23	Paul Stone, Strategic Director of Resources (Section 151 Officer)	7 August 2024
Draft Accounting Policies 2023/24	Anna Crouch, Head of Finance	7 August 2024
Treasury Management Stewardship report 2023/24	Anna Crouch, Head of Finance	7 August 2024
September 2024		
Local Government and Social Care Ombudsman Annual Review Letter 2023/24	Elizabeth Warhurst, Head of Legal and Support Services (Monitoring Officer)	25 September 2024

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	EXTERNAL AUDIT UPDATE	
Presented by	Paul Stone Strategic Director of Resources	
Background Papers	Statement of Accounts 2021/22 and 2022/23 Update – Council 22 February 2024	Public Report: Yes
Financial Implications	There are no direct financial implications resulting from this report. Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications resulting from this report. Signed off by the Deputy Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no direct staffing or corporate implications resulting from this report. Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide Members with an update from the Council's External Auditors.	
Recommendations	THAT THE COMMITTEE NOTES THE REPORT.	

1.0 BACKGROUND

- 1.1 The report attached at Appendix A is an External Audit Update report provided by the Council's External Auditor's Mazars LLP.
- 1.2 The report provides an update on the audit of the 2021/22 financial statements.
- 1.3 A representative from Mazars is in attendance to present the report.

2.0 DELAY IN STATEMENT OF ACCOUNTS

- 2.1 In considering the Mazars report, it is helpful to provide context for the reasons for the delay in publishing and auditing the Council's Statement of Accounts 2021/22 and 2022/23.
- 2.2 The delay in the publication of local authority Statement of Accounts has become a recognised issue, with a significant backlog present across the local government sector. The complexity of accounting for property, plant, and equipment, alterations in audit standards, quality concerns flagged by audit regulators, and capacity limitations within audit firms are the primary contributors to these delays. The Government has acknowledged these challenges and is actively consulting on proposals to address and

clear the existing backlog. A critical measure proposed is the completion of all statements of accounts up to and including the financial year 2022/23 by the 'backstop date' of 30 September 2024.

- 2.3 The completion of the Council's Statement of Accounts for the fiscal year 2021/22 has experienced a delay. This postponement is primarily attributed to unresolved issues from the 2020/21 Accounts, which have arisen from inquiries made by the external auditor concerning property, plant, and equipment valuations. Furthermore, capacity within the finance team has significantly impacted the closedown process. As a small team, compounded by vacancies, this has often meant that prioritisation becomes a necessity, with essential tasks such as budget setting taking precedence.
- 2.4 At the Council meeting on 22 February 2024, the Finance Portfolio Holder, Councillor Rushton, provided a verbal update in support of the report being considered by Members. It stated that a new schedule had been agreed upon with the external auditors, Mazars, to finalise the Statements of Accounts for both 2021/22 and 2022/23. The target was to have both statements audited by the 30 September 2024. This included the sign-off of the Statement of Accounts 2021/22 at the Audit and Governance meeting scheduled for 10 April 2024.
- 2.5 However, since that time, Mazars has stated that they will be unable to complete the audit within the expected timeframe due to their current prioritisation of NHS audits. They would require further extension to finalise the audit work. Therefore, they will not be able to complete the Statement of Accounts for the financial years 2021/22 and 2022/23. Consequently, they must issue a disclaimer, noting their inability to complete the audit in time, by 30 September 2024. Despite this, Mazars will still provide an opinion on the value for money of the Council's financial activities.
- 2.6 The situation regarding the audit of the statement of accounts for the financial years 2021/22 and 2022/23 presents a unique challenge. Whilst the Council is disappointed that Mazars will not complete the audit, the Council is committed to publishing the Statement of Accounts for these years.

3.0 FUTURE AUDITS

- 3.1 Looking ahead, in respect of the Statement of Accounts for the financial year 2023/24, the Council is committed to collaborating with its new external auditors, Azets. The Council will aim to ensure that the Statements are audited by the backstop date of 31 May 2025. Following this, the Council's ambition is to publish its accounts in a timely manner, adhering to the timeframes established in the Accounts and Audit Regulations.
- 3.2 It is essential to recognise the complexities involved in the auditing process and the various factors that can impact the timely completion of audits. In this context, while acknowledging the situation with Mazars, it is also important to focus on the constructive measures being taken to address the issue and the strategic planning implemented to prevent recurrence which includes, for example, plans to enhance the Council's financial systems to ensure that closedown processes are automated where it is appropriate to do so. The Council's resolve to work closely with Azets and its aspiration to expedite future audits are positive steps towards achieving this goal.

Policies and other considerations, as appropriate	
Council Priorities:	A well-run Council.
Policy Considerations:	Not applicable
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment, Climate Change and Zero Carbon	Not applicable
Consultation/Community/Tenant Engagement:	Not applicable
Risks:	Not applicable
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk

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North West Leicestershire District Council

External Audit Progress Report

April 2024



Audit Progress: Executive Summary

Purpose of this report

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). This report provides the April 2024 Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors as summarised below.

2021/22

Our audit of the 2021/22 financial statements is currently ongoing, with an update provided on page 3 on the status of our work. Owing to the delays to this point and the complexity of being able to resource the residual work, we expect the 2021/22 financial statements and 2022/23 financial statements to fall into the backstop.

Our work on the Council's value for money arrangements, including the commentary in the Auditor's Annual Report for both 2021/22 and 2022/23 will be completed September/October 2024.

On the next page, we explain the 'backstop' proposal in more detail.

Backstop implications

The backstop

The backlog in the publication of audited accounts of local bodies in England has grown over the last few years (post Covid-19) to a level where it was deemed intervention would be required. The following proposal was published in February 2024 as a solution to tackle the issue.

To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the "backstop date") – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The proposals consist of 3 stages:

Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

Implications of the backstop

The backstop date is likely to lead to audit firms issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion.

Further information is expected on the exact details of the backstop in the coming months.

Backstop implications

Proposed 'backstop' dates

Phase 1 – Applicable to financial years up to 2022/23



Authorities must approve and publish **audited** accounts by 30 September 2024 (unless exempt)

Phase 2 – Applicable to financial years from 2023/24 until 2027/28







Authorities must approve and publish **audited** accounts by the following dates (unless exempt):


- 2023/24 by 31 May 2025
- 2024/25 by 31 March 2026
- 2025/26 by 31 January 2027
- 2026/27 by 30 November 2027
- 2027/28 by 30 November 2028


2. Status of the audit

See below the status of our audit work to date, we have noted where the work in a section is completed and where there are outstanding items we have noted the risk in relation to that section.





Audit area	Status	Description of the outstanding matters
Movement in Reserves Statement	Completed	No issues noted.
Laws and regulations	Completed	No issues noted.
Fraud and related parties 17		Multiple undisclosed Related Party transactions identified as part of testing. Raised with client who have confirmed adjustments will be made to final accounts. We still have a number of material journals to review as part of our outstanding work.
Cost of services		We are still awaiting evidence of money going through the bank accounts for a number of outstanding samples. We have a number of outstanding queries on the accounting of treatment of items selected in our cut off sample.
Other operating income and expenditure	Completed	No issues noted.
Financing and investment income and expenditure	Completed	No issues noted.
Taxation and non specific grant income		We are awaiting further information relating to several capital grants and contributions received in year.


 Highly unlikely to be completed before the backstop date


 Unlikely to be completed by the backstop date.


 Expected to be completed by the backstop date.

2. Status of the audit






Audit area	Status	Description of the outstanding matters
Other comprehensive income and expenditure	Completed	No issues noted.
Cashflow statement		We are awaiting client working papers in order to verify several figures in the statement
Investment properties		A number of valuation queries remain outstanding. We also noted a material adjustment being required for disposal of an investment property in year this has been agreed with the Council.
Property, plant and equipment		We are working through a number of issues in relation to PPE: <ul style="list-style-type: none"> • Completeness of assets; • Supporting document for additions; • Reconciliation between the valuers report, the FAR and the statement of accounts.
Heritage assets	Completed	We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.
Investments	Completed	Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.
Inventory	Completed	Our VFM work is substantially complete and we have not identified any significant weaknesses that require further work or reporting to members. Our assessment remains open until we issue the Annual Auditor's Report.
Debtors		We are awaiting bank evidence for a number of items.


 Highly unlikely to be completed before the backstop date


 Unlikely to be completed by the backstop date.


 Expected to be completed by the backstop date.

2. Status of the audit




Audit area	Status	Description of the outstanding matters
Cash and cash equivalents		We are working through residual queries in relation to the bank reconciliation
Loans and borrowings		We have noted some variances between the clients loans working paper and the figures in the statement of accounts which we are currently working through.
Creditors		We are awaiting evidence of subsequent payment for a number of items
Pensions		We are working through residual queries
Financial instruments	Completed	We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.
Reserves	Completed	Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.
Housing Revenue Account	Completed	Our VFM work is substantially complete and we have not identified any significant weaknesses that require further work or reporting to members. Our assessment remains open until we issue the Annual Auditor's Report.
Collection Fund		We have a number of items outstanding in relation to Council Tax and Business Rates testing.


 Highly unlikely to be completed before the backstop date


 Unlikely to be completed by the backstop date.


 Expected to be completed by the backstop date.

2. Status of the audit

Audit area	Status	Description of the outstanding matters
Provisions		We are working through residual queries
Completion		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.
VFM		Our work is in progress and we expect to be able to bring our report to the Committee by September 2024.

 Highly unlikely to be completed before the backstop date

 Unlikely to be completed by the backstop date.

 Expected to be completed by the backstop date.

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Matters under review

² Throughout the year, we stay alert to any matters that may be relevant to our work, which at the point of drafting this report includes:

- The Council's financial position, including progress in delivering cost efficiencies and stay within budget..
- The development of the Council's budget and its updated medium term financial strategy, including the extent of reliance on capital flexibilities to balance the budget.

Contact

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Find out more at www.mazars.co.uk

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	SIRO (SENIOR INFORMATION RISK OWNER) ANNUAL REPORT	
Presented by	Elizabeth Warhurst Head of Legal and Support Services	
Background Papers	Standards & Ethics report Q1 Standards & Ethics report Q2 Standards & Ethics report Q3	Public Report: Yes
Financial Implications	There are no financial implications arising out of this report.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	There are no legal implications arising out of this report.	
	Signed off by the Monitoring Officer: yes	
Staffing and Corporate Implications	There are no staffing implications arising out of this report.	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	The purpose of this report is to present to Members for consideration the SIRO's annual report for the year 23/24.	
Recommendations	THAT AUDIT AND GOVERNANCE COMMITTEE NOTES THE REPORT OF THE SIRO AND PROVIDES ANY COMMENTS.	

1.0 BACKGROUND

1.1 The Council has appointed a Senior Information Risk Owner (SIRO) to oversee its information risk management and ensure regulatory compliance. The Council's SIRO is the Head of Legal and Support Services.

1.2 The responsibilities of the SIRO are as follows:

- To be accountable for risk management in relation to information governance at the Council;
- To take overall ownership of the Council's information risk approach, including the information governance framework; and

- To oversee the information security incident procedure and the Council's compliance in relation to dealing with information security incidents (data breaches).

- 1.3 The SIRO has produced an annual report to provide an overview of the Council's compliance in relation to regulatory requirements and to set out how information risk has been managed across the Council over the financial year 2023/24. It demonstrates how the Council has continued to meet its statutory regulatory requirements relating to the processing of personal data under the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018, as well as its duty to be transparent through compliance within the Freedom of Information Act 2000.
- 1.4 The SIRO's report for the period 1 April 2023 – 31 March 2024 is appended at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	- A Well-Run Council
Policy Considerations:	Information Management Policy
Safeguarding:	N/A
Equalities/Diversity:	N/A
Customer Impact:	N/A
Economic and Social Impact:	N/A
Environment, Climate Change and Zero Carbon	N/A
Consultation/Community/Tenant Engagement:	N/A
Risks:	The purpose of the annual SIRO report is to outline how information risk has been managed and consideration of risk is a fundamental part of the report.
Officer Contact	Elizabeth Warhurst Head of Legal and Support Services elizabeth.warhurst@nwleicestershire.gov.uk



**SENIOR INFORMATION RISK OWNER
REPORT 2023-24**

Issued: 2 April 2024

1. Introduction

Within the Council the responsibility for good information risk management sits with all staff at all levels.

The Council has appointed a Senior Information Risk Owner (“SIRO”) to oversee its information risk management and ensure regulatory compliance. The Council’s SIRO is the Head of Legal & Support Services.

The work of the SIRO is delivered through the Information Governance Team, which is led by the Council’s Data Protection Officer.

The responsibilities of the SIRO are as follows:

- To be accountable for risk management in relation to information governance at the Council;
- To take overall ownership of the Council’s information risk approach, including the information governance framework; and
- To oversee the information security incident procedure and the Council’s compliance in relation to dealing with information security incidents (data breaches).

The SIRO meets with the Information Governance Team on a quarterly basis to:

- review compliance in relation to responding to requests for information and identify any areas of concern/potential risk;
- identify whether any organisational or technical measures are required to address any risks presented by information security incidents that have occurred;
- oversee compliance on the completion and review of data privacy impact assessments;
- identify and keep under review any potential projects that may involve data protection compliance; and
- keep under review the Council’s information governance framework and have regard to any changes that may be required as a consequence of any changes in legislation or guidance, or for any other reason.

2. Purpose of the Report

The purpose of this report is to provide an overview of the Council’s compliance in relation to regulatory requirements and to set out how information risk has been managed across the organisation over the past year. It demonstrates how the Council has continued to meet its statutory regulatory requirements relating to the processing of personal data under the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018, as well its duty to be transparent through compliance within the Freedom of Information Act 2000.

The content of this report may vary from year to year depending on the activities undertaken and may include:

- An overview of key achievements;
- An overview of performance related to information governance;
- Compliance with statutory deadlines;
- Management of information security incidents;
- The Council's compliance with legislative and regulatory requirements relating to the handling of information, including compliance with the Data Protection Act 2018 (DPA), Freedom of Information Act 2000 (FOI) and Environmental Information Regulations 2004 (EIR);
- Overview of training and awareness;
- Policy and procedure updates; and
- Objectives for the upcoming year.

3. Information Requests

Members of the public can request information from the Council under the Freedom of Information Act 2000 (FOIA) and/or the Environmental Information Regulations 2004 (EIR). The Environmental Information Regulations 2004 apply to all information which relates to the environment, in its broadest sense, including land, air, water, soil, buildings, animals and people, pollution of all kinds, waste, health and safety. This also includes reports, measures and analysis of environmental information. Whereas the FOIA applies to all other information. There are statutory deadlines by which the Council must respond to these requests for information.

Under the legislation, the Council is able to apply exemptions where it is appropriate to do so to protect the information from disclosure e.g. confidential information. Each exemption has certain criteria that must be met before it can be applied and in some cases, the Council is required to consider a public interest test.

The Council reports to its Audit and Governance Committee quarterly on how it is performing in relation to responding to information requests on time.

The following table sets out the number of requests received and responded to within the period 1 April 2023 - 31 March 2024:

2023/24	Q1	Q2	Q3	Q4	TOTAL
Total Number (FOIs)	157	196	157	190	700
% answered on time	93%	86%	92%	92%	90%
Average per month	52	71	52	63	60
Average response time (days)	11	12	10	10	11
Withheld due to exemption/fees (FOI and BAU)*	13	2	13	19	47
Transfers (TFRs)	18	15	20	37	90

Internal Reviews	1	2	1	0	4
Environmental Information Requests/ Land Charges Searches (personal)	6	7	2	3	18

The following table shows the number of requests received per service area for requests made under the FOIA and EIR within the period 1 April 2023 – 31 March 2024. This information has been collated manually this year but it is hoped that in future years the system for logging requests will be able to generate the information.

Service Area	No. Requests	% of Total
Housing Team/Repairs	74	14%
Environmental Protection	69	13%
Planning & Development/Planning Policy	63	12%
Human Resources	55	10%
Finance	39	7%
Licensing	30	6%
ICT	30	6%
Waste Services	26	5%
Environmental Health	24	4%
Property Services	24	4%
Revenue & Benefits	24	4%
Environmental Health	22	4%
Leisure Services	20	4%
Democratic Services	18	3%
Economic Development & Regeneration	11	2%
Communications	9	2%

In the previous year (2022/23) the number of requests responded to was as follows:

2022/23	Q1	Q2	Q3	Q4	TOTAL
Total Number (FOIs)	147	122	108	148	525

% answered on time	51%	79%	60%	91%	71%
Average per month	49	41	38	49	44
Average response time (days)	7	9	14	13	11
Withheld due to exemption/fees (FOI and BAU)*	0	0	7	3	10
Transfers (TFRs)	29	21	18	26	94
Subject access requests (SARs)	3	6	5	10	24
Internal Reviews	1	3	3	1	8
Environmental Information Requests/ Land Charges Searches (personal)	4	4	7	7	22

From the above figures it can be noted that:

- Overall, there has been an increase in the number of requests received by the Council this year;
- Housing, Environmental Protection, Planning, Human Resources and Finance received the most requests this year;
- The percentage responded to on time each quarter has improved significantly this year;
- In more cases, the Council has had to apply exemptions to withhold information due to the nature of information being requested.

In addition to making requests for public information, individuals can also make a request to the Council for personal data held on them (subject access requests).

The following table shows the number of subject access requests received in the period 1 April 2023 – 31 March 2024:

2023/24	Q1	Q2	Q3	Q4	TOTAL
Subject access requests (SARs)	11	11	9	7	37

This compares with the following in the previous year (2022/23):

2022/23	Q1	Q2	Q3	Q4	TOTAL
Subject access requests (SARs)	3	6	5	10	24

From the above figures it can be noted that:

- Compared to last year, there has been an increase in requests received each quarter and overall across the year; and
- The number of subject access requests each quarter has remained consistent.

The Council has not identified any particular trends in subject access requests and is required to deal with any requests that are made.

4. Information Security Incidents

An information security incident (data breach) is a security risk which can result in the accidental or unlawful loss, destruction or disclosure of information.

There have been 15 information security incidents reported during the period of 1 April 2023 – 31 March 2024. Each security incident has been fully investigated by the Data Protection Officer and where appropriate, measures and mitigations have been made to prevent the reoccurrence of similar incidents.

The majority of the incidents reported this year were emails being sent to the wrong recipient. Whilst it is difficult to account for human error, in recognition that this is a common theme in security incidents occurring, the Council is exploring whether measures could be put in place to reduce the likelihood of such incidents occurring. In addition, the Information Governance Team has introduced a revised information security incident procedure, which includes a matrix for assessing the level of risk an information security incident poses, as well as sets out a process for implementing recommendations following investigations.

There have been no data breaches during this period that met the threshold to be reported to the ICO.

In addition to the above, the Council has also taken the following measures to reduce the likelihood of information security incidents occurring:

- A file storage review, including digitisation and destruction of hard copy files;
- An Information Governance Review, which involved a comprehensive assessment of the Council's information management policies and procedures to form an Information Governance Framework;
- Advice has been given to relevant services on specific areas of compliance; and
- A new process for reporting information security incidents has been implemented which requires officers to complete a form detailing the incident and to telephone the Information Governance team to enable them to assess whether any urgent actions need to be taken.

5. Organisational Compliance with Regulatory Requirements

Changes to legislation during 2023/2024

There have been no significant changes to primary legislation in the reporting period. The EU GDPR is an EU Regulation which no longer applies to the UK. Following the transition period, EU law was automatically transferred into UK law. The UK's version of GDPR is essentially a copy of the EU's GDPR with some subtle differences. The Information Governance Team continues to monitor and share where necessary, guidance and developments from the ICO.

There is a new Data Protection and Digital Information Bill that is currently passing through the House of Lords. The Information Governance Team is keeping this under review and will seek to implement any necessary changes should the bill be passed.

Data Protection Impact Assessments

The Council manages a variety of personal information that is essential for service delivery. The Council has a statutory requirement to ensure that its information systems and supporting processes meet security, confidentiality, data protection and data quality needs.

When implementing new policy and/or practical changes to the way in which personal data is processed, the Council carries out Data Protection Impact Assessments. This is to ensure any risks to privacy are mitigated and ensure that measures are in place to appropriately protect personal data.

During the period 1 April 2023 – 31 March 2024 there was no need for any data protection assessments to be carried out.

Data protection impact assessments are kept under review to ensure that the measures remain appropriate.

Training and Compliance

Information governance training is mandatory for all officers including temporary and agency staff. It is carried out annually by all staff via an online platform and the target for completion is 90%.

Currently, the timing of the completion of the training depends on when each staff member last completed it. During the period 1 April 2023 to 31 March 2024, 81% of staff completed the training. Although this figure is below target, it does not account for any staff members who may be on extended leave e.g. sickness, maternity leave, etc., however, the completion of training will be kept under review to ensure that staff continue to stay up-to-date and complete it when they are required to do so.

The training programme will also be reviewed this upcoming year to ensure it is fit for purpose and covers all the required areas that staff need to be trained on. As part of that review, the training will be updated annually, with all staff expected to complete it at the same time each year (April), to ensure going forward that completion rates can be properly monitored and if there are staff that have not completed it, then this can be addressed, as appropriate.

In addition to the mandatory annual training, training on data protection and information requests was delivered by the Information Governance Team to the Council's Leadership Team and team managers as part of the Council's Corporate Governance training this year.

Training has also been provided to Members through member spotlight sessions that were held in May 2023.

In the upcoming year, it is intended that as well as the annual mandatory training there will be more focussed sessions as part of the Corporate Governance Programme and service-focussed sessions, where required.

Policies

The Council's information governance policies have been reviewed as part of the Information Governance Review. These policies have been updated where necessary and will form part of a new Information Governance framework.

The Information Management Policy was last considered by Cabinet in September 2023 and the new policies will follow the usual process for review as part of the suite of Corporate Governance Policies this year.

In addition to reviewing the policies, the Information Governance Team has also been working on an information governance toolkit to support officers in understanding their obligations. The toolkit includes policies, guidance and flowcharts. The team has also reviewed all of its templates to ensure they are up-to-date and clear.

ICT Security

The ICT Manager has confirmed that the following ICT security measures are in place for protecting the organisation:

- An annual IT security health check is conducted by an external IASM (Information Assurance for Small and Medium Enterprises) organisation. Any critical, medium, and high risks are resolved. The IT security health check is an assessment of our security posture, where the internal and external network is checked for vulnerabilities, to ensure that we are following best practice, systems and applications have been patched and updated as well as overall security health of our IT landscape
- Internal and external penetration testing is carried out, by a IASM security accredited supplier, with a remediation action plan in place to resolve any risks found. In 2024 the Council had no critical, six high, three medium and 23 Low issues. The high and medium issues have now been remediated. The Council has also passed its PSN (Public Sector Network) accreditation for 2024/25. The Public Sector Network (PSN) accreditation, provides assurance to the cabinet office that the Council has maintained compliance for connecting to government networks.
- Phishing campaigns are conducted twice a year to test staff security awareness and feedback results to Corporate Leadership Team, with improvement plans in place for those who have not passed the test. Future campaigns will now include members as they were excluded previously.
- Quarterly Cyber Security awareness training is held for staff, members, and new starters, to protect staff at home and in the office. The completion rate is not as high as we would like it to be, and we are looking at other ways to

improve the uptake of this training. A yearly mandatory cyber security training is also undertaken and this completion rate for this in 2023 was 91.78%

- New business systems are run in remote fully resilient data centres and existing systems are being progressively migrated to cloud computing or software as a service (SaaS) models.
- Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials and the Public Services Network has been secured.
- The latest audit / assessments all confirm a secure environment with reasonable assurance. Some formalisations of processes are required and review of the backups restoration window. An external vulnerability scanner has been purchased which allows the Council to scan and monitor the external perimeter daily and proactively mitigate issues. The latest scan showed 27 medium and 102 Low Vulnerabilities, which the Council is working to mitigate using the tool that has been purchased.
- An annual external audit of IT assessed the organisation's IT arrangements in a range of areas against best practice. The outcome of the audit in 2023 was, reasonable assurance, with three high recommendations and four medium, which were mainly around backup and formalisation of processes. Plans have been put in place to address these and provide assurance that the Council's IT arrangements are solid, sound and secure. All remediations from the 2023 IT audit have been completed.
- Council backups have now been migrated to the cloud, with daily backups now stored off site. This has improved the Council's backup strategy and recovery times. We now have the ability to restore and recover back up files quickly, directly from the cloud, as opposed to using tapes, which took a long time to restore and can be unreliable.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2023/24	
Presented by	Paul Stone Strategic Director of Resources	
Background Papers		Public Report: Yes
Financial Implications	There are no financial implications arising from this report.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	There are no legal implications arising from this report.	
	Signed off by the Monitoring Officer: yes	
Staffing and Corporate Implications	There are no staffing or corporate implications arising from this report.	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	To provide a summary of the work undertaken by the Audit and Governance Committee during the 2023/24 financial year.	
Recommendations	THAT AUDIT COMMITTEE NOTES THE DETAILS OF THE ANNUAL REPORT 2023/24 AND APPROVES THE DRAFT PRIOR TO SUBMISSION TO COUNCIL ON 7 MAY 2024.	

1.0 BACKGROUND

- 1.1 The Annual Report of the Audit and Governance Committee 2023/24 is designed to inform the full Council of the Committee's activities during the financial year, and how it has discharged its responsibilities. The Audit and Governance Committee is now asked to formally approve this report prior to it being reported to Full Council on 7 May 2024.

2.0 ANNUAL REPORT 2023/24

- 2.1 The production of an annual report by the audit committee is considered to be good practice by the Chartered Institute of Public Finance and Accountancy. It is important that the wider membership of the Council is kept informed of the work to ensure sound control and governance. The report to Council is an essential part of this process.

- 2.2 The annual report of the Audit and Governance Committee is shown in Appendix 1. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It highlights the achievements of the Committee and is a useful reminder to the organisation of the role of the Committee in providing assurance about its governance, risk management and financial controls.
- 2.3 The collaboration between the Director of Resources, Head of Internal Audit, and the Audit and Governance Committee's chair and deputy chair, along with other committee members, is a critical process in the drafting of the Annual Report. This cooperative effort ensures that the report is comprehensive, reflecting the organisation's financial health and adherence to regulatory requirements.

Policies and other considerations, as appropriate	
Council Priorities:	- A Well-Run Council
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and Zero Carbon	None.
Consultation/Community/Tenant Engagement:	Members of the Audit Committee have been widely consulted on the draft report.
Risks:	The Audit and Governance Committee has a leading role to play in ensuring that the Council's governance arrangements are effective and contribute to the mitigation of risks.
Officer Contact	Paul Stone Paul.stone@nwleicestershire.gov.uk

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

Appendix 1

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

2023/24



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FOREWORD

As Chair of the Audit and Governance Committee, I am pleased to present this Annual Report which sets out the role of the Audit Committee and summarises the work and achievements we have undertaken as a Committee during the financial year 2023/24. Following the Council elections in May 2023, the Committee membership was appointed. As we embark on the next phase for the Committee, we recognise that we are in a phase of continuous learning and development. We are eager to learn and explore the intricacies of financial reporting, internal controls, risk management and external audit functions.

It is my pleasure to commend the 2023/24 Audit Committee Annual Report.

Thank you to all the officers involved in its production, and in particular Kerry Beavis, Audit Manager, Paul Stone, Director of Resources, Anna Crouch, Head of Finance and Elizabeth Warhurst, Head of Legal and Support Services. I would also like to thank Members and officers who have supported the work of this Committee by presenting, discussing, challenging and debating solutions to the ongoing risk, control and governance environment of the Council. All Members of the Committee bring a balanced, independent and objective approach to business of the Committee and I thank them for the contributions they have made.

The highlight of the report, for me, is recognising the work of the Internal Audit function in providing regular reports in respect of the Council's governance and internal control arrangements. The Committee is made up of new members following the elections in May 2023 and I am grateful to officers for providing appropriate training during the last 12 months.

A working group of Committee members has been established to draft the Annual Report and is an important element of the Committee as we aim to grow and enhance our effectiveness continually.

Effective audit committees build strong relationships, so we intend to collaborate with management, external auditors, and other stakeholders. The relationship with our external auditors, Mazars has been excellent. There have been delays to the publication of our Statement of Accounts which is a national problem, and the issues are well versed. The publication of the 2021/22 Statement of Accounts was delayed due to the ongoing issues with the 2020/21 Accounts which meant the statutory deadline was missed. The Council, like many other authorities within the sector, has struggled with recruitment to key finance posts which has also hindered the process, and this is coupled with capacity issues with external audit firms across the country. However, the strong relationship with Mazars has helped to promote transparency and accountability as the Council is committed to catching up with the timely publication of its Statement of Accounts.

The times in which NWLDC operates remain challenging. However, the professionalism and dedication of Officers, Audit Committee members, and our external auditors, Mazars, have enabled the highest standards of governance to continue to be achieved.



Cllr David Everitt,

Chair, Audit and Governance Committee

April 2024

INTRODUCTION

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. The CIPFA Position Statement also states that “*Audit Committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance strong public financial management.*”

The Audit and Governance Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.

A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

This role is reflected in the Committee’s Terms of Reference which are shown in Appendix One as set out in the Council’s Constitution. During October 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) published ‘Audit Committees – Practical guidance for Local Authorities and Police’, an update of previous guidance from 2018. The guidance includes suggested Terms of reference for Audit Committees. These were used as the basis for proposed new Terms of Reference for the Audit Committee, which were agreed at the Full Council meeting on 23 February 2023, with membership of the Committee agreed at the Full Council meeting on 23 May 2023.

The current Audit and Governance Committee had the following attendance during 2023/24. There was a meeting in April 2023, however, this included the previous membership prior to the Council elections in May 2023.

Member	Apr	Jul	Oct	Jan
Cllr Everitt (Chair)		✓	✓	✓
Cllr Moulton (Deputy Chair)		✓	✓	✓
Cllr Barker		✓	✓	✓
Cllr Boam		-	-	-
Cllr Cooper		✓	✓	✓
Cllr Rogers		✓	✓	✓
Cllr Simmons		✓	✓	✓
Cllr Smith		✓	✓	✓
Cllr Sutton		-	✓	✓
Cllr Smith	-			
Cllr Gillard	✓			
Cllr Hay	-			

Cllr Allman	✓			
Cllr Benfield	✓			
Cllr Clarke	✓			
Cllr Morris	✓			
Cllr Richichi	✓			
Cllr Sheahan	✓			
Cllr Wyatt	✓			

HIGHLIGHTS OF THE YEAR

There have been many benefits from the work of the Committee. The main outcomes and improvements include:

- Received and approved the Internal Audit Plan for 2023/24
- Focused on the CIPFA Position Statement to enhance the work of the Committee.
- Received risk register updates at each of its meetings.
- Trained Audit Committee Members

SUMMARY OF WORK UNDERTAKEN IN 2023/24

The Audit Committee completed the following during 2023/24:

External Audit – Mazars

- Received and considered the audit plan to review the financial statements 2021/22.
- Received and considered the detailed results of the external auditor's work in relation to the audit of the 2020/21 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion, however, there is concern from Members that this was delayed, and subsequent years are also delayed. The Chair of the Audit Committee asked for a report to be submitted to Council in March 2024 highlighting both the national and local issues of audit delays.

Internal Audit

- Continued to oversee the internal audit arrangements for the Council. This included approving the review of the Internal Audit Charter which outlines the terms of reference of the department and is aligned to the Public Sector Internal Audit Standards.
- Received and approved the Internal Audit Annual Report for 2022/23. This included the Annual Audit Opinion on the adequacy and effectiveness of the framework of control, risk management and governance within the Council. As the opinion was one of limited assurance, the Director of Resources also provided a management action plan in response to the audit opinion.
- Received and approved the Internal Audit Plan for 2023/24. The plan ensures that internal audit resources are prioritised towards those systems and areas which are considered to be of high risk, or which contribute most to the achievement of the Council's corporate objectives. It is designed to enable the Internal Audit Manager to give her opinion at the end of the year but is flexible to ensure it remains relevant throughout the year.

- Monitored the delivery of the Internal Audit Plan for 2023/24 through regular update reports presented by the Audit Manager.
- Received and considered the results of internal audit work performed in respect of each Directorate.
- Monitored the progress made by management during the period to address identified control weaknesses (recommendations).
- Monitored the performance of the Internal Audit team through the regular update reports.

Anti-fraud and Corruption

- Received and approved updates to the Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy, and the Anti-Money Laundering Policy.

Risk Management

- Continued to oversee the Council's risk management arrangements and Risk Management Policy, including updates to the strategy and Policy.
- Received corporate risk updates including details of the review of risk arrangements undertaken by Zurich and the resulting Action Plan.
- Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register three times during the year.

Corporate Governance

- Considered the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 and received regular updates.
- Considered the draft Member Conduct Annual Report recognising it acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.
- Received and considered quarterly Standards and Ethics reports detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process.
- Received and considered at each meeting its own work plan for the year ahead, ensuring that all relevant areas are covered during the year.
- Considered the management response to the Annual Internal Audit Opinion 2022/23 and received regular updates on progress against the action plan at each of its meetings.
- Considered a report in respect of the Council's review of its Constitution and recommended changes to Council on 22 February 2024
- Reviewed Corporate Governance Policies including:
 - Anti Fraud and Corruption Policy
 - Anti Money Laundering Policy
 - Confidential Reporting (Whistleblowing) Policy
 - Risk Management Policy
 - RIPA and IPA Policy

- Information Management Policy
 - Data Protection Policy
 - ICT and Cyber Security Policy
 - Local Code of Corporate Governance
- Agreed to appoint an Independent Member of the Audit Committee, however, the Council has been unsuccessful in making an appointment, but the position is being advertised again.

Finance

- Considered the Accounting Policies and Materiality 2022/23
- Received and considered reports on Treasury Management Stewardship
- Continued to review the Council's Treasury Management arrangements. This included reviewing the Treasury Management Activity Report 2023/24 – Quarter 1 and Mid-year which included the actual and proposed treasury management activity.

Other

- Received details of the Local Government and Social Care Ombudsman's review letter for 2022/23 in accordance with its guidance on Effective Handling of Complaints.

TRAINING AND DEVELOPMENT

- There were new Committee Members following the elections in May.
- Members have completed a self-assessment against CIPFA Guidance for Local Authority Audit Committees. This will be used to inform an ongoing training programme for Members.
- Members have received training in respect of Internal Audit, Risk, Standards and Ethics, Statement of Accounts and completion of the Audit and Governance Committee Annual Report
- A programme of training for Committee members has been produced and will be mandatory for all Audit and Governance Committee Members.
- A training manual is to be developed for Audit and Governance Committee Members.

LOOKING FORWARD

The Committee has approved the work programme for the 2024/25 financial year setting out the receipt of regular update reports and annual assurance reports.

The Committee will continue to closely monitor the delays to publishing the Council's Statement of Accounts and the Government's proposals for addressing the backlogs across the sector.

Training and development of Members will continue in line with the CIPFA Position Statement.

The Council's Corporate Risk Register will continue to be closely monitored and key areas of concern scrutinised such as, but not limited to, safeguarding, housing and value for money.

SECTION D7 - AUDIT AND GOVERNANCE COMMITTEE

1 COMMITTEE FORM AND STRUCTURE

Committee scope

- 1.1 The **Audit and Governance Committee** has specific responsibility for governance issues, including audit functions.
- 1.2 The Committee's scope is to:
 - 1.2.1 provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.
 - 1.2.2 provide independent review of the **Council's** governance, risk management and control frameworks and oversee the financial reporting and annual governance process.
 - 1.2.3 oversee internal audit and external audit arrangements, helping to ensure efficient and effective assurance mechanisms are in place.
- 1.3 The success of the **Audit and Governance Committee** in exercising its audit functions depends upon its ability to remain apolitical. It must adopt a nonpolitical approach to its meetings and discussions at all times. Remaining apolitical also places a duty on **Councillors** not to make inappropriate use of information provided to the Committee for other purposes.

Composition

- 1.4 The **Audit and Governance Committee** will comprise 10 Councillors in **Political Balance**.
- 1.5 Members of the **Committee** should not be members of **Cabinet** or **Scrutiny**.
- 1.6 The Chair will be appointed by **Full Council** annually.
- 1.7 Two **Independent Persons** may be co-opted as required to the Audit and Governance Committee to advise on finance matters or to a **Sub-Committee** of the Audit and Governance Committee in relation to standards matters but will not be entitled to vote at meetings.
- 1.8 At least one parish councillor may be present when matters relating to parish councils, or their Councillors are being considered. Parish councillors are coopted to the Audit and Governance Committee as required and will not be entitled to vote at meetings.

Quorum

The **Audit and Governance Committee Quorum** will be 3 **Councillors**.

2 MATTERS RESERVED FOR THE AUDIT AND GOVERNANCE COMMITTEE

Governance, Risk and Controls

- 2.1 The Committee has the right to access all the information it considers necessary to undertake the work of the Committee and may receive reports and refer matters to internal and external auditors.
- 2.2 To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 2.3 To review and approve the **Annual Governance Statement** and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the **Council's** framework of governance, risk management and control.
- 2.4 To consider the **Council's** arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
- 2.5 To consider the **Council's** framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 2.6 To monitor the effective development and operation of risk management in the **Council**.
- 2.7 To monitor progress in addressing risk related issues reported to the **Committee** such as the [Corporate Risk Register](#).
- 2.8 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 2.9 To review the assessment of fraud risks and potential harm to the **Council** from fraud and corruption.
- 2.10 To monitor the [Anti-Fraud and Corruption Strategy](#), actions and resources.
- 2.11 To review the governance and assurance arrangements for significant partnerships or collaborations.

2.12 To review and monitor the **Council's** compliance with public sector financial and audit standards and guidance, in accordance with the **CIPFA Codes and Accounts and Audit Regulations**.

2.13 To review and monitor the Council's **Treasury Management** arrangements in accordance with the **CIPFA Treasury Management Code of Practice**.

3 INTERNAL AUDIT

3.1 To approve the internal audit charter.

3.2 To approve (but not direct) the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

3.3 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

3.4 To make appropriate enquiries of both management and the Head of Internal Audit (currently the Audit Manager) to determine if there are any inappropriate scope or resource limitations.

3.5 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.

3.6 To consider reports from the Head of Internal Audit on internal audit's performance during the year.

3.7 To consider internal audit's annual report:

3.7.1 The statement of the level of conformance with the **Public Sector Internal Audit Standards** and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit;

3.7.2 The opinion on the overall adequacy and effectiveness of the **Council's** framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the **Annual Governance Statement**.

3.8 To consider summaries of specific internal audit reports in accordance with agreed protocols.

3.9 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may

be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

3.10 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

3.11 To provide free and unfettered access to the Audit and Governance Committee Chair for internal audit, including the opportunity for a private meeting with the Committee.

4 EXTERNAL AUDIT

4.1 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised.

4.2 To consider the external auditor's annual audit letter, relevant reports and the report to those charged with governance.

4.3 To consider specific reports as agreed with the external auditor.

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

4.5 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

5 FINANCIAL REPORTING

5.1 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the **Full Council**.

5.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

5.3 To seek assurances that the **Council** has complied with the **Treasury Management** Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

6 ACCOUNTABILITY ARRANGEMENTS

6.1 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

6.2 To report to **Full Council**, as required, on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

6.3 To publish an annual report on the work of the Committee.

7 RELATED FUNCTIONS

7.1 Subject to the requirements set out below, to consider all findings of the Local Government and Social Care Ombudsman, including reports resulting in a finding of maladministration against the **Council**, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.

There are statutory obligations which will, in some circumstances, require reports to be taken to **Cabinet** or **Full Council**.

The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the **Audit and Governance Committee's Agenda**.

7.2 To review any issue referred to it by the **Chief Executive, S151 Officer, Monitoring Officer** or any **Council** body.

8 STANDARDS FUNCTIONS

8.1 To assist the Council in fulfilling its duty under the Localism Act 2011 to promote and maintain high standards of conduct by **Councillors** and **co-opted Councillors** of district and parish councils.

8.2 To advise the Council on the adoption or revision of its **Councillors' Code of Conduct** in **Part 4**.

8.3 To monitor and advise the Council about the operation of its **Councillors' Code of Conduct** in **Part 4** in light of best practice and any changes in the law.

8.4 Advising, training or arranging to train councillors and co-opted members on matters relating to the **Councillors' Code of Conduct** in **Part 4**.

8.5 Dealing with any report from the **Monitoring Officer** on any matter concerning governance.

8.6 To establish **Sub-Committees** for the assessment or determination of matters concerning allegations in relation to Councillor conduct.

8.7 To grant dispensations to **Councillors** who require such dispensations for more than one meeting or on more than one occasion from requirements relating to interests set out in the **Councillors' Code of Conduct** in **Part 4** as appropriate.

- 8.8 To advise the Council on, and review as necessary, the arrangements for dealing with complaints or any local protocols regulating the conduct of **Councillors** and to deal with allegations of breach of any such protocol.
- 8.9 To consider and make recommendations to Full Council on any other matter that may be referred to the Audit and Governance Committee relating to the conduct and training of Councillors.
- 8.10 To consider amendments to the **Constitution** and recommend proposals to **Full Council** for approval, except where specifically delegated to the **Monitoring Officer**.
- 8.11 To undertake an annual review of the **Corporate Governance Policies** and make recommendations to **Cabinet**.

Local Assessment of Complaints About Councillor Conduct

- 8.12 **Sub-Committees** of the **Audit and Governance Committee** are formed on an ad hoc basis to deal with local assessment of **Councillor** conduct complaints.
- 8.13 All **Audit and Governance Committee** members will form a pool from which members will be drawn based on their availability and the requirements of the particular **Sub-Committee** as and when required.
- 8.14 The **Sub-Committee** may co-opt at least one parish councillor when decisions are taken concerning a parish matter.
- 8.15 The **Sub-Committee** may co-opt at least one **Independent Person** as appropriate.
- 8.16 No member who considered a complaint at the initial **Assessment/ Determination Sub-Committee** may consider the same complaint at the **Review Sub-Committee**.
- 8.17 The **Quorum** of the **Sub-Committees** is 3 **Councillors**.
- 8.18 The **Chair** of each **Sub-Committee** will be a **Councillor**.
- 8.19 The **Sub-Committees** and their functions are set out below:

Assessment Sub-Committee

Assessment of complaints in accordance with the **Council's Councillors' Code of Conduct** in **Part 4** and to either:

- Accept the **Monitoring Officer's** recommendation of no failure to comply with the **Councillor's Code of Conduct**;
- Refer the matter for full investigation; or
- Refer the matter for other action.

Review Sub-Committee

Consideration of requests for a review in accordance with the **Council's Councillors' Code of Conduct in Part 4.**

Determinations Sub-Committee

To receive reports from the **Monitoring Officer** or his/her appointed investigating officer and to decide either:

- to determine finding of no failure to comply with the **Councillors' Code of Conduct in Part 4;**
- to determine finding of failure to comply with the **Councillors' Code of Conduct in Part 4** and impose relevant sanctions; or
- Refer the matter for other action; in accordance with the **Council's Councillors' Code of Conduct in Part 4.**

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	DRAFT MEMBER CODE OF CONDUCT ANNUAL REPORT	
Presented by	Elizabeth Warhurst Head of Legal and Support Services and Monitoring Officer	
Background Papers	The Localism Act 2011 The current Councillors' Code of Conduct is available on the Council's website and in the Constitution .	Public Report: Yes
Financial Implications	There are no financial implications to be considered.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	The report details complaints made to the Monitoring Officer under the Code of Conduct for the period 2023/24, which is based on the Local Government Association Model Code of Conduct. The report also allows the work and purposes of the Audit and Governance Committee to be communicated to the public.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None arising from the report. The purpose of the Audit and Governance Committee is to oversee the Council's corporate governance.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To receive and note the draft Annual Report and authorise the Head of Legal and Support Services and Monitoring Officer to make any minor amendments before being recommended to Council.	
Recommendations	<p>1) THAT THE DRAFT MEMBER CONDUCT ANNUAL REPORT 2023/24 BE RECEIVED AND NOTED;</p> <p>2) THAT AUTHORITY BE DELEGATED TO THE HEAD OF LEGAL AND SUPPORT SERVICES AND MONITORING OFFICER TO MAKE ANY MINOR AMENDMENTS TO THE REPORT FOLLOWING COMMENTS FROM THE AUDIT AND GOVERNANCE COMMITTEE;</p> <p>3) THAT COUNCIL BE RECOMMENDED TO ENDORSE THE MEMBER CONDUCT ANNUAL REPORT 2023/24.</p>	

1.0 BACKGROUND

- 1.1 It is important that the work of the Audit and Governance Committee should be visible to the Council and wider public. It is felt that the annual report acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.
- 1.2 The Committee is recommended to receive and note the draft Member Conduct Annual Report 2023/24 and authorise the Head of Legal and Support Services and Monitoring Officer to make any necessary amendments following comments from this Committee before being recommended to Council in June 2024 for endorsement.

Policies and other considerations, as appropriate	
Council Priorities:	A well-run Council, ensuring our services are provided in a positive and friendly way.
Policy Considerations:	Code of Conduct and the Constitution.
Safeguarding:	N/a
Equalities/Diversity:	Detailed in the Annual Report attached as an appendix.
Customer Impact:	N/a
Economic and Social Impact:	N/a
Environment, Climate Change and Zero Carbon	N/a
Consultation/Community/Tenant Engagement:	N/a
Risks:	By reporting on complaints made under the Member Code of Conduct to the Monitoring Officer and ensuring the Code of Conduct is kept under review by the Committee, and endorsed by Full Council, the Council can ensure that Members are aware of their obligations under the Code and mitigate risks associated with misconduct and non-compliance.
Officer Contact	Elizabeth Warhurst Head of Legal & Support Services and Monitoring Officer elizabeth.warhurst@nwleicestershire.gov.uk



MEMBER CONDUCT ANNUAL REPORT 2023-24

This is the Member Conduct Annual Report of North West Leicestershire District Council's Audit and Governance Committee and covers the period from 1 April 2023 to 31 March 2024.

In addition to the responsibilities detailed in the Terms of Reference below, the Audit and Governance Committee promotes high standards of conduct by District Council Members and Members of Town / Parish Councils in North West Leicestershire. The Audit and Governance Committee complies with the requirements of the Localism Act 2011, the Regulations and the guidance provided under that legislation, together with Council's adopted Arrangements.

In September 2021, Council adopted the latest version of North West Leicestershire Code of Conduct for Members. The code is based on the Local Government Association Model Code of Conduct and, following collaboration across Leicestershire, the same Code has been adopted by other Leicestershire District and Borough Councils and Leicestershire County Council.

2. Audit and Governance Committee Terms of Reference

Membership: Ten District Councillors

Quorum: Three District Councillors

The Terms of Reference of the Audit and Governance Committee are set out in the Constitution at Section D and can be found via this link:

[Council Constitution](#)

The Committee has responsibility for governance functions. Its scope is to provide independent assurance to those charged with governance on matters such as risk management, the internal control environment, financial reporting, internal and external audit and annual governance processes. It also oversees the work on reviewing the constitution, corporate governance policies, Councillors Code of Conduct and Arrangements for Dealing with Complaints about Councillors and receives the Annual letter from the Local Government and Social Care Ombudsman. Sub-Committees of the Audit and Governance Committee are formed as required to deal with matters relating to complaints about Councillors.

3. Composition

District Councillors

All appointed by Council on 23 May 2023

Chairman: Councillor D Everitt
Deputy Chairman: Councillor P Moulton
Councillor A Barker
Councillor R Boam
Councillor D Cooper
Councillor G Rodgers
Councillor J G Simmons
Councillor N Smith
Councillor R Sutton
Vacancy

Parish Representatives

The following parish councillors were appointed as Parish Representatives for the remainder of the Administration in September 2023:

Councillor R Johnson – Hugglescote and Donington Le Heath Parish Council.
Councillor L Upton - Charley Parish Council

Part of the role of the Audit and Governance Committee is to hold Sub-committees to investigate complaints against Councillors (District and Parish). It is for these Sub-committees that the Parish representatives will form part of a pool from which members will be drawn based on their availability and the requirements of the particular Sub-committee, this will be as and when required. The Parish representatives will not be required to attend the main meetings of the Audit and Governance Committee. The Sub-committees have not been required to call upon the representatives in the last year.

Independent Persons

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

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

Michael Pearson
Mark Shaw
Gordon Grimes
Richard Gough
Michael Gibson
Laurence Faulkner

The IP's were appointed by Full Council on the 25 May 2021 until May 2025.

Work will begin later in 2024 to work with other districts on the recruitment of the new pool of Independent Persons for 2025-29.

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

4. Meetings and Work Programme

The Audit and Governance Committee meets a minimum of four times per annum. In addition to its scheduled meetings, sub committees still meet on an ad hoc basis in order to consider and determine allegations of Member conduct. The Committee has its main work planned in advance through a Work Programme which enables it to be more proactive, strategic and focused in its approach to key issues. The work of the sub committees is not programmed as the meetings are called as and when needed.

5. Reporting Arrangements

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

6. Procedures and Workloads

(a) Dispensations

During 2023/24, there were no applications received for a dispensation from either District or Parish members.

(b) Complaints made to the Monitoring Officer under the Code of Conduct during 2023/24

<u>Qtr</u>	<u>Complaint from</u>	<u>About district/parish councillor</u>	<u>Regarding</u>	<u>status</u>
Q1 23/24	Member of the public	Parish Cllr	Comments on social media	Initial tests not met
	Member of the public	District Cllr	Comments on social media	Resolved informally
	Member of the public	Parish Cllr	Comments on social media	Initial tests not met
Q2 23/24	Member of the public	Parish Cllr	Comments on social media	Initial tests not met
	Member of the public	District Cllr	Comments made at a Committee meeting	Considered by Assessment Sub-committee, one issue referred to Monitoring Officer for further action and one issue no further action
	Member of the public	District Cllr	Comments and concerns regarding phone call	Considered by Assessment Sub-committee, no further action
<u>Q3</u> <u>23/24</u>	Member of the public	Parish Cllr	Various issues – use of IT and conduct at meetings	Considered by Assessment Sub-committee, three issues referred to the Monitoring Officer for further action and one issue, no further action
	Member of the public	Parish Cllr	Various issues – conduct at meetings / with staff, meeting and training attendance	Considered by Assessment Sub-committee, no further action required
	Member of the public	Parish Cllr	Various issues – conduct at meetings / with staff, meeting and training attendance	Considered by Assessment Sub-committee, two issues referred to the Monitoring Officer for further action and two issues, no further action
	Member of the public	Parish Cllr	Conduct at meeting / role of Councillor	One issue, initial tests not met. One issue considered by Assessment Sub-committee, no further action
Q4 23/24	Parish Cllr	Parish Cllr	Various issues – conduct at meetings and email issues	Initial tests not met / withdrawn
	Parish Cllr	Parish Cllr	Various issues – conduct at / outside meetings	Resolved informally / referred to Assessment Sub-committee

(c) Complaints referred to the Standards Assessment Sub Committee

From the above-mentioned complaints: six

(d) Members' Register of Interests

The Democratic Services Officers send regular reminders to members to ensure that the Register of Members' Interests is up to date and provide advice and assistance to Parish Councils on the completion of the Registers.

(e) Advice and Training

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

Training on the members' Code of Conduct was provided as part of the Members induction programme in May 2023.

Following the District and Parish Elections, that were held in May 2023, three training sessions on the Code of Conduct were held as part on the Member Induction programme and were opened up to all Parish Councillors. The sessions were a mix of in person, hybrid, and remote sessions, and held at different times throughout the day to enable attendance. A fourth session was then held at a later date for those that were unable to attend the original date. The sessions were led by Beth Evans, an external trainer, and a recording of one of the sessions along with the presentation were made available to all members via the Member Hub. This was also sent to all Town and Parish Council clerks to share with their Councillors.

7. Policies & Procedures

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

- Anti Fraud and Corruption Policy
- Anti Money Laundering Policy
- Confidential Reporting (Whistle Blowing Policy)
- Risk Management Policy
- RIPA Policy
- Information Management Policy
- Data Protection Policy
- ICT & Cyber Security Policy
- Local Code of Corporate Governance

These corporate governance policies are reviewed annually by the Committee before consideration and adopted by Cabinet. The Committee considered the policies at its meeting on 26 July 2023 and Cabinet adopted the policies at its meeting on 19 September 2023.

Councillor Everitt
Chairman of Audit and Governance Committee

Councillor Moul
Deputy Chairman of Audit and Governance Committee

Elizabeth Warhurst
Head of Legal and Support Services and Monitoring Officer

OUR VISION

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

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024**



Title of Report	INTERNAL AUDIT PLAN 2024-25	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards	Public Report: Yes
Financial Implications	None arising from the report.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	None arising from the report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	None arising from the report.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To inform the Committee of the proposed Internal Audit Annual Plan for 2024/25 and allow them to comment and approve.	
Recommendations	THAT THE COMMITTEE 1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. 2. APPROVES THE 2024/25 INTERNAL AUDIT ANNUAL PLAN.	

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service and risk-based plan supports the delivery of all council priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None

Environment, Climate Change and Zero Carbon	None
Consultation/Community/Tenant Engagement:	The corporate leadership team has been consulted during the development of the plan.
Risks:	The absence of a risk based internal audit plan could lead to an inefficient internal audit service.
Officer Contact	Kerry Beavis Audit Manager Kerry.beavis@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

2024/25 Internal Audit Annual Plan

1. INTRODUCTION

1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive (the Audit Manager for this Council) to develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. This document sets out the background and the approach to producing the annual plan, with the 2024/25 annual plan attached at Appendix A.

2. BACKGROUND

2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.

2.2. Internal Audit provides a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

2.3. The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:

- establishes Internal Audit's position within the organisation;
- authorises access to records, personnel and physical properties relevant to the performance of engagements; and
- defines the scope of Internal Audit activities.

2.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



Source: Chartered Institute of Internal Auditors

3. INTERNAL AUDIT PLAN

3.1. Overall Strategy

- 3.1.1 The key aim of the service is to provide an independent, objective assurance and advisory function which is designed to add value and improve the Council's operations. This supports North West Leicestershire District Council in the achievement of its priorities and helps services to provide good value for money, as it brings a systematic disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.
- 3.1.2 The Audit Manager has produced a risk-based annual audit plan for 2024/25. This is informed by a risk assessment which is based on a combination of:
- consulting with key stakeholders including senior management;
 - reviewing the strategic risk register and committee minutes;
 - reviewing reports from external agencies (for example external audit) and legislative updates;
 - factors such as changes in staffing, systems and processes; and
 - the Audit Manager's professional judgement.

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

- 3.1.3 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Audit Manager's annual opinion on the Council's internal control environment. This opinion feeds into the Council's Annual Governance Statement.

- 3.1.4 It should be noted that the Public Sector Internal Audit Standards state that

"The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls."

The Audit Manager will ensure that the audit plan is regularly reviewed and adjusted as necessary throughout 2024/25. In practice this may mean that audits are added to or removed from the plan, with details included in the quarterly progress reports.

3.2. Resources Available

- 3.2.1 The Audit Team who will deliver the 2024/25 annual audit plan at North West Leicestershire District Council consists of the Audit Manager (0.4 FTE), Internal Auditor (0.69 FTE), Internal Audit Assistant (1 FTE), Internal Audit Apprentice (0.34 FTE) and an IT audit contractor. Table 1 shows a calculation of the available audit days for 2024/25, this does not include the days for the IT auditor. Additionally, as the Internal Audit Assistant post is currently vacant the number of days has been adjusted to reflect this, and further contingency is in place to postpone some audits if the vacancy cannot be filled.

Table 1: Resources Available

Available Days	393
Team and Contract Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports/External Audit/Audit Reviews	56
Corporate Meetings/General Admin/ Minutes Review/Regional Audit Groups	20
Available Audit Days	317

3.3. Internal Audit Annual Plan 2024/25

3.3.1 The proposed 2024/25 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council’s objectives and the risks identified by management and the audit team. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

Table 2: 2024/25 Annual Audit Plan

Risk Based Audit Work 2024/25 (see Appendix A)	239
Completion of 2023/24 Outstanding Audits	19
Follow up reviews	10
Advisory – Ad hoc	11
Public Sector Internal Audit Standards	7
NFI, RIPA, Fraud	22
Risk Scrutiny	4
Contingency	5
Total Audit Days	317

3.3.1 Three of the Council’s key financial systems (Benefits, Council Tax and National Non Domestic Rates (NNDR)) are provided by the Leicestershire Revenues and Benefits Partnership, and therefore the audits in relation to these systems will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council. The Audit Manager will review the audit reports to take assurance from them.

3.3.2 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high-level consideration of the scope and existing arrangements. As part of the set-up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audits days against actual and for ad-hoc or fraud investigations that may arise during the year. The quarterly progress reports to Audit and Governance Committee will include a comparison of planned to actual days for each audit undertaken.

3.4 Limitations

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

2024/25 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA	PLANNED AUDIT DAYS	
HOUSING					
Housing	Audit	Q1,2,3,4	2	30	
Housing Compliance	Audit	Q3	2	20	
Housing Contract Management	Audit	Q2	2	15	
Housing Stocktakes	Audit	Q1,2,3,4	2	2	
Subtotal				67	
COMMUNITY SERVICES					
Tree Stock Management	Audit	Q1	2	8	
Waste Services	Audit/ Advisory	Q1,2,3,4	3	20	
Subtotal				28	
FINANCE					
Insurance	Audit	Q1	4	8	
VAT & benefits in kind	Audit	Q2	4	10	
Key financial systems	Audit	Q2,3,4	4	55	
Subtotal				73	
REGENERATION					
Regeneration Projects	Consultancy	Q1/2	1	20	
Subtotal				20	
ICT					
IT Audits	IT Audit Contractor	TBA	4	20	Not included in audit days
Subtotal				20	

CROSS CUTTING				
Net Zero	Audit	Q3	All	8
Driver checks	Audit	Q2	All	6
Transformation Projects	Advisory	As required	All	3
Complaints	Audit	Q2	All	12
UKSPF	Audit	Q2	All	8
Changing Places	Grant	Q2/3	All	2
Procurement and Contract Management	Audit	Q4	All	12
Subtotal				51
Total				239

The areas detailed below are audits that will be brought on to the plan if time allows, if not they will be included on the 2025/26 plan

- Partnership Working/ Service Level Agreements (SLAs)
- Health and Safety
- Development Control – Planning Applications
- Service Planning and Performance Management

Key to Priorities

1. Planning and Regeneration
2. Communities and Housing
3. Clean, green and zero carbon
4. A well run council

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	ANNUAL GOVERNANCE STATEMENT 2021/22 AND 2022/23	
Presented by	Paul Stone Strategic Director of Resources	
Background Papers	Annual Governance Statement 2020/21	Public Report: Yes
Financial Implications	There are no financial implications.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	Under regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to conduct a review of the effectiveness of the system of internal control and as such must prepare an Annual Governance Statement.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no staffing implications.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To present the Annual Governance Statement 2021/22 and 2022/23 for consideration and approval.	
Recommendations	THAT AUDIT COMMITTEE APPROVES THE ANNUAL GOVERNANCE STATEMENT 2021/22 AND 2022/23 (AS ATTACHED AT APPENDIX ONE)	

1.0 BACKGROUND

- 1.1 Local authorities have a legal responsibility to conduct, at least annually, a review of the effectiveness of their governance framework including their system of internal control. Following the review an Annual Governance Statement (AGS) must be produced, approved and published. Good practice dictates that the document is published alongside the statement of accounts but is considered in its own right.
- 1.2 In light of the delays to the publication of the Council's Statement of Accounts, which was considered at the Council meeting on 22 February 2024, the Council's external auditor, Mazars, has agreed that the Council's AGS will encompass both the 2021/22 and 2022/23 financial years.

- 1.3 Audit Committee Members are asked to note the findings of the AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements, which are outlined in the AGS shown in Appendix 1.
- 1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issue joint annual guidance on corporate governance which encourages local authorities in going beyond consideration of the internal control environment to look at wider arrangements for supporting sound corporate governance.
- 1.5 The CIPFA/SOLACE guidance - 'Delivering Good Governance in Local Government : Framework (2016)', outlines seven core principles for good governance, with a number of supporting principles. These seven principles are:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.
 - B. Ensuring openness and comprehensive stakeholder engagement.
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - E. Developing the Authority's capacity, including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and strong public financial management.
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 1.6 A key element of compiling the Annual Governance Statement is an assessment of the extent to which the Council has adhered to the governance standards set out in its Code, and providing a robust evidence base for this, set out in a transparent way. This is seen in section 3 of the report.
- 1.7 The AGS includes the following sections:
- 1 **Background and Scope of Responsibility** – this section provides the purpose of the document and outlines the legal requirements for an AGS and its link to the Council's Code of Corporate Governance.
 - 2 **The Purpose of the Governance Framework** – describes the Council's system of internal control.
 - 3 **The Governance Framework** – describes how the Council has complied with the principles in its Code of Corporate Governance and includes links to online documents where the reader can access more detailed information.
 - 4 **Effectiveness** – explains the mechanisms by which the Council assesses its governance arrangements, and what conclusions have been drawn.
- 1.8 There were several areas for improvement identified in the review of the AGS 2020/21, for which updates have been provided.
- 1.9 The review of the 2021/22 and 2022/23 AGS, has identified further areas for improvement which are set out in Table 2 in Section 4 of the AGS. The Annual Governance Statement is a snapshot document that reflects the governance arrangements, performance, and structure of the Council at a specific point in time. Typically, it is prepared to coincide with the end of the financial year, and it provides a transparent account of the Council's governance policies and practices over that

period. The AGS 2023/24 will demonstrate the progress the Council has made in improving its governance arrangements.

1.10 Finally, Section 5 of the AGS details the overall opinion and conclusion.

1.11 Following Audit and Governance Committee approval, the final AGS will be published on the Council's website.

Policies and other considerations, as appropriate	
Council Priorities:	- A Well-Run Council
Policy Considerations:	Code of Corporate Governance.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and Zero Carbon	None.
Consultation/Community/Tenant Engagement:	None.
Risks:	The AGS is a mandatory requirement for local authorities. Failure to produce an AGS may result in non-compliance with relevant regulations namely the Accounts and Audit Regulations 2015.
Officer Contact	Paul Stone Strategic Director of Resources Paul.stone@nwleicestershire.gov.uk

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Annual Governance Statement 2021/22 and 2022/23

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1. Background and Scope of Responsibility

North West Leicestershire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging the overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016. A copy of the Code is available on

the Council's website at www.nwleics.gov.uk/ corporate policies or can be obtained from the Council Offices in Coalville upon request.

This Statement explains how the Council has complied with the code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation and approval of an Annual Governance Statement. The Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework. The Code is reviewed annually and was approved by the Audit and Governance Committee on 27 July 2022.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is controlled and directs its activities and through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have

led to the delivery of appropriate, cost-effective services.

The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the period 1 April 2021 to 31 March 2023.

3. The Governance Framework Our vision, priorities and values

The Council's vision, priorities and values are set out in the Council Delivery Plan, which was adopted by Council on 21 May 2019 and reviewed by Corporate Scrutiny Panel at a meeting in June 2021.

The Council's vision is that 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'.

The Council's priorities reflect the overall vision and are detailed in a series of critical activities which are incorporated into annual departmental team business plans and the Medium-Term Financial Strategy.

Our priorities are:

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

The Council wants our employees to believe in our five core values. These values will be integrated into our performance staff development and appraisal programmes.

The overarching value is "One Council, one team" supported by the following five values:

- Excellence – the Council will always work to be the best it can be.
- Trust – The Council are honest fair and transparent, and we value trust.
- Respect – Council officers respect each other and our customers in a diverse, professional and supportive environment.
- Pride – the Council are proud of the role we play in making North West Leicestershire a happy healthy and vibrant place to live and work.
- Growth – the Council will work together to grow and continually improve.

The key elements of our governance framework

The Council operate a cabinet style system of governance with separation of executive and scrutiny functions. All Cabinet members have been allocated a

specific portfolio and are responsible for driving forward the Council's key strategic aims.

The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

The Council has various layers of management within the organisation and our management teams each play an important role in governance framework.

Our corporate leadership team (CLT), comprises of the Head of Paid Service, Directors and all Heads of Service.

The Council also have a series of Corporate Leadership Team (CLT) meetings (held with Directors and Heads of Service to consider strategic and operational matters relevant to specific directorates), Extended Leadership Team (ELT) meetings which include all Team.

Managers across the Council and the Chief Executive who help to shape the strategic direction of the Council and feed in to CLT and Senior Management Team (SMT) meetings where Heads of Service meet with their respective Team Managers to consider specific service matters.

Role of the Council

The extent of the role of full Council in reviewing and monitoring effectiveness of internal control is set out in Part 3 of the Council's Constitution. Part 3 provides that the Council is responsible for setting the policy and budgetary framework. The 'Call-in' provisions found within the Constitution provide members of the Corporate and Community Scrutiny Committees with a mechanism to scrutinise decisions of Cabinet where they feel that they have been taken outside the principles of decision making set out in Part 2, Section A of the Constitution:

- a) Proportionality (i.e. the action must be proportionate to the desired outcome).
- b) due consultation and the taking of professional advice from officers.
- c) respect for human rights.
- d) a presumption in favour of openness.
- e) clarity of aims and desired outcomes.
- f) explaining what options were considered and giving the reasons for the decision."

The Council's Statutory Officers who consist of the Head of Paid Service (the Chief

Executive), the Monitoring Officer (Head of Legal and Support Services) and the Section 151 Officer (Head of Finance) fulfil the statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly. The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Constitution of the Council is subject to a continuous review process which sets out matters reserved to Council, Cabinet and Committees for decision, all other decisions are delegated to Officers. The Constitution was reviewed in 2022/23 and the new version, which was actively considered by Members, was approved by Council in February 2023.

The Council formally reviews its Financial Regulations on a regular basis. On-going updates are implemented as part of the regular reviews of the Constitution.

Role of Cabinet

The Cabinet has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly set out in the Constitution, and it plays a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues.

Role of Audit and Governance Committee

The Audit and Governance Committee is responsible for ensuring that the Council's systems for internal control are sound by reviewing control mechanisms, and guidelines (both internal and external) and ensuring continued probity and good governance of the Council's operations. The Committee meets the external auditor to discuss findings in the Annual Audit Management Letter and reports. The Committee is also responsible for dealing with members conduct and standards issues.

Role of Scrutiny Groups

The Community and Corporate Scrutiny Committees carry out the Council's Scrutiny function. The Scrutiny committees can "call in" a decision which has been made by the Cabinet but not yet implemented, to enable them to consider whether the decision is appropriate.

The Constitution contains a section on the “Principles of Decision Making”, and non-compliance with one or more of those principles is a ground for “call-in” by the Scrutiny Committees.

The Committees are also consulted on policy development ahead of reports being taken to Cabinet.

Risk Management

The overall objective of the Council’s risk management strategy is the identification, analysis, management and financial control of those risks which can most impact on the Council’s ability to pursue its approved delivery plan.

The Risk Management Policy was approved by Audit and Governance Committee on 27 July 2022 and all reports to Council, Cabinet and Committees have a risk management section. A Corporate Risk Register has been developed and approved at both Corporate Leadership Team and by Elected Members. The Corporate Risk Register is accepted as a live document constantly under review for progress on managed risks and new risks that could impact on the Council. A risk review cycle

has been developed that will allow closer links with the service planning process.

The Corporate Risk Group is represented by each of the Council’s services. The CRG will identify new risks and review the corporate risk register. Review of corporate risks is part of the terms of reference of the Audit and Governance Committee. Risks are reported to Audit and Governance Committee on a quarterly basis.

To ensure the Council’s risk management approach is working effectively Zurich (the Council’s insurers) undertook an external review. The review took place in 2022/23.

Role of Internal Audit

The Council has a Public Sector Internal Audit Standards (PSIAS) compliant Internal Audit service that is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual work plan, progress against which is reviewed each quarter by the Audit and Governance Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and

Head of Service as well as the Chief Executive, Section 151 Officer and Monitoring Officer. The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation. Progress against recommendations is followed up by Internal Audit and reported to Audit and Governance Committee on a quarterly basis throughout the year.

The Internal Audit Report 2022/23 was considered by the Audit and Governance Committee at its meeting on 26 July 2023.

The Chief Audit Executive (Audit Manager) issued a “Limited Assurance” opinion. It is recognised that this level of assurance is not acceptable and requires improvements. In response to the Opinion, the Council has investigated this level of assurance is not acceptable and requires improvements. In response to the Opinion the Council has instigated and established an Action Plan to address the concerns and issues raised.

Of the audit opinions given in 2022/23, three had a reasonable opinion and five had a limited opinion.

A number of high priority recommendations were made in respect of other audit reviews undertaken.

Mazars LLP has been appointed by the Public Sector Audit Appointments (PSAA) as the Council's external auditor for 2021/22 and 2022/23. The auditor's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

External Audit provides an opinion on the Council's financial statements and conclude on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (value for money conclusion).

The latest Annual Letter from the Council's appointed External Auditors for 2020/21 Mazars LLP issued unqualified opinions on the financial statements and Value for Money Arrangements of the Council.

These confirm that for 2020/21 the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year then ended and that the Council had proper arrangements for securing economy, efficiency and effectiveness.

How the Council will comply with the CIPFA/SOLACE framework

The following sections list the key elements of the systems and processes that comprise the Council's governance framework with a commentary setting out how the arrangements comply with each of the principles that are laid out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. The Council has a Councillors' Code of Conduct, Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights which are all set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance; the last review of these codes being completed in February 2022 as part of the update of the Council's Constitution.

The Constitution contains a section on the "Principles of Decision Making", and non-

compliance is a ground for "call-in" by the Policy Development Group.

During 2021/22 and 2022/23 the Audit and Governance Committee had a pro-active work programme, and each meeting of the Committee received a quarterly performance monitoring report including information on standards complaints and ethical indicators.

The Council has robust arrangements for monitoring compliance with the Councillor Code of Conduct (including gifts and hospitality). The Officer Register of Gifts and Hospitality is monitored by the Chief Executive, whilst Councillors are reminded of the need to complete the register of interest.

The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly as a Statutory Officers Group (every four to six weeks). Their work includes monitoring compliance with standards of conduct across the Council, including both officers and members.

The Council's Confidential Reporting Policy includes members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.

The “Monitoring Officer” function is carried out by the Head of Legal and Support Services who reports to the Chief Executive. The Legal Team Manager who has responsibility for legal matters and is also the “Deputy Monitoring Officer”, reports to the Head of Legal and Support Services.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The “Head of Paid Service” role is undertaken by the Council’s Chief Executive. The Head of Human Resources and Organisational Development, responsible for all HR matters, reports to the Chief Executive.

Undertaking the core functions of an Audit Committee, as identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities

The Council has an established Audit and Governance Committee whose remit and functions are based on the guidance set out in the CIPFA/SOLACE 'External Audit in Delivering Good Governance in Local

Government: Framework', 2016, which identifies best practice in relation to roles and responsibilities. The Committee meets quarterly and receives regular reports from both the Section 151 Officer and the Audit Manager. Arrangements are in place for the Audit Manager to report independently to the Audit Committee should he/she feels it appropriate to do so.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two of the Council’s statutory officers, the Section 151 Officer and the Monitoring Officer, have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Head of Human Resources and Organisational Development, who facilitates the management and mitigation of risk, and the Audit Manager who provides assurance on matters of internal financial control.

There is an in-house, Lexcel accredited Legal Team. Lexcel is the Law Society’s legal practice quality mark for excellence in

legal practice management and excellence in client care. The Legal Team works closely with all teams across the Council providing risk-based advice.

Whistle-blowing and for receiving and investigating complaints from the public

The Council has in place appropriate Confidential Reporting policies and procedures which are regularly reviewed and updated where required. The Whistleblowing Policy is one of a suite of corporate governance policies which were reviewed in 2022.

Staff are aware of the Whistle Blowing policy through the Council’s intranet and as an integral part of the induction process for new starters. There is also a well- established and responsive complaints procedure to deal with both informal and formal complaints from customers and residents.

In 2022, the Council reviewed and adopted arrangements for dealing with complaints about the conduct of councillors which include an informal resolution stage facilitated by the Monitoring Officer.

The Audit and Governance Committee has oversight of the complaints process and receive quarterly reports from the Monitoring Officer.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Council has established corporate communications principles and communications strategy/plan which identifies key projects and campaigns. The communications strategy aligns with the Council Delivery Plan.

The Council uses various means to communicate key messages to members of the public, including press releases, website content, social media and where relevant direct communication. Internally, the Council communicates with staff via team meetings, the intranet, blogs and Chief Executive's roadshows for staff. The Council's communication principles are:

- The Council will communicate the right information with the right people at the right time in the right way to make sure our priorities, key decisions and actions are understood.
- The Council will be proactive and transparent – even when the story is a negative one.
- Wherever possible, we will only talk publicly about things that are definite.

- The Council will make sure the most affected people know the information first e.g. staff then members.
- The Council will target particular audiences depending on what it is talking about
- The Council will use the right tools for the job.
e.g. digital vs face to face.

The Council has a regular mechanism of meetings with representatives and officials from the recognised Trade Unions in place.

The Council's scrutiny arrangements are designed to ensure that key policies are scrutinised and involve all sections of the community and stakeholders as necessary.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits.

Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements

The Council participates in a range of joint working arrangements with other bodies. For

those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and protect reputational risk. Should there be corporate risks based on partnership arrangements these will be detailed within the corporate risk register. The Council is particularly mindful of the financial and reputational risks that can arise through entering joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Leicestershire Resilience Forum with representatives from Leicestershire and Rutland councils to prepare for and respond to civil emergencies within the Leicester, Leicestershire and Rutland area. The Head of Human Resources and Organisational Development is the Council's representative on the Leicestershire Resilience Partnership Management Board.

The Leicestershire Partnership, Revenues and Benefits is a collaborative effort involving three local authorities in Leicestershire to enhance the delivery of revenues and benefits services.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome.

The Council Delivery Plan and Medium-Term Financial Strategy detail how the Council has planned all our resources, both financial and staffing to deliver against our priorities.

The Council's performance management arrangements include the business planning process which reflects all the Council's aims and objectives and aims to better align activities, improvements and resources. A set of clear and consistent Team Business Plans were developed for 2021/22 and 2022/23.

All plans were monitored throughout the year by management and portfolio holder cabinet members monthly and reported to scrutiny and cabinet publicly on a quarterly basis to facilitate robust member challenge.

Profiled financial monitoring reports are produced, which also project the outturn, after each quarter end. These are reviewed by all budget holders and portfolio holder cabinet members on a quarterly basis and are reported to cabinet on a quarterly basis.

Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it

The Council has rigorous recruitment and selection, performance management and staff development processes.

The Council fully supports the requirements to ensure that both members and senior officers have the necessary skills sets to fulfil their strategic role in the organisation. A comprehensive induction programme exists for both members and officers which has been developed to deal with all relevant core issues. The Council is committed to creating an environment where elected members' skills can develop and thrive with regular courses being delivered.

An annual development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate. The Council recognise the critical role that a motivated, skilled and capable workforce plays in every aspect of service delivery. Our People Plan that sets out the Council's ambitions for a sustainable, effective and efficient workforce was approved by Cabinet in December

2018. The Plan includes timetabled actions against five thematic areas including: being an employer of choice; developing and supporting staff; leadership; happy and healthy workforce; and communication and listening. Progress to implement the plan will continue through the forthcoming year.

In April 2019 the Council achieved Investors in People accreditation and is now IIP Accredited (Silver) until 2025.

The Council adopted new corporate values in 2019 and these have been embedded into our recruitment and appraisal processes.

Principle F – Managing risks and performance through robust internal control and strong public management

The Community and Corporate Scrutiny Committees carry out the Council's scrutiny function. The Council maintains an Executive Decision Notice of key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content, including Statutory Officer checks for legality, budgetary compliance, rationale and risk. Reasons for all decisions must be given and these are recorded in the minutes.

The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias.

The Audit and Governance Committee undertake the functions of an audit committee as identified by CIPFA guidance. It receives regular reports and presentations from the External Auditor and is independent of cabinet.

The Council has a customer feedback complaint system, and this information is used to improve service delivery and customer satisfaction.

The Council's has a Risk Management Policy in place. The strategic risk register is reviewed and updated and scrutinised by the Audit and Governance Committee on a quarterly basis.

The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk. Risk Management also forms a key element of the Council's Delivery Plan, and the Service Planning process and risk management is an integral part of the Council's performance management arrangements.

As part of the Council's Corporate Project Management Framework, all major projects have their own risk log. All reports going to members include the risk implications associated with the decision members are being asked to make.

The Council is committed to the effective use of IT and has an ICT Strategy and IT Security Policy which were reviewed during 2021 and 2022.

The Council's 2021/22 and 2022/23 Treasury Management Strategy Statement was approved by Council in February 2021 and 2022, respectively, and risks are fully evaluated as part of this Strategy.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Ensuring the Authority's Financial Management Arrangements Conform With the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

Formal arrangements were in place for the Section 151 Officer with an interim

employee appointed to this role. Adherence to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) continues.

Ensuring the authority's assurance arrangements addresses the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019)

The Council's internal reporting arrangements are designed to ensure the independence of the internal audit function. Appropriate resources are made available to provide an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It brings a systemic disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Audit Manager reports directly to the council's Audit and Governance Committee on all matters appertaining to audit outcomes.

Internal Audit Provision has been reviewed and planned audit days has been increased significantly to reflect the size of the organisation, complexities and risks.

The Audit Manager and the Section 151 Officer meet monthly to discuss and review governance

and risk matters, as well as outstanding audit recommendations.

4. Effectiveness

Review of Effectiveness

The Council has responsibility for conducting at least annually, a review of its governance framework including the system of internal control.

The review is informed by the Internal Audit Annual Report, the work of the Audit and Governance Committee, the comments of external auditors and other review agencies and inspectorates, and the work of the Corporate Leadership Team who have responsibility for the development and maintenance of the internal control environment.

The review considers evidence identified to support where the Council meets the CIPFA/SOLACE guidance and sets this out in the Assurance Review and Evidence document. Governance areas are given an assessment scoring as follows:

- Good – Good governance exists and there are no improvements required.

- Fair – Satisfactory governance exists but improvements are required to meet good governance.
- Poor – Significant issues with governance exist which needs addressing.

Areas identified as fair, or poor are reported within the annual governance statement and remedial actions are also outlined. The Audit and Governance Committee will monitor remedial actions.

The assurance review for 2020/21 had five outstanding issues for which updates have been provided.

The review for 2021/22 and 2022/23 has identified several areas for review which are shown in Table 2.

2020/21

No significant governance issues have been identified in the annual assurance review for 2020/21. There are three improvements carried forward from 2019/20 and a further two improvements identified during 2020/21. There was therefore a total of five improvements for monitoring throughout the 2021/22 year.

The table below is an extract summary from the Assurance Review and includes details of the improvement areas identified. Based on learning around the timescales associated with implementing improvements, the table has been modified to show the likely timescale for implementation.

Table 1 – Areas for improvement identified in 2020/21 and areas for improvement carried over from previous years

CIPFA/SOLACE Principle	Improvement	Owner	Target Completion	Update
<p>D: Determining the interventions necessary to optimise the achievement of the intended outcomes Supporting Principle 2: Planning Interventions</p> <p>Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan</p>	<p>Commence a more 'outcomes focussed' approach to the annual budget process which:</p> <ul style="list-style-type: none"> In the revenue budget show clearer linkages between budget decisions and the corporate plan Challenges the whole budget in terms of activity, past spending and income performance In the capital programme ensures that clear and costed 	Head of Finance	February 2022	<p>Revised process to budget setting were introduced for the 2023/24 budget. The MTFP has been updated to illustrate a funding gap in future years.</p> <p>There is a corporate focus on closing the funding gap.</p>

	<p>business cases support all schemes</p> <ul style="list-style-type: none"> • Develops a Reserves Strategy 			<p>A capital strategy group has been developed to ensure a robust approach to managing, monitoring and developing the capital programme. This includes robust business case development.</p> <p>Completed.</p>
<p>D: Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Supporting Principle 3: Optimising achievement of intended outcomes</p> <p>Ensuring the achievement of 'social value' through service planning and commissioning.</p>	<p>As part of the Medium-Term Financial Strategy, develop a revised Procurement Strategy which incorporates social value considerations into all future procurements</p>	<p>Head of Finance</p>	<p>February 2022</p>	<p>There has been enhanced procurement awareness, including self-serve online portal and training to managers. A Procurement Strategy is currently in draft form.</p> <p>Completed.</p>

	Review Service and Financial Planning Timetable	Head of Finance	September 2021	A clear timetable for both has been implemented. Completed.
E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	Review the effectiveness of the current arrangements for managing assets (carried forward from 2019/20)	Strategic Director, Housing and Customer Services	September 2022	Corporate Landlord model being considered for implementation. Asset Management review in train. Completed.
	Develop organisational requirements for benchmarking of services. <i>(carried forward from 2018/19)</i>	Head of HR and Organisational Development	September 2021	

Table 2 – Areas for improvement identified in 2021/22 and 2022/23

CIPFA/SOLACE Principle	Improvement	Owner	Target Completion
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	Retention of documentation in relation to the recruitment of consultants/temporary staff and following appropriate contract procedure rules.	Head of HR	April 2024
		Head of HR	April 2024

<p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<p>Segregation of duties between HR and payroll functions.</p>		
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</p>	<p>Rent Accounting & Arrears – improvements required to the management and monitoring of accounts in arrears and in credit.</p> <p>Choice Based Lettings – management and monitoring of the waiting list, including applications and the documenting of decisions.</p> <p>Payroll – improvement in segregation of duties between the HR and Payroll functions</p> <p>Tax – IR35 & P60 – improve processes in respect of document retention in relation to the recruitment of consultants.</p> <p>Compliance with CIPFA Position Statement to ensure the Audit and Governance Committee have the required skills and knowledge.</p>	<p>Head of Housing</p> <p>Head of Housing</p> <p>Director of Resources/Head of Human Resources</p> <p>Director of Resources/Head of Human Resources</p> <p>Director of Resources</p>	<p>April 2024</p> <p>April 2024</p> <p>April 2024</p> <p>April 2024</p> <p>October 2023</p>

5. Overall opinion and conclusion

Conclusion

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, by addressing the issues identified in undertaking the annual review. The Council will continue to seek to enhance and strengthen governance arrangements within these areas for improvement and monitor progress made as part of our next annual review.

Signed:

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Councillor Richard Blunt
Leader of the Council
25 April 2024



Allison Thomas
Chief Executive
25 April 2024

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2023/24	Public Report: Yes
Financial Implications	None	
	Signed off by the Section 151 Officer: yes	
Legal Implications	None	
	Signed off by the Monitoring Officer: yes	
Staffing and Corporate Implications	None	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2023/24 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 2023/24 Audit Plan on 26 April 2023. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 January 2024 to 31 March 2024 (Q4) is attached at Appendix 1.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	N/A
Safeguarding:	There are no specific risks associated with this report.
Equalities/Diversity:	N/A
Customer Impact:	N/A
Economic and Social Impact:	Detail any economic or social impact as a result of the decision.
Environment, Climate Change and Zero Carbon	N/A
Consultation/Community/Tenant Engagement:	The report was presented to Corporate Leadership Team on 27 March 2024
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 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 2023/24 Q4

1. Introduction

- 1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby District Council and Charnwood Borough Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight progress against the 2023/24 Internal Audit Plan up to 31 March 2024.

2. Internal Audit Plan Update

- 2.1 Progress on the audit plan continues extremely slowly, there have been no final audit reports issued during the quarter to date.
- 2.3 Four audits are at draft stage, and a further eight are in progress. The 2023/24 audit plan is included at Appendix A for information.
- 2.4 Progress during quarter 4 has been slower than expected due to only one of the vacancies for the Internal Audit Assistants posts being filled, absences within the audit service and the training requirements of the new members of the team.

3. Internal Audit Recommendations

- 3.1. Internal Audit monitors and follows up critical, high and medium priority recommendations. Further details of overdue and extended recommendations are detailed in Appendix B for information.

Year	Not Due		Extended		Overdue	
	High	Medium	High	Medium	High	Medium
21/22	-	-	8	3	-	-
22/23	4	1	6	6	-	-
23/24	-	1	-	-	-	-

4. Internal Audit Performance Indicators

- 4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix C.

2023/24 AUDIT PLAN AS AT 31 MARCH 2024

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Repairs Q1	Audit	10	41	In progress					These audits have been combined in to one audit to be completed during Q3 & Q4	
Housing Repairs Q2	Audit	10								
Housing Repairs Q3	Audit	10								
Housing Repairs Q4	Audit	10								
Housing Planned Maintenance Q1	Audit	10	6	In progress					These audits have been combined in to one audit to be completed during Q3 & Q4	
Housing Planned Maintenance Q2	Audit	10								
Housing Planned Maintenance Q3	Audit	10								
Housing Planned Maintenance Q4	Audit	10								
Asbestos Management	Audit	10	8	In progress						
HMO/ Selective Licensing	Audit	10	0.5	Planning						
Safeguarding	Audit	8	19.5	Draft						
Fleet Management & Operating Licensing	Audit	8	8	In progress						
Tree Stock Management	Audit	6		Postponed					Postponed until 24/25 due to a tree strategy currently being written.	
Protect Duty	Audit	8		Cancelled					Postponed until legislation is in place.	
New finance system	Advisory/ Testing	10	5	Completed	Not applicable					
Key financial systems	Audit	40	0.5	Planning						
Treasury Management	Audit	4	4.5	In progress						
Workforce Planning	Audit	10	4	Draft						
IT Asset Management	Audit	10	10	Completed	Reasonable		1	3	3	
Remote Support & Data Exchange	IT Audit Contractor	IT Contractor		Draft						

Cyber Security	IT Audit Contractor	IT Contractor		Draft						
Corporate Policy Management	Advisory/ Data analysis	10	8	Completed						
Capital Programme Management	Audit	10	0.5	Planning						
Transformation Projects	Advisory	5		As required						
Climate Change Strategy	Audit	10		Postponed						C/f to 2024/25
Procurement and Contract Management	Audit	10	11	In progress						
Grant Assurance	Assurance		7	As required						

EXTENDED RECOMMENDATIONS AS AT 31 MARCH 2024

Audit Year	Audit	Recommendation	Priority	Response/ Action	Agreed	Responsible Officer	CLT	Original Due Date	1st Follow up comments	Extension Date	Second Follow up comments	Extension Date	Further Management update	Further extension date
2021/22	Corporate Estates Management	2 A performance monitoring and reporting framework is introduced which includes contractor and legislative compliance performance monitoring and periodic reporting to the Statutory Duty Group and, where necessary, the Corporate Leadership Team.	High	Overlapping with the audit we have begun the introduction of a performance monitoring framework, utilising a RAG system. This will be reported through to CLT. It would be beneficial to include properties not managed by property services into this report.		Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	Dec-23 Contractor performance is currently being monitored via the Statutory Duty Group. Further improvements are expected to be delivered by the council adopting a digital Asset Management System to work alongside the Asset Management Toolkit currently being prepared. Work to identify Asset Management Systems is with implementation and onboarding likely to take six months.	Oct-24
2021/22	Corporate Estates Management	3 To ensure that the authority is fully meeting its legislative responsibilities in an efficient and effective manner consideration is given to introducing a true corporate landlord model for corporate property.	High	Since the publication of the 2020 report, there has been considerable change in both the operation of the council, its ability to address some strategic issues due to the pandemic, and more recently changes in property service management, housing senior management and the Chief Executive, along with changes to our accommodation strategy. So as to address the above we will undertake a further assessment of options for the operation and scope of an overall property function spanning all of our assets, and consider how this is best addressed in the future.		Strategic Director	Strategic Director	Mar-23	Extended to align with other recommendations	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	Dec-23 As detailed above, the adoption of a new system will assist with meeting legislative compliance. Following this full consideration will be given to adopting a corporate landlord model.	Oct-24 for system implementation Dec-24 for decision on the adoption of a corporate landlord model.
2021/22	Corporate Estates Management	4 The process for recording and monitoring issues through the compliance tracker is fully implemented and a reporting framework is put in place, to ensure that any remedial actions or works required are identified and tracked to fruition in a timely manner	Medium	Agreed – for the property services managed properties. This may take longer to fully implement if we follow a corporate landlord model. If not then there will not be assurance for all properties.		Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	As per recommendation 2	Oct-24

2021/22	Corporate Estates Management	6 A comprehensive record of all assets and statutory inspections/ checks that are required by the Council is introduced. These records should cover all services and be monitored and reported against on a regular basis to ensure testing/ checks have taken place as required. Note: This recommendation was made in the Health and Safety Audit, undertaken in February 2021 (due for implementation in June 2021) and as yet has not been implemented.	High	Not all of these assets are owned by the authority. The scope of the contracts need to be known and recorded and performance monitored against this. Where assets are owned by the authority these will be detailed as required.	Head of Economic Regeneration	Head of Economic Regeneration	Mar-23	Extended to align with other recommendations	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	The digital Asset Management System will automatically schedule inspections at the required frequency. It is expected that a decision on which Asset Management system is to be adopted will be taken by 31/3/2023 with implementation and onboarding likely to take six months thereafter.	Oct-24
2021/22	Project Management	1.A project management policy is implemented that describes the essential elements of all projects/ programmes (e.g. project / programme identification through to authorisation, officer responsibilities, reporting requirements, requirement of the use of the toolkit etc), to ensure that all projects are effectively managed, and relevant governance and controls are in place.	High	Agreed. CLT need to revisit and agree the programme framework, review/refresh the toolkit, to see if it is still relevant, and then look at the resources for programme management with the new Chief Executive, including looking at where the function sits again, if needed. There is project management support to projects but there is not clear programme management, which is owned and maintained by one person/ service area, and which then collates and reports to CLT/ Members via relevantly timed reports.	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	Oct 23 - A project management policy has been drafted, alongside Project and Programme Management Procedures. Currently liaising with the LGA to review the policy and associated documents. Following this, there will a programme of activity to approve the policy, rollout the templates, replacing current templates on the sharepoint site and a suite of training for officers across the Council.	Mar-24	Mar-24: The Council is taking a strategic approach to project management by finalising comprehensive guidance rather than implementing a rigid policy. This guidance will be supported by practical templates, which are set to be published on the Council's intranet site shortly (previous project management office templates will be removed). These resources aim to provide officers with a clear understanding of the processes and governance involved in managing projects effectively. The guidance document is designed to be a dynamic tool, adaptable to the evolving needs of the Council's projects and teams, ensuring that project management practices can be tailored to specific project requirements. This approach allows for flexibility and adaptability.	April-24
2021/22	Project Management	2. A corporate approach to project management is agreed, implemented, relevantly managed, and communicated to	High	As above	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24	Mar-24: Upon the publication of guidance and templates on the intranet, a communication plan will be implemented to inform all staff. The	April-24

		all staff on a consistent and regular basis.										Director of Resources will collaborate with Communications Manager to ensure that the key messages are effectively disseminated and reinforced throughout the year.	
2021/22	Project Management	3. All corporate projects should be monitored and recorded.	High	As above	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24	Mar-24: A comprehensive list of corporate projects will be established to ensure effective management and oversight. This centralised list, will be maintained by the Director of Resources, with regular reviews by the Corporate Leadership Team to further reinforce the commitment to strategic alignment.	April-24
2021/22	Project Management	4. The role of the Organisational Performance Team in monitoring of projects, as referred to in the report to CLT, should be pursued.	High	As above	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24	Mar-24: See (3) above, - the Director of Resources plays a pivotal role in the initial phase of project monitoring, ensuring that the objectives align with the broader Transformation agenda. As projects evolve, this role may expand or shift to include other stakeholders, but initially, the Director of Resources will have overall responsibility in this process.	April-24
2021/22	Project Management	5. A reporting structure is agreed and disseminated to ensure all relevant parties are aware of projects, progress of projects and any issues and reports are presented in a timely manner.	Medium	As above	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24	Mar-24: The establishment of robust governance structures, such as the Capital Strategy Group, Transformation Steering Group, and the Housing Improvement Board, under the overarching supervision of the Corporate Leadership Team, is a significant step towards ensuring that projects are developed, approved, and monitored effectively.	April-24
2021/22	Project Management	6. The highlight reports to boards should contain details of the project approval.	Medium	As above	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24	Mar-24: The highlight report template will be updated to include these details.	April-24

2021/22	Project Management	7. Following agreement of a corporate approach to Project Management suitable training should be made available to enable staff to effectively manage projects.	High	As above	Director of Resources	Director of Resources	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24	Mar-24: The upcoming training sessions, scheduled for later this year, will be particularly beneficial once the new templates and guidance materials are available. Paul Kaerger, with his expertise from PKMS, will be a good choice to lead these sessions, bringing valuable insights and experience to the training program.	April-24
2022/23	Rent Accounting and Arrears	10. With the introduction of Unit 4 (new Finance System) the rent debit should be uploaded automatically from the Housing System to the General Ledger each week. This should enable weekly reconciliations between the two systems to be carried out.	High	Agreed	Housing Strategy and Systems Team Manager	Director of Communities	Aug-23	Aug 23 – No response	Sept 23	Sept 23 - Issues regarding UNIT4 - meeting with Finance planned for w/c 11.9.23. Will require an extension to the implementation date.	Oct 23	Nov-23 Further extension requested. Mar-24: Due to the continued issues with Unit 4 a further extension has been requested.	Mar-24 Sept-24
2022/23	Rent Accounting and Arrears	1. The policies and procedures held by both the Rent Accounting and Housing Management Teams should be reviewed and updated where necessary. Any obsolete / out of date policies should be archived.	Medium	Agreed – consultation is required for certain policies. This can also be picked up as part of the Policy audit whereby all council policies are listed, with the author and recommended review date.	Housing Strategy and Systems Team Manager and Housing Management Team Manager.	Director of Communities	Dec-23	Dec 23 – This will be picked up following the policy audit report being presented to CLT.	June-24				
2022/23	Payroll	4. Sample testing should be undertaken when changes to standing data occur to confirm they have been correctly applied.	High	Agree – sample checking to be undertaken and evidence retained.	Payroll Officer / HR Analyst	Director of Resources	Dec-23	Dec-23 Testing to be undertaken in January with changes to NI and again Feb/ March.	April-24				
2022/23	Payroll	2. A regular review of the iTrent audit log is carried out by an independent officer to ensure functions are appropriate to the officer.	High	Agree – appropriate audit log to be sourced, possibly reviewed by Senior HR Advisors.	Head of HR and Organisational Development.	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July 24				
2022/23	Payroll	3. Consideration should be given to providing training to a member of the Human Resources Team to ensure business continuity in the event of the absence of the HR Analyst.	Medium	Agree – training to be provided to a member of the HR Team but may require additional resource.	Head of HR and Organisational Development.	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July 24				

2022/23	Payroll	6. A review of the payroll checking process is carried out to eliminate duplication, reduce the risk of fraud and ensure independence in the review and checking of the monthly payroll.	High	Agree – current payroll checks to be reviewed and revised.	Exchequer Services Team Leader and Head of HR and Organisational Development	Director of Resources / Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July 24				
2022/23	Payroll	7. A full review of user access is carried out, in particular System Administrator access should be reviewed, and the number reduced.	High	Agree – access to be reviewed and removed where no longer required.	Head of HR and Organisational Development	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July 24				
2022/23	Payroll	8. A review of the access for the HR Analyst should be undertaken and access removed / disabled where no longer required.	High	Agree – access to be reviewed and removed where no longer required.	Head of HR and Organisational Development	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July 24				
2022/23	Payroll	9. Consideration should be given to ICT undertaking the System Administration role within iTrent. This would assist with the separation of duties, referred to in recommendation 1.	Medium	Agree – will discuss transfer of responsibilities with IT Manager.	Head of HR and Organisational Development	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July 24				
101													
2022/23	ASB	1. The Anti-social Behaviour Policy is reviewed as stated to ensure it is complies with the Anti-Social Behaviour Act 2003, Crime and Disorder Act 1988 and Anti-Social Behaviour, Crime and Policing Act 2014.	Medium	Agreed as per recommendation. This will require multi agency and Community Safety and Environmental Health services input and consultation and will need Cabinet approval. This is reflected in the implementation date.	Housing Management Team Manager.	Head of Housing	Mar-24	March 24: Policy to go to Cabinet in April.	April 24				
2022/23	ASB	2. The performance indicators are reviewed and where appropriate new indicators added to measure performance against the incremental approach.	Medium	Review the indicators in line with the review of the ASB policy. With the intention to make the indicators for community safety and housing the same.	Housing Management Team Manager.	Head of Housing	Mar-24	March 24: New set of indicators within the policy. Extension to ensure that these are fully embedded and reported following the approval of the Policy at Cabinet. These indicators will be reported to the Housing Improvement Board	July 24				

2022/23	ASB	3. Statistical information and benchmarking is completed to ensure comparison for best practice, and identifying trends, in accordance with the ASB Policy.	Medium	This statement within the policy was intended for housing, as the policy is driven by housing legislation and will be reviewed as part of the policy. Housing response 17.7.23: a new suite of indicators is now being captured in line with the Tenant satisfaction measures outlined by the Social Housing regulator.	Housing Management Team Manager.	Head of Housing	Mar-24	March 24: New set of indicators within the policy. Extension to ensure that these are fully embedded and reported following the approval of the Policy at Cabinet	July 24					
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2023/24 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.03.2024	Comments
Achievement of the Internal Audit Plan	25%	Two final audits, four audits at draft stage, eight audits in progress.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	Achieved	
Follow up testing completed in month agreed in final report	Achieved	
Annual Opinion Report - July 2023 Audit and Governance Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on three for 2022/23 and one for 2023/24
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 November 2020 which confirmed that the Council conforms with the Public Sector Internal Audit Standards.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	CORPORATE RISK UPDATE	
Presented by	Paul Stone Strategic Director of Resources	
Background Papers	Corporate Risk Update (Audit and Governance Committee 24 January 2024) NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL	Public Report: Yes
Financial Implications	There are no financial implications to be considered.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	There are no direct legal implications arising from this report.	
	Signed off by the Deputy Monitoring Officer: yes	
Staffing and Corporate Implications	There are no direct Staffing or Corporate arising from this report.	
	Signed off by the Head of Paid Service: 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.	

1.0 BACKGROUND

1.1 As part of the agreed Risk Management approach this report presents the latest version of the Corporate Risk Register which was reviewed at the last meeting of the officer Corporate Risk Group on 28 March 2024. In line with the policy, members of this Committee, and Cabinet are to receive periodic updates on risks monitored through the Corporate Risk Register.

2.0 RISK REGISTER

- 2.1 The updated Risk Register can be found at Appendix 1.
- 2.2 Out of the 15 active risks, one is red, eight are amber and six are green. There have been some narrative changes and these are shown in red text.
- 2.3 The adjustment of the residual risk rating for reference number 6 is a prudent step that reflects the evolving nature of the risks faced by the Council. By increasing the likelihood rating from one to two, it acknowledges the increased frequency of flood events and the necessity for the Council to enhance its emergency response protocols. It is essential for the Council to regularly review and update its emergency response strategies to adapt to the changing risk landscape effectively. Workshops like the one held by the Corporate Leadership Team recently to review the Council's response to flooding events, are essential for reinforcing the collaboration between various stakeholders. They serve as a platform to refresh and update officers on the processes and protocols, ensuring a cross-organisational understanding of the issues and corresponding approach to dealing with them.
- 2.4 Items 13 and 14 have been removed from the register as Brexit arrangements no longer pose a threat, whilst item 14 is reflected in other areas of the risk register.
- 2.5 The Director of Resources acts as the lead for corporate risk and is satisfied that the main risks posed to the organisation have been captured within the risk register and that control measures to mitigate these risks are appropriate. The report is based on an update in March 2024, any further update on significant changes in risk will be provided at the meeting.
- 2.6 The Audit and Governance Committee is asked to review and note this risk update and provide any feedback they wish to be considered by the Corporate Risk Group at its next meeting.
- 2.7 The Director of Resources has acknowledged the need to reassess the format of the corporate risk register to confirm its effectiveness. Over the next few months, the register will undergo a thorough review to align with the Council's objectives.
- 2.8 Additionally, it is proposed to schedule a risk management workshop for Members, to proactively engage Members in the risk assessment process. Such a workshop would provide a platform for Members to discuss, scrutinise, and understand individual risk items, fostering a culture of transparency and collective responsibility in managing the Council's risks.

Policies and other considerations, as appropriate	
Council Priorities:	Effective risk management underpins the ability of the Council to deliver against all its priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.

Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and Zero Carbon	None.
Consultation/Community/Tenant Engagement:	As contained within the report.
Risks:	The Council manages its risks within existing budgets. Effective risk management protects the Council from insurance and/or compensation claims, fraud, and a range of other financial and non-financial risks.
Officer Contact	Paul Stone Strategic Director of Resources Paul.stone@nwleicestershire.gov.uk

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Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
109	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.	4	3	12	Environmental Health and Community Safety Team Manager	Head of Community Services	A recent audit has been completed and is currently with management to review the recommendations which will be actioned accordingly.	3	2	6	Increasing
			Service failure.						The organisation has the following structures in place;				
			Modern slavery.						An identified Corporate Lead				
			Poor safeguarding assurance .						An identified team responsible for Safeguarding (Community Safety) 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)				
									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 by the Head of Community Services of all cases to check progress/close cases				
									Annual report to CLT and Corporate Scrutiny as required by exception.				
									A weekly case management review meeting by Environmental Health & Community Safety Team Leader to ensure all cases progressed				
									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, 3nsures constant reminders of new cases, sending alerts at all points in the procedure.				
2	FINANCIAL/ COMMERCIAL/ REPUTATIONAL Mismanagement of Council finances	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	2	8	Head of Finance (Deputy S151 Officer)	Director of Resources	Statutory compliance with CIFPA codes, accounting codes, and audit processes (external and internal) Updated to reflect new constitution.	4	1	4	Stable
			Poor budget planning / management.						Regular management reviews monitor actual spend against budgets and forecast to the end of the year.				
			Internal financial systems and regulations not being properly applied.						Regular reporting and challenging at CLT, and reported to Cabinet quarterly. Sound policies and procedures are in place.				
			Failure to meet statutory deadlines for financial reporting.						Financial planning processes have been documented and are reviewed regularly.				
									Internal and External audit of systems and accounts.				
									No risky investments.				

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	
									Good governance arrangements with a monthly Statutory Officer meeting. Robust level of general fund and earmarked reserves reserve to meet unknowns. New finance system implemented with increased controls and planned dashboard reporting				
3	REPUTATIONAL/ 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 specialist areas . Unexpected or unplanned event (e.g. pandemic)	3	4	12	Head of HR and OD & Head of Finance (Deputy S151 Officer)	Chief Executive/ Director of Resources	Membership of CIPFA and engagement of Arlingclose gives access to specialist advice, analysis and expertise. Transformation Programme to be developed to support the balancing of the budget over the medium-term. Advance planning to mitigate this risk; the COVID pandemic experience demonstrated our capability to be able to react and adjust the workforce. Recruitment and retention discussed at CLT in February 2024 and a sub-group has been established to consider potential future improvements to inform and update a new People Plan. Non pay benefits improved during the last year to attract and develop the right skills, and promoting existing staff talent through secondments and tailored development programmes. IIP silver award maintained in 2024 and aiming for Gold accreditation in 2025. New focus on apprenticeships development to allow the Council to 'grow our own' and to tackle ageing workforce distribution. 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. Market supplements and other measures are applied as needed where the are recruitment difficulties in some professional areas. The Council can offer a package of additional benefits to enhance the recruitment offer. Mitigations in place for variety of staffing related aspects - e.g. mental health awareness, overall wellbeing work etc. The Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive.	3	2	6	Increasing
4	LEGAL / FINANCIAL Contracts are not properly procured and managed	Council liable to incur additional costs, contract overrun, litigation and potential health & safety issues as well as service disruptions.	Failure to monitor contractors appropriately.	3	3	9	Finance Team Manager. All Team Managers.	All Heads of Service	Oversight Board structure in place to oversee major project work and compliance group now in place to oversee these elements of contracted work.	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	
			Legal and procurement teams not consulted when contractors are engaged. Loss of key staff or supplier. Procurement procedures are not followed. The Council contributes to modern slavery via it's contracts and supplies.						Corporate procurement support and legal team to support where necessary on contract management. Review of procurement compliance undertaken leading to enhanced contract register and updated strategy Recasting procurement functions activity, processes and focus of training and education for staff in 2023. Training delivered in November 2023. Procurement toolkit to be produced to cover majority of lower value procurements with high value and complex procurements to be supported by specialised function.				
5	LEGAL / TECHNOLOGICAL Loss or unlawful use of personal data constituting breach of data protection legislation	Monetary penalties from ICO, adverse publicity, private litigation and personal criminal liability of officers.	Systems not in place to protect sensitive data. Staff are not properly trained in managing information, and do not follow internal procedures. Changes in working practises causing unintended risk/exposure	4	3	12	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. Information Governance training delivered to leaders in November 2023, with a schedule of dates already in place for 2024. 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 Information Governance Team to cooperate with the supervisory authority and monitor compliance with Data Protection laws.	2	2	4	Stable
6	LEGAL / REPUTATIONAL / COMMERCIAL Failure to respond to an emergency in an appropriate manner	General public at risk of harm or unable to access relevant services (e.g. emergency accommodation or rest centre).	Lack of planning, training and exercising of Emergency plans	4	4	16	Head of Human Resources and Organisation Development	Chief Executive	Business continuity plans are being reviewed and updated at Head of Service level as part of the 2024/25 business plans process. LRF and Council emergency plans and arrangements are being constantly updated, and have been used during recent storm flooding events that have affected the district in late 2023 and early 2024. Exercises also take place at regional and national level for a variety of emergency planning scenarios.	4	2	8	Increasing

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	
		Adverse publicity. "Business as usual" not possible without appropriate business continuity plan in place.	Inadequate Corporate Business Continuity Management.						The LRF partnership arrangement with all Leicestershire and Rutland authorities provide resilience during civil emergency situations.				
		Breakdown in relationship with other responders.	Lack of procedural understanding						Business Continuity exercises show the readiness of the Council to deal with emergencies. System of ICO / FLM duty rotas is in place and continued reassessment for ongoing incidents. COVID experience shows capability and ability to perform.				
7	LEGAL/ TECHNOLOGICAL/ COMMERCIAL Infiltration of ICT systems	"Business as usual" would not be possible. Cost of repelling cyber threat and enhancing security features.	Systems not in place or kept current to deflect any foreseeable cyber attack, including those attackers using generative AI, which is increasing in the industry.	4	4	16	ICT Manager	Director of Resources	Fully resilient network environment in place with no single points of failure for core systems. Systems which are running on premise have a daily off site backup regime. In the case of on premise systems which become unavailable for any reason, services would need to revert to their service BCP's in order to resume service.	3	2	6	Increasing
			Limited staff awareness of possible threats.						Yearly IT security health check and PEN (penetration) testing is carried out, by a IASM security accredited supplier, with remediation action plan in place to mitigate any risks found. In 2024 the Council had 0 critical, 6 high, 3 medium and 23 Low issues. The 5 high and medium issues have now been remediated. The Council has also passed our PSN accreditation for 24/25.				
			Lapse in security awareness and basic processes from a technical AI and human perspective.						Phishing campaigns ran twice a year to test staff security awareness and feedback results to CLT, with improvement plans in place for those who have not passed the test. Future campaigns will now include members as they were excluded previously.				
									Quarterly Cyber Security awareness training held for staff and new starters, to protect staff at home and in the office.				
									New business systems are run in remote fully resilient data centres and existing systems are being progressively migrated to cloud computing centres.				
									Diversity of environments used to avoid single point of failure risk, with backups now in the cloud, moving away from tapes				
									Improved business recovery arrangements have been implemented to minimise recovery time. Accreditation to Cyber Essentials and the Public Services Network.				

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	
									Latest audit / assessments all confirm secure environment with reasonable assurance. Some formalisation of processes required and review of backups restoration window. Purchase of external vulnerability scanner now in place which allows us to scan and monitor our external perimeter on a daily basis and proactively mitigate issues. CCOE latest scan showed 27 medium and 102 Low Vulnerabilities, which the Council are working to mitigate using the tool which it has purchased				
									An annual external audit of IT assessed the organisation's IT arrangements in a range of areas against best practice. The outcome of the audit in 2023 was, reasonable assurance, with 3 high recommendations and 4 mediums, mainly around backup and formalisation of processes, plans have been put in place to address these and provides assurance that the Council's IT arrangements are solid, sound and secure. All remediations from the 2023 IT audit have been completed.				
8 113	COMMERCIAL / POLITICAL / FINANCIAL Projects are poorly managed	Failure of proposed projects could result in failure to achieve overall objectives. Inefficient use / waste of resources.	Failure to implement project management techniques. Poor corporate oversight of projects. Inadequate controls on expenditure and poor budget monitoring. Inadequate monitoring of external contracts. Failure to engage project management expertise when required.	3	3	12	Strategic Directors	Chief Executive	Greater use of professional project managers for key projects. Work ongoing to address project methodologies deployed across the Council. Greater use of external / out of subject board members. Board structure covering all major projects in place	3	2	6	Stable
									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 major projects. Scrutiny of risk registers or project management framework of individual projects by Risk Scrutiny Group.				

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	
									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.				
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	Policies and procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed. Completion of the Annual Governance Statement.	4	1	4	Stable
10	FINANCIAL / LEGAL / REPUTATIONAL Council is subject to 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	A policy framework that includes Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy and Anti-Money Laundering Policy. Policies refreshed annually last update February 2023 The Internal Audit annual planning process takes into account high risk areas, which considers fraud risks. Fraud risks are considered as part of specific audits with testing designed to detect fraud where possible. The Council is also subject to External Audit. New Covid related Grants all subject to external audit and compliance checks. Internal control and governance arrangements such as segregation of duties, schemes of delegation, bank reconciliations of fund movements, and verification processes. Participation and strengthening of involvement in National Fraud Initiative (mandatory) Information on how to report fraud is on the website including relevant links. Staff training. Including Induction Training for new starters and annual Corporate Governance Training	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	
11	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	Government plans reduction in business rates share to the Council. 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 Plan in place, and is updated as part of the budget setting process. A clear financial strategy was established as part of the budget setting for 2023/24. Head of Finance monitoring of Local Government funding reviews - business rates review not expected until 2026/27 and fair funding review delayed again. 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. 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.	2	3	6	Stable
12	POLITICAL / ORGANISATIONAL The Council is affected by Local Government Reorganisation	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 the Council's needs are taken into account in any proposals. Open and transparent communication of the Council's 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. Government stance changed to no longer pursue wholesale LGR - County Deals not linked to LGR. Leicestershire Cat 2 County Deal.	1	3	3	Stable

Corporate Risk Register													
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Movement of Risk
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	
13	POLITICAL / ORGANISATIONAL The Council is affected by the UK's departure from the EU	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	Directors & 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 up to 31 March 2024	2	2	4	Stable
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 through LGA and the Society of District Councils Network 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 e.g. promotion of vaccinations, system readiness and employment remotely, updating Business Continuity plans etc Engagement with LRF processes and training	2	2	4	Stable
15	ORGANISATIONAL//POLITICAL No overall control of the Council following the May 2023 elections could lead to instability in the decision making process which could impact adversely on service delivery	Financial, reputational and political damage to the Council. Slower decision making.	The election in May 2023 changed the political make up of the Council.	3	3	9	Chief Executive, Directors, Heads of Service	Chief Executive	There has been extensive work by officers to work with all Groups to minimise the impact. This work has been supplemented by external engagement with the Local Government Association. The work undertaken to date includes: regular briefings with all Groups, a member induction programme, a continuing training programme for councillors, clarity on the roles of councillors on each committee and engaging with staff to raise their awareness in dealing with/responding to/working with councillors.	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	
16	ORGANISATIONAL/ REPUTATIONAL There is greater focus from Government and regulators on the local government sector. There is a risk of an impact of an adverse external assessment on the Council. If this risk materialised it could impact on service delivery, performance levels, governance and decision making arrangements	Financial, reputational, legal and political damage to the Council.	Greater focus on the local government sector from Government and regulators following high profile council 'failures'	4	2	8	Chief Executive, Directors, Heads of Service	Chief Executive	The Council has in place a range of controls including financial procedures, governance framework, performance management framework, project management methodology, strategies, controls underpinning its operations, clear communication with staff, Statutory officer meetings and internal audit plan. The Council is aware of the creation of the Office for Local Government and is actively working to understand the implications/requirements for the Council.	2	2	4	Stable
17	SOCIAL/POLITICAL/ REPUTATIONAL - Climate Change / Zero Carbon delivery	The failure of the Council to achieve carbon neutrality for its operations by 2030 and carbon neutrality for the District by 2050. This may have long term impacts on both the financial picture of the council and the ability of key service provision in the long term.	Inability to deliver programme due to resource / financial / operational / procedural process. Inability to gain action by partners	3	4	12	Chief Executive, Directors, Heads of Service	Chief Executive	Achievement of the carbon reduction ambitions are mainly vested in our Climate and Environment Strategy and Zero Carbon Programme. The Action Plan contains planned and programmed actions and will be reviewed annually. It will quantify the estimated net financial costs and net carbon savings associated with the contents of the Plan. Attaining the targets in the Plan is one of the Corporate Plan Key Performance Indicators. Whilst the action plan has been agreed it does contain several actions where funding has not been committed. The Strategy and Plan have identified the main carbon emissions sources. The Council will be alive to the many and various windfall opportunities for interventions in between the annual Plan revisions where these are considered likely to make significant impacts on reducing emissions. Emerging statute and government policy will exert significant influence over the Council's operations and indirect influence in relation to climate change.	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	<p>Loss of a service for up to one day, Objectives of individuals are not met No injuries</p> <p>Financial loss below £10,000 No media attention No breaches in council working practices No complaints / litigation</p>
2 Medium	<p>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</p> <p>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</p>
3 High	<p>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</p>
4 Very high	<p>An incident so severe in its effects that a critical service or project will be unavailable permanently</p> <p>Strategic priorities of a critical nature are not met</p> <p>Statutory duties are not achieved Death of an employee or member of the public</p> <p>Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend</p> <p>Breaches of law punishable by imprisonment</p>

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	QUARTER 3 TREASURY MANAGEMENT ACTIVITY REPORT	
Presented by	Anna Crouch Head of Finance	
Background Papers	Prudential Indicators and Treasury Strategies 2023-24 – Council 23 February 2023 Treasury Management Activity Report 2023/24 – Quarter 2 – Audit and Governance Committee 24 January 2024	Public Report: Yes
Financial Implications	There are no financial implications as a direct result of this report.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	There are no legal implications as a direct result of this report.	
	Signed off by the Deputy Monitoring Officer: yes	
Staffing and Corporate Implications	There are no staffing or corporate implications as a direct result of this report.	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	To inform the Committee of the Council's Treasury Activity for the period April – December 2023.	
Recommendations	THAT THE COMMITTEE NOTES: 1. THE TREASURY MANAGEMENT 2023-24 QUARTER 3 ACTIVITY REPORT (APPENDIX A); AND 2. THE PRUDENTIAL INDICATORS 2023-24 QUARTER 3 UPDATE (APPENDIX B). AND COMMENTS 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 Management Strategies were approved by Council on 23 February 2023.

- 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 third of four reports to be presented for the financial year 2023/24 designed to inform the Committee of the Council's treasury activity and enable scrutiny of activity and performance. Appendix B provides an update on the Prudential Indicators up to the end of December 2023.

2.0 TREASURY MANAGEMENT ADVISOR'S COMMENTARY – ARLINGCLOSE LTD

- 2.1 The commentary below has been provided by the Council's treasury management advisors:

2.1.1 The Council 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 risk¹ associated with bank deposits (although indirect exposure is held via the MMFs, this is highly diversified).

2.1.2 Interest rates have been rising globally but are now thought to have peaked, with predictions shifting towards major central bank policy rates being cut in 2024. The Council's investment returns have therefore increased and with inflation falling significantly, are currently earning a positive real return (i.e. adjusting for inflation). The latest client investment benchmarking exercise that the Council took part in (June 2023) showed the Council's return was higher than the average for other local authorities and credit risk (as measured by credit ratings) was lower, for internally managed investments.

2.1.3 Other investment options that may fit with the Council's current risk appetite could include secured bank deposits (up to 12 months), longer-term loans to local authorities (the Council has done this before), covered or supranational bonds and loans to Registered Providers (housing associations), which may also require a longer investment horizon (three to five years).

2.1.4 Going beyond this would be an alternative approach – investing for the long-term (five 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 long-term 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.

¹ Bail-ins are a way for banks to convert debt into equity to increase their capital requirements. Risks of bail-ins include:

- Moral Hazards: by offering the institution a way out of financial trouble, bail-in clauses may encourage irrational and risky behaviour that can lead to turmoil in the future.
- Higher costs of borrowing.

3.0 SUMMARY

- 3.1 In compliance with the requirements of the CIPFA Code, Appendix A provides the Committee with a summary report of the Treasury Management activity for the period April 2023 to December 2023. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 3.2 Appendix B shows compliance with the Prudential Indicators for the period April 2023 to December 2023.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - The Treasury Strategies and Prudential Indicators help the Council achieve all its priorities: - - A Well-Run Council - - Clean, Green and Zero-Carbon - Communities and Housing – - Planning and Regeneration
Policy Considerations:	Not applicable
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment, Climate Change and Zero Carbon	The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Where practical, when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon
Consultation/Community/Tenant 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 27 Management and the retention of Treasury Management advisors (Arlingclose) to proffer expert advice.
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk

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2023/24 Treasury Management Quarter 3 Activity Report

1. Introduction

- 1.1. The Council 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 Council to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.
- 1.2. The Council's treasury management strategy for 2023/24 was approved at a meeting on 23 February 2023. The Council has borrowed and 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 Council's treasury management strategy.

2. External Context (provided by Arlingclose Ltd)

- 2.1. **Economic background:** UK inflation rates finally started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.
- 2.2. Economic growth in the UK remained weak over the period, edging into recessionary territory. In calendar Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend. A further contraction of 0.3% in Q4 GDP was confirmed on 15th February 2024, which means that the UK entered into a technical recession during the last 6 months of 2023.
- 2.3. July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.
- 2.4. Inflation continued to fall from its peak as annual headline CPI declined to 3.9% (down from 4.6%) in November 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.
- 2.5. The BoE's Monetary Policy Committee held Bank Rate at 5.25% throughout the period, although a substantial minority continued to vote for a 25 basis point rate rise. The Bank continues to tighten monetary policy through asset sales, as it reduces the size of its balance sheet. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data showed that higher interest rates were working in the UK, US, and

Eurozone.

- 2.6. Following the December MPC meeting, Arlingclose, the Council's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate. Short term risks are broadly balanced, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.
- 2.7. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, it is likely this will reverse at some point and spending will struggle. Higher rates will also impact exposed businesses; according to S&P/CIPS survey data, the UK manufacturing and construction sectors contracted during the quarter. The services sector recovered, however, with the PMI rising strongly in December, possibly due to improving consumer confidence.
- 2.8. The US Federal Reserve held its key interest rate at 5.25-5.50% over the period. While policymakers continued to talk up the risks to inflation and therefore interest rates, this stance ebbed over the quarter culminating in a relatively dovish outcome from the December FOMC meeting.
- 2.9. The European Central Bank continues to resist market policy loosening expectations, but the Eurozone CPI rate has fallen sharply as GDP growth as markedly slowed, hitting 2.4% in November (although rising to 2.9% on energy-related base effects).
- 2.10. **Financial markets:** Financial market sentiment and bond yields remained volatile, but the latter rapidly trended downwards towards the end of 2023 on signs of sharply moderating inflation and economic growth.
- 2.11. Gilt yields fell towards the end of the period. The 10-year UK benchmark gilt yield rose from 4.57% to peak at 4.67% in October before dropping to 3.54% by the end of December 2023. The Sterling Overnight Rate (SONIA) averaged 5.19% over the period.
- 2.12. **Credit review:** Arlingclose maintained the advised maximum duration limit for all banks on its recommended counterparty list to 35 days over the period.
- 2.13. In October, Moody's revised the outlook on the UK's Aa3 sovereign rating to stable from negative. This led to similar rating actions on entities that include an element of government support in their own credit ratings, including banks and housing associations. Local authorities were, however, downgraded on expectations of lower government funding.
- 2.14. Following the issue of a Section 114 notice, in November Arlingclose advised against undertaking new lending to Nottingham City Council. After reducing its recommended duration on Warrington Borough Council to a maximum of 100 days in September, the local Council was subsequently suspended from the Arlingclose recommended list following a credit rating downgrade by Moody's to Baa1.
- 2.15. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress, but no changes were made to recommended durations over the period.
- 2.16. Heightened market volatility is expected to remain a feature, at least in the near term and, as

ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

- 3.1. On 31 December 2023, the Council had net borrowing of £6.2m 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 balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Estimated £m	31.3.24 Estimated £m
General Fund CFR	43.9	45.5
HRA CFR	53.0	50.5
Total CFR	96.9	96.0
External borrowing	62.6	56.3
Internal borrowing	34.3	39.7
Total Borrowing	96.9	96.0

- 3.2. The treasury management position as of 31 December and the change over the year to date are shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	31.12.23 Balance £m	31.12.23 Rate %
Long-term borrowing	59.8	0.0	59.8	3.72%
Short-term borrowing	2.7	-2.1	0.6	2.30%
Total borrowing	62.6	-2.1	60.5	3.58%
Long-term investments	0.0	0.0	0.0	0.00%
Short-term investments	39.0	-3.0	36.0	5.30%
Cash and cash equivalents	4.1	14.2	18.3	5.28%
Total investments	43.1	11.2	54.3	5.29%
Net borrowing	19.5	-13.3	6.2	

4. 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 Council. Public Works Loan Board (PWLB) loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 4.2. The Council currently holds £8.9m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. These commercial investments are primarily for local regeneration and growth and are all located within the District. Financial return is a secondary objective of these investments. Before undertaking further additional borrowing the Council will review the options for exiting these investments.
- 4.3. As shown in table 1 the Council has internally borrowed £39.7m. This internal borrowing foregoes a potential interest income rate of 4.65%. Current one-year external borrowing rates with the PWLB were 5.13% as of 31 December 2023. An additional rate for HRA specific borrowing has been implemented from June 2023 which is 0.4% lower than standard PWLB rates as discussed below. As at 31 December 2023 the interest savings of being internally borrowed, based on the above rates was £190k per annum.

5. Borrowing strategy and activity

- 5.1. As outlined in the treasury strategy, the Council'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 Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 5.2. Interest rates have seen substantial rises over the last two years, although these rises began to plateau in the later months of 2023. Rates over the last 3 quarters were at the peak between June and October, since then they have fallen back to lows last seen in April 2023. Gilt yields have remained volatile, facing upward pressure following signs that UK growth had been more resilient and inflation stickier than expected. However more recent signs of slowing inflation and the perception of an increasingly struggling economy have now begun to change this sentiment, resulting in falling gilt yields and, consequently, PWLB rates.
- 5.3. On 31st December, the PWLB certainty rates for maturity loans were 4.33% for 10 year loans, 4.90% for 20-year loans and 4.67% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 5.4. A new PWLB HRA rate which is 0.4% below the certainty rate has been made available from 15 June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing.

- 5.5. At 31 December 2023 the Council held £60.5m of loans, a decrease of £2.1m from 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 December 2023 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	31.12.23 Balance £m	31.12.23 Weighted Average Rate %	31.12.23 Weighted Average Maturity (years)
Public Works Loan Board	55.1	-2.1	53.0	3.41%	12.8
Banks (LOBO)	3.5	0.0	3.5	0.00%	0.0
Banks (fixed-term)	3.9	0.0	3.9	4.74%	2.0
Local authorities (long-term)	0.0	0.0	0.0	0.00%	0.0
Local authorities (short-term)	0.0	0.0	0.0	0.00%	0.0
Total borrowing	62.6	-2.1	60.5	3.57%	14.8

- 5.6. The Authorities Borrowing strategy has been maintained whereby no new borrowing is undertaken and the loans are repaid at maturity. This strategy has meant that there has been no increase in borrowing costs as a result of the increased borrowing rate as no new short-term borrowing has been undertaken.
- 5.7. Currently the Council is able to do this as it has sufficient cash to meet resource demands. However, there is a possibility that new borrowing may be required within the next few years as shown in the Liability Benchmark in section 9.2.
- 5.8. 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 Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 5.9. **Loans restructuring:** The continuing rise in gilt yields since early 2022 has resulted in some of the Council's loans being in or close to a discount position if repaid early. However, as the prepaid loans may need to be replaced by new loans at higher interest rates in the next few years, this isn't a cost-effective option for the Council currently. The projection on borrowing requirement is constantly reviewed by the Council to try to find areas where savings can be made.
- 5.10. On 31 December 2023, the Council held £3.5 million in Lender Option Borrower Option (LOBO) loans, with a future call date set for 8 February, 2024. These LOBO loans come with a provision that allows the lender to propose a higher interest rate on the specified call dates, requiring the borrower to choose between accepting the elevated interest rate or repaying the loan in full. On 8 February 2024, the bank proposed a 1% increase in rate. This could potentially have locked the Council into a high long-term rate when interest rates are forecast to fall. As we planned to repay the loan at no additional cost and we had cash available in our investment balances, the Section 151 approved the repayment of the loan. It is worth noting that this repayment may necessitate future borrowing, such borrowing is anticipated to be of short-term duration if required.

6. **Treasury Investment Activity**

- 6.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation’s cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 6.2. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. During the year, the Council’s investment balances ranged between £43.2m and £68.2m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23		31.12.2023	31.12.2023	31.12.2023
	Balance	Net	Balance	Income	Weighted
	£m	Movement	£m	Return	Average
		£m		%	Maturity
					days
Banks & building societies (unsecured)	2.0	-0.0	2.0	4.78%	1
Government (incl. local authorities)	37.0	-3.0	34.0	4.30%	88
Money Market Funds	4.1	14.2	18.3	5.28%	0
Total investments	43.1	11.2	54.3	4.65%	90

- 6.3. Both the CIPFA Code and government guidance require the Council 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 Council’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. As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.
- 6.5. Bank Rate increased by 1% over the period, from 4.25% at the beginning of April to 5.25% by the end of December. Short term rates peaked at 5.6% for 3-month rates and 6.6% for 12-month rates during the period, although these rates subsequently began to reduce towards the end of the period. Money Market Rates also rose and were between 5.23% and 5.37% by the end of December.
- 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 %
31.12.2023	4.99	A+	37%	90	5.30%
Similar Las	4.81	A+	57%	54	5.12%
All Las	4.8	A+	60%	11	4.95%

- 6.7. It is pleasing to see that the Council has enjoyed a higher investment return than both similar and all Local Council clients of Arlingclose, despite using investment counterparties with a higher credit score, which indicates higher security.
- 6.8. Financial market conditions remained volatile between October and December. Global government bond yields initially rose before inflation data undershooting estimates led to a rally with prices rising and yields falling on the premise that the major central banks' rate hiking cycles were over. Optimism that bond yields would fall further rapidly was tempered by tight labour markets and core inflation remaining above central banks' targets. Nevertheless, for existing longer-term investors in fixed income securities, the prospect of interest rate cuts in 2024 improved sentiment.
- 6.9. November and December were good months for UK, Euro area and US equity markets as investors priced in a soft landing with the economies avoiding recession. Despite cautionary central bank warnings that the full effects of monetary tightening are yet to be felt and corporate refinancing in coming years will be at higher levels, expectations of interest rate cuts helped propel sentiment. On 31 December 2023 the FTSE All Share index was 4232 compared with 4127 on 30 September and 4157 on 31 March. The MSCI All Countries World Index was 3169 compared to 2853 on 30th September and 2791 on 31 March.
- 6.10. Investor sentiment for UK commercial property remained subdued with caution showed by buyers and sellers. With interest rates and bond yields remaining relatively high and investors demanding higher yields, property prices remained under pressure. The outlook for offices remains challenging from changing working practices.
- 6.11. The change in the Council's funds' capital values and income return over the 6-month period is shown in Table 4.
- 6.12. The Council has budgeted £981,300 income from investments in 2023/24. Income received up to 31 December 2023 was £1.7m. We are now forecasting the risk adjusted interest received by 31 March 2024, to be £2.03m and after deductions income to be £1.73m. This will be split between the Housing Revenue Account (HRA) and General Fund (GF) in the amounts £0.805m for the GF and £0.926m for the HRA.
- 6.13. The Council's Investment interest return percentage on 31 December 2023 was 5.3%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 5.186%. For similar local authorities the most recent benchmarking data which is from 31 December 2023 showed an investment return of 4.95% largely due to the poor performance of external funds which the Council does not hold. This is shown in **Appendix 1**.

- 6.14. One of the investments held by the Council is a loan of £5m to Birmingham City Council. On September 5, 2023, Birmingham issued a Section 114 notice, stating that they lack the necessary resources to balance their budget. This shortfall primarily arises from their inability to meet substantial liabilities linked to increasing equal pay claims.
- 6.15. It is important to emphasise that the Council's funds were secure, as they were backed by central government support. The Council's Treasury advisors at Arlingclose have confirmed this, expressing full confidence that the investment would be repaid in full upon maturity. Previous instances of Section 114 notices at other local authorities have not led to investments going unpaid.
- 6.16. **Statutory override:** In April 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31 March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

7. Non-Treasury Investments

- 7.1. The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council 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 DLUHC and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.
- 7.3. The Council also held £8.9m of such investments in directly owned property and land. A full list of the Council's non-treasury investments is available in the Investment Strategy 2023-24 document. 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. Compliance

- 8.1. The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	Q3 Maximum £m	31.12.2023 Actual £m	2023/24 Limit £m	Complied?
The UK Government	37.0	9.0	Unlimited	Yes
Local authorities & other government entities	29.5	25.0	60.0	Yes
Secured investments	0.0	0.0	60.0	Yes
Banks (unsecured)	9.8	2.3	60.0	Yes
Building societies (unsecured)	0.0	0.0	5.0	Yes
Registered providers (unsecured)	0.0	0.0	12.5	Yes
Money market funds	22.0	18.3	60.0	Yes
Strategic pooled funds	0.0	0.0	25.0	Yes
Real estate investment trusts	0.0	0.0	12.5	Yes
Other investments	0.0	0.0	2.5	Yes
Totals	98.3	54.6		

- 8.2. Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 7 below.

Table 7: Debt and the Authorised Limit and Operational Boundary

	Q3 Maximum During Period £m	31.12.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	62.6	60.5	101.8	111.8	Yes

- 8.3. 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.

9. Treasury Management Prudential Indicators

- 9.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

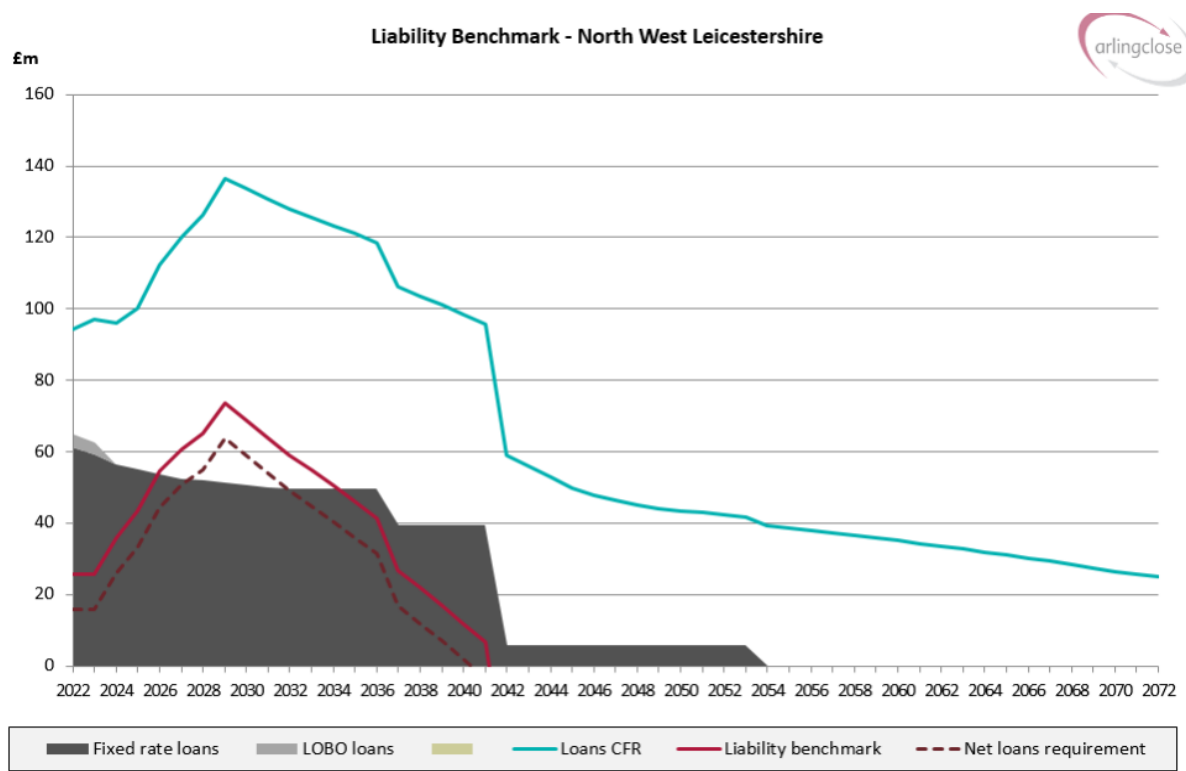
- 9.2. **Liability Benchmark:** This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic

focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

Table 8: Liability Benchmark

	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	96.9	96	100.2	112.4
Less: Balance sheet resources	-81.2	-70	-67	-68
Net loans requirement	15.7	26	33.2	44.4
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	25.7	36	43.2	54.4
Existing external borrowing	62.6	56.3	55.1	53.8

9.3. Following on from the medium-term forecast above, the long-term liability benchmark assumes GF Capital expenditure funded by borrowing of £0 a year after 31 March 2024, minimum revenue provision on new capital expenditure based on a variable asset life (depending on type of asset) and income, expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Council’s existing borrowing. It also assumes HRA Capital expenditure funded by borrowing of between £3.8m and £7.6m per annum.



9.4. The Liability Benchmark shows the underlying need to borrow (Loans CFR) in the blue line at the top of the graph, the grey shaded area as existing external loans and the strong red line as the requirement for external borrowing (the dotted red line is without a liquidity allowance of

£10m. The lighter grey shaded demonstrates the Council's LOBO loans discussed in section 5.10 above. The space in-between the underlying need to borrow and the external borrowing demonstrates the use of internal resources to cover borrowing requirements. Otherwise known as internal borrowing.

- 9.5. Internal borrowing is generally considered to be good value for money as it is often more expensive to borrow than the returns you get for investment. Therefore, if the internal resources were invested and the funds borrowed to cover the borrowing requirement this likely would lead to a net loss.
- 9.6. This graph demonstrates that by using internal resources the Council is likely to not have a future external borrowing requirement and that existing borrowing is sufficient to meet requirements.
- 9.7. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 9: Maturity Structure of Debt

	31.12.23 Actual £m	31.12.23 Actual %	Lower Limit	Upper Limit	Complied?
Under 12 months	5.4	9%	0%	70%	Yes
12 months and within 24 months	1.3	2%	0%	30%	Yes
24 months and within 5 years	2.5	4%	0%	30%	Yes
5 years and within 10 years	1.9	3%	0%	30%	Yes
10 years and within 20 years	43.7	73%	0%	90%	Yes
20 years and above	5.7	9%	0%	30%	Yes
Totals	60.5	100%			

- 9.8. 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. Therefore, the LOBO was considered to be maturing in under 12 months despite the maturity date being 2055.
- 9.9. **Long-term Treasury Management Investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

Table 10: Long-Term Investments

	2023/24	2024/25	2025/26	No Fixed Date
Actual principal invested beyond year end	£30m	£0	£0	£0
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m
Complied?	Yes	Yes	Yes	Yes

9.10. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

10. Additional indicators

10.1. **Security:** The Council 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.

Table 11: Security

	31.12.23 Actual	31.09.23 Actual	2023/24 Target	Complied?
Portfolio average credit rating	A+	AA-	A-	Yes

10.2. **Liquidity:** The Council 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. The Council currently holds a high level of liquidity due to two reasons:-

- Short term interest rates are higher than long term interest rates, therefore there is no need to tie funds up longer,
- As year-end approached cashflow tends to be highly volatile.

Table 12: Liquidity

		31.12.23 Actual	2023/24 Target	Complied?
Total cash available within 3 months	90	£34	£2.5m	Yes

10.3. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. Bank Rate remained at 5.25% throughout the quarter to 31 December 2023.

Table 13: Interest Rate Exposures

Interest rate risk indicator	31.12.23 Actual	2023/24 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	406,473	600,000	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-406,473	-600,000	Yes

10.4. For context, the changes in interest rates during the financial year to date were:

Table 14: Interest Rate Changes

Context - Interest Rate changes	31/3/23	31/12/23
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.13%
5-year PWLB certainty rate, maturity loans	4.31%	4.19%
10-year PWLB certainty rate, maturity loans	4.33%	4.33%
20-year PWLB certainty rate, maturity loans	4.70%	4.90%
50-year PWLB certainty rate, maturity loans	4.41%	4.68%

10.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Appendix 1



Investment Benchmarking 31 December 2023

North West Leicestershire
46 English Non-Met Districts Average
127 LAs Average

Internal Investments	£54.3m	£39.1m	£61.6m
Cash Plus & Short Bond Funds	£0.0m	£0.9m	£0.6m
Strategic Pooled Funds	£0.0m	£11.8m	£10.6m
TOTAL INVESTMENTS	£54.3m	£51.8m	£72.8m

Security

Average Credit Score	4.99	4.81	4.80
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	5.30	4.73	4.77
Average Credit Rating (time-weighted)	A+	A+	A+
Number of Counterparties / Funds	12	14	13
Proportion Exposed to Bail-in	37%	57%	60%

Liquidity

Proportion Available within 7 days	37%	44%	52%
Proportion Available within 100 days	63%	66%	72%
Average Days to Maturity	90	54	11

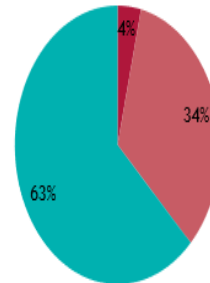
Market Risks

Average Days to Next Rate Reset	106	73	51
Strategic Fund Volatility	-	2.9%	3.7%

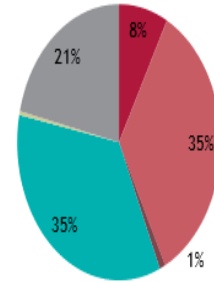
Yield

Internal Investment Return	5.30%	5.09%	5.08%
Cash Plus Funds - Income Return	-	3.25%	3.41%
Strategic Funds - Income Return	-	4.90%	4.86%
Total Investments - Income Return	5.30%	5.00%	5.04%
Cash Plus Funds - Capital Gain/Loss	-	1.69%	1.66%
Strategic Funds - Capital Gain/Loss	-	-0.85%	-1.59%
Total Investments - Total Return	5.30%	5.12%	4.95%

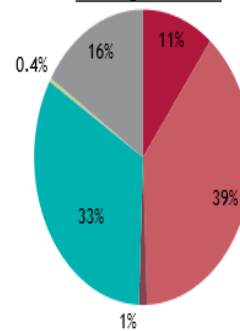
North West Leicestershire



English Non-Met Districts



All Arlingclose Clients



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.
- Pooled fund returns are 1-year to the end of the quarter.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.

Prudential Indicators as at 2023/24 Quarter 3

- 1.1 The Council measures and manages its capital expenditure, borrowing with references to the following indicators.
- 1.2 It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.
- 1.3 **Capital Expenditure:** The Council has undertaken and is planning capital expenditure as summarised below.

	2022/23 actual £'m	2023/24 forecast £'m	2024/25 budget £'m	2025/26 budget £'m
General Fund services	5.8	9.0	12.0	5.5
Council housing (HRA)	7.3	7.7	15.9	14.8
Capital investments	0.0	0.0	0.0	0.0

- 1.4 The main General Fund capital projects to date have included the accommodation project, improvement to Marlborough Square and the fleet replacement programme. HRA capital expenditure is recorded separately and to date includes the Improvements and Modernisation Programme.
- 1.5 **Capital Financing Requirement:** The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) / loans fund repayments and capital receipts used to replace debt.

	31.3.2023 actual £'m	31.3.2024 forecast £'m	31.3.2025 budget £'m	31.3.2026 budget £'m
General Fund services	41.8	41.0	35.6	35.1
Council housing (HRA)	55.2	55.0	61.4	66.5
Capital investments	0.0	0.0	0.0	0.0
TOTAL CFR	97.0	96.0	97.0	101.6

- 1.6 **Gross Debt and the Capital Financing Requirement:** Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement

in the medium term as is shown below.

	31.3.2023 actual £'m	31.3.2024 forecast £'m	31.3.2025 budget £'m	31.3.2026 budget £'m	Debt at 31.12.2023 £'m
Debt (incl. PFI & leases)	62.6	56.3	55.0	53.5	60.5
Capital Financing Requirement	97.0	96.0	97.0	101.6	

- 1.7 **Debt and the Authorised Limit and Operational Boundary:** The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	Maximum debt 2023/24 £'m	Debt at 31.12.23 £'m	2023/24 Authorised Limit £'m	2023/24 Operational Boundary £'m	Complied?
Borrowing	62.6	60.5	101.8	111.8	Yes
PFI and Finance Leases	0.0	0.0	0.0	0.0	Yes
Total debt	62.6	60.5	101.8	111.9	Yes

- 1.8 Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for nil days during the October-December quarter.
- 1.9 **Proportion of Financing Costs to Net Revenue Stream:** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue.
- 1.10 The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget
<u>General Fund</u>				
Financing costs (£m)	1.8	1.5	1.9	1.9

Proportion of net revenue stream	11%	9%	11%	11%
<u>Housing Revenue Account</u>				
Financing costs (£m)	1.2	2.0	1.9	2.1
Proportion of net revenue stream	7%	11%	9%	10%

- 1.11 **Treasury Management Indicators:** These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are within the 2023/24 Treasury Management Quarter 3 Activity Report.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 24
APRIL 2024

Title of Report	STANDARDS AND ETHICS REPORT - QUARTER 4	
Presented by	Elizabeth Warhurst Head of Legal and Support Services and Monitoring Officer	
Background Papers	None	Public Report: Yes
Financial Implications	There are no financial implications to be considered.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	The report details the Council's compliance with legislative requirements including Freedom of Information requests, Environmental Information Requests, and use of RIPA powers in the previous quarter.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no staffing or corporate implications to be considered.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To receive the figures for the local determination of complaints and the ethical indicators for Quarter 4 of 2023/24.	
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.

Policies and other considerations, as appropriate	
Council Priorities:	Our communities are safe, healthy, and connected
Policy Considerations:	N/a
Safeguarding:	Customers and the community are safeguarded in relation to modern slavery by having the ability to raise instances of concern, which must be looked into and referred to the national agencies where appropriate.
Equalities/Diversity:	N/a
Customer Impact:	None directly arising from the report. Details regarding the process for making an FOI request or making a complaint about a Councillor are on the Council's website.
Economic and Social Impact:	N/a
Environment, Climate Change and Zero Carbon	N/a
Consultation/Community/Tenant Engagement:	N/a
Risks:	The Audit and Governance Committee assists the Council in fulfilling its duty under the Localism Act 2011 to promote and maintain high standards of conduct by Councillors and co-opted Councillors of District and Parish Councils. Receiving regular reports on the statistics of councillor complaints enables the Committee to exercise oversight of this function and manage risks.
Officer Contact	Elizabeth Warhurst Head of Legal and Support Services and Monitoring Officer elizabeth.warhurst@nwleicestershire.gov.uk

Standards and Ethics

Quarter 4 Report

2023-2024

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Introduction

This is the quarterly report to the Audit and Governance Committee detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process for 2023/24.

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 two 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 and 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 two complaints in Quarter 4 of 2023/24 (1 January 2024 - 31 March 2024).

One complaint received in Quarter 4 was unable to be progressed as three parts did not meet the initial tests and one part was withdrawn.

One complaint received in Quarter 4 had two parts to it. One part has been resolved informally and one part is still ongoing.

2.1 Assessment Sub-committee Decisions

There has been one Assessment Sub-committee meeting in this quarter regarding a complaint received in Quarter 3.

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

One part of the complaint has been resolved informally in Quarter 4. One part is still ongoing.

2.2 Timeliness of Decision

The Local Government Association [guidance](#) states that where the decision has been delegated to an officer, the authority should aim to complete their initial assessment of an allegation within 15 working days of receiving a complaint. Where the assessment is sent to a committee, the committee should be set up along similar timescales. The Council has taken this standard and included it in the Council's arrangements for dealing with complaints and aim to hold an Assessment Sub-committee within 15 working days of notifying the parties that informal resolution is not possible.

2.3 Review Requests

There have been no review requests in Quarter 4. Review requests can only be made following a decision of 'No Further Action' by the Assessment Sub-committee where there is submission of new evidence or information by the complainant.

2.4 Subsequent Referrals

None to report - see above.

2.5 Outcome of Investigations

None to report - see above.

2.6 Parts of the Code Breached

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

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

Complaints made to the Monitoring Officer under the Code of Conduct during Q4 2023/24

<u>Otr 4</u> <u>23/24</u>	<u>Complaint from</u>	<u>About district/ parish councillor</u>	<u>Regarding</u>	<u>status</u>
	Parish Councillor	Parish Councillor	Various issues - conduct at meetings and email issues	Initial tests not met / withdrawn
	Parish Councillor	Parish Councillor	Various issues - conduct at / outside meetings	Resolved informally / ongoing

Ethical Indicators

PERFORMANCE INDICATOR	Q1			Q2			Q3			Q4		
	21/ 22	22/ 23	23/ 24	21/ 22	22/ 23	23/ 24	21/ 22	22/ 23	23/ 24	21/ 22	22/ 23	23/ 24
Instances of concerns raised re Modern Slavery	0	0	0	0	0	0	0	0	1	1	0	0
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 Council's 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
Use of RIPA powers	0	0	0	0	0	0	0	0	0	0	0	0

Freedom of Information Requests

	Q1			Q2			Q3			Q4		
	21/22	22/23	23/24	21/22	22/23	23/24	21/22	22/23	23/24	21/22	22/23	23/24
Total Number (FOIs)	102	147	157	107	122	196	90	108	157	196	148	194
% answered on time	82%	51%	93%	72%	79%	86%	95%	60%	92%	78%	91%	92%
Average per month	34	49	52	36	41	65	30	38	52	65	49	64
Average response time (days)	14	7	11	13	9	12	10	14	10	15	13	11
Withheld due to exemption/fees (FOI and BAU)*	19	0	13	12	0	2	15	7	13	13	3	19
Transfers (TFRs)	18	29	18	12	21	15	24	18	20	28	27	38
Subject access requests (SARs)	1	3	6	2	6	3	5	5	9	13	10	8
Internal Reviews	0	1	1	2	3	2	1	3	1	2	1	0
Environmental Information Requests/ Land Charges Searches (personal)	6	4	6	491	4	7	336	7	360	1	7	409

- There has been an increase in the number of FOI requests received in comparison to Q3, as well as an increased number of transfers to the County Council.
- Whilst most requests are being answered on time, internal pressures on service areas would seem to be the primary factor in causing some to go overdue.
- Overall, the 90% answered on time target has been met for the 2023/24 year for both FOIs and SARs.

FOI Exemptions for Q4 23/24

150

Exemption	Description	FOI
S21	Information Already Reasonably Accessible	8
S22	Information Intended for Future Publication	1
S27	International Relations	7
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	3
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>	19

Definitions

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

Land Charges specific information about a particular property

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

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

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

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

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