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Meeting	AUDIT AND GOVERNANCE COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 5 February 2025
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 9 December 2024.	3 - 6
4. COMMITTEE WORK PLAN	
To note the Committee's work plan.	7 - 8
5. STATEMENT OF ACCOUNTS UPDATE	
Report of the Strategic Director of Resources.	9 - 14
6. QUARTER 3 AUDIT PROGRESS REPORT	
Report of the Audit Manager.	15 - 34
7. TREASURY MANAGEMENT UPDATE REPORT - QUARTER 3	
Report of the Head of Finance.	35 - 50
8. DRAFT ACCOUNTING POLICIES 2023/24	
The Report of the Head of Finance.	51 - 72

9.	ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION	
	Report of the Head of Legal and Support Services.	73 - 128
10.	STANDARDS AND ETHICS REPORT - QUARTER 3	
	Report of the Head of Legal and Support Services.	129 - 140
11.	ANNUAL IT HEALTH CHECK	
	Report of the ICT Team Manager.	141 - 280

Circulation:

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

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Abbey Room, Stenson House, London Road, Coalville, LE67 3FN on MONDAY, 9 DECEMBER 2024

Present: Councillor P Moulton (Chair)

Councillors D Everitt, A Barker, D Cooper, R Johnson, G Rogers, J G Simmons and R Sutton

In Attendance: Councillors

Officers: Mrs A Crouch, Ms K Hiller, Mr T Devonshire and Mr P Stone

External Audit:

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor R Boam and Councillor N Smith.

2. DECLARATION OF INTERESTS

There were no interests declared.

3. MINUTES

Consideration was given to the minutes of the meeting held on 20 November 2024. It was noted that there was an error in the minutes stating that Councillor N Smith was absent and that the minutes had been amended.

It was moved by Councillor R Johnson , and seconded by Councillor JG Simmons and

RESOLVED THAT:

Subject to the amendment above, the minutes of the meeting held on 20 November 2024 be confirmed as accurate records of proceedings.

4. COMMITTEE WORK PLAN

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

The work plan was noted.

5. AUDIT DELAY BACKLOG UPDATE

The report was presented by the Strategic Director of Resources.

During a discussion it was asked by a member to what extent the Council were included in the processes that the backstop represents. The response informed the Committee that the 2023/24 dates were selected because of listening to local government, but legislation was decided by central government and systems partners for the whole sector. A member asked whether the Strategic Director believed the process would be effective in operation and whether changing audit partners would cause issues. The Strategic Director responded that they believed the steps taken to address the backlog were appropriate. It was assured that the working relationship with Azets was developing well with regular communication, they were confident in moving forward and communication between Azets and Forvis Mazars would not be time limited.

It was also asked how much of the audits for 2021/22 and 2022/23 were completed. The Strategic Director responded that for 2021/22 there was a substantial amount of the audit completed but no substantial work was undertaken for 2022/23 due to aforementioned issues, and staff capacity.

Members were thanked for their comments and the position of the Council in respect of the local audit delays was noted.

6. AUDIT COMPLETION REPORT 2021-22

The Strategic Director of Resources introduced the report and the author of Appendix A, the Key Audit Partner from Forvis Mazars who proceeded to present Appendix A.

In response to a query from item 5, the key audit partner informed the committee that the Audit of 2021-22 was two thirds complete.

A discussion was had about transparency. It was assured by the Key Audit Partner that although the report was incomplete, all findings were reported. A member commended the report and, along with another member, asked about undisclosed transactions. It was explained that transactions that were considered immaterial, of low value, were not required to be disclosed in financial statements, but existed in the Council's records. A material transaction was enquired about, which was explained to be rent payable for an investment property.

Before the discussion ended, a member asked for insight into decisions made by the Council to divert constrained resources away from financial reporting. It was assured that the Committee, during the period of 2021-22, had received regular updates from Forvis Mazars and previous Section 151 Officers on the progress and how resources were diverted.

Members were thanked for their comments and the Audit Completion Report 2021-22 was noted.

It was moved by Councillor A Barker, and seconded by Councillor G Rogers and

RESOLVED THAT:

The Management representation letter was approved.

7. AUDIT STRATEGY AND COMPLETION REPORT - 2022/23

The Strategic Director of Resources introduced the report and the author of Appendix A, the Key Audit Partner from Forvis Mazars who proceeded to present Appendix A.

A member enquired about the spending on the 2021-22 and 2022-23 audits. The Key Audit Partner responded that the audits were subject to review from public sector audit appointments who were working to confirm fair and contract-abiding fees for all audits affected by the backstop. The fees provided in the Appendix were an overview of what was estimated but it was expected to cost less for 2022-23. The member asked whether the 2021-22 fee was double the cost. The key audit partner explained there were issues around the scale fees (which were still subject to review) and that the planned fee was based upon 2023-24 fees. At his request, it was minuted that Councillor Sutton interpreted that answer as a 'yes' and thought that the increase in cost displayed political travesty. He also expressed disappointment in decisions to change systems made by more recent governments and found the lack of compensation to Councils was disgraceful.

Members were thanked for their comments and the external auditor's completion report as set out in Appendix A was noted.

It was moved by Councillor R Johnson, and seconded by Councillor R Sutton and

RESOLVED THAT:

The Management representation letter was approved.

8. DRAFT AUDITORS ANNUAL REPORT - 2021/22 AND 2022/23

The Strategic Director of Resources introduced the report and the author of Appendix A, the key audit partner from Forvis Mazars who proceeded to present Appendix A.

The Key Audit Partner assured the Committee that the Council was not isolated in its audit position.

A discussion was had between members and the Key Audit Partner about an identified financial gap in 2022/23. It was explained that there was a gap between income and spending that was to be filled through savings. Recommendations on improvement were also provided. The use of budget books was promoted by another member and they emphasised the Committee needed transparency and assurance. The Chair, in response, suggested that the report be taken to Corporate Scrutiny. The Strategic Director contributed that Cabinet and Corporate Scrutiny receive regular monitoring reports and agreed to look into providing more information to Scrutiny and this Committee. They added that budget books were a time constraint which the department did not have capacity for, but the new system would aid in detail and transparency.

The discussion ended with a member expressing concerns around the deferrals made to actions arisen from 'limited assurance' findings from internal audit and the tracking of these actions. They requested that the Committee had more involvement in the decision making around the deferral of actions and for the topic to be added to the next agenda. The Strategic Director informed the Committee that tracking had progressed and the Audit Manager would be providing further feedback to the Committee throughout the process. The Chair agreed to including the topic to the next agenda.

Members were thanked for their comments and the draft Auditors Annual report for 2021/22 and 2022/23 was noted.

9. STATEMENT OF ACCOUNTS 2021/22

The report was presented by the Strategic Director of Resources.

It was moved by Councillor A Barker, and seconded by Councillor R Johnson and

RESOLVED THAT:

- a) The Annual Statement of Accounts 2021/22 be approved;
- b) The Chair be authorised to sign the Statement of Accounts 2021/22; and
- c) Authority be delegated to the Chair and Section 151 Officer to approve any minor non-material amendments, as agreed with the external auditors, to the Statement of Accounts 2021/22.

10. STATEMENT OF ACCOUNTS 2022/23

The report was presented by the Strategic Director of Resources.

A member asked a question based on the 2021/22 Statement of Accounts to ascertain whether there was a schedule of payments for the sale of Cropston Drive to developers. In response, the Head of Finance informed the Committee that the development was on hold and that the Council had received no updates regarding financial matters.

A discussion was had about the fall in balance of the Council's general funds. The reasons for why were to be further explored by financial officers, with an answer provided to the Committee. It was also explained that there was a general fund, earmarked reserves and an unused amount kept for emergency. Some of the earmarked reserves were spent which was emphasised to be a good thing, for example COVID grants being repaid. A member responded that had the Statement of Accounts been received earlier, the Committee may have been able to address issues.

It was moved by Councillor J Simmons, and seconded by Councillor G Rogers and

Members voted for the recommendations, with one abstention received from Councillor R Sutton which was minuted at his request.

RESOLVED THAT:

- a) The Annual Statement of Accounts 2022/23 be approved;
- b) The Chair be authorised to sign the Statement of Accounts 2022/23; and
- c) Authority be delegated to the Chair and Section 151 Officer to approve any minor non-material amendments, as agreed with the external auditors, to the Statement of Accounts 2022/23.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.31 pm

AUDIT AND GOVERNANCE COMMITTEE – WORK PROGRAMME (as at 28/01/25)

Issue	Report Author	Meeting at which will be reported
February 2025		
Statement of Accounts Update To provide the committee with an update on the outstanding Statement of Accounts	Anna Crouch, Head of Finance	5 February 2025
Quarter 3 Audit Progress Report	Kerry Beavis, Audit Manager	5 February 2025
Treasury Management Update Report - Quarter 3 To present the quarterly treasury management report to members.	Anna Crouch, Head of Finance	5 February 2025
Draft Accounting Policies 2023/24	Anna Crouch, Head of Finance	5 February 2025
Annual Review of the Council's Constitution	Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer	5 February 2025
Standards and Ethics Report - Quarter 3	Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer	5 February 2025
Annual IT Health Check	Sam Outama, ICT Team Manager	5 February 2025
April 2025		
Annual Member Conduct Report	Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer	23 April 2025
Annual Governance Statement 2023-24 For committee to approve the Annual Governance Statement 2023-24	Paul Stone, Strategic Director of Resources (Section 151 Officer)	23 April 2025
Draft Accounting Policies 2024/25 To present the Draft Accounting Policies 2024/25 to members for approval	Anna Crouch, Head of Finance	23 April 2025
Audit Plan	Kerry Beavis, Audit Manager	23 April 2025

Issue	Details	Report Author	Meeting at which will be reported
Internal Audit Charter		Kerry Beavis, Audit Manager	23 April 2025
Quarter 4 Audit Progress Report		Kerry Beavis, Audit Manager	23 April 2025
Audit Strategy and Charter		Kerry Beavis, Audit Manager	23 April 2025
June 2025			
Standards and Ethics Report - Quarter 4		Kate Hiller, Interim Head of Legal and Support Services and Monitoring Officer	4 June 2025
Treasury Management Stewardship Report 2024/25 To report the Treasury Management Stewardship Report 2024/25 to members		Anna Crouch, Head of Finance	4 June 2025

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 5
FEBRUARY 2025

Title of Report	STATEMENT OF ACCOUNTS UPDATE	
Presented by	Paul Stone Director of Resources	
Background Papers	Statement of Accounts Update - Council 5 November 2024 Statement of Accounts Update - Council 22 February 2024	Public Report: Yes
Financial Implications	There are no financial implications arising from this report.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	The Accounts and Audit Regulations 2015, along with their subsequent amendments, set out detailed requirements for the preparation, approval, and publication of financial statements by local authorities and other relevant bodies in England.	
	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 the Committee with an update in respect of the Council's Statement of Accounts 2023/24.	
Recommendations	THE AUDIT COMMITTEE IS REQUESTED TO NOTE THE UPDATE ON THE COUNCIL'S STATEMENT OF ACCOUNTS FOR 2023/24.	

1.0 BACKGROUND

- 1.1 Reports were considered by Council on 22 February 2024 and 5 November 2024 which provided details of the Government's proposals for addressing the audit backlog, as well as outlining the Council's position in respect of its Statement of Accounts.
- 1.2 At the meeting on 5 November 2024, the Director of Resources informed Members that he had written to MHCLG to notify them that the Council would not be able to meet the backstop date for the 2023/24 unaudited accounts, which is 28 February 2025.

- 1.3 Since then, a response has been received from MHCLG informing the Council of the next steps. In addition, MHCLG issued a letter to local authorities on 13 January 2025 confirming the process for local authorities to follow in respect of the 2023/24 Statement of Accounts, a copy of which is shown at Appendix One.
- 1.4 The response from MHCLG notes the challenges the Council has been facing which were highlighted in reports to Council and a letter to the Audit and Governance Committee. It states that backlog measures are likely to have uncomfortable consequences in the short term.
- 1.5 Regulation 9A (6) of the Accounts and Audit Regulations 2015, as recently amended, sets out the requirements on any (non-exempt) body that does not comply with a backstop date. These requirements include publishing an explanation, sending a copy of this to the Secretary of State and publishing audited accounts as soon as practicable. The Government intends to publish a list of bodies and auditors that do not meet the backstop dates, which will make clear where unaudited (draft) accounts have also not been published.
- 1.6 As the Council is not in a position to meet the backstop dates it will appear on the aforementioned list.
- 1.7 The Council is committed to ensuring transparency in this process and will publish an explanation for the delay on our website and send a copy to the Secretary of State as required by the regulations. A copy of this report will be presented to the Council meeting scheduled for 22 February 2025 and the notice will be published shortly after that date.
- 1.8 The Council remains dedicated to working collaboratively with our auditors and other stakeholders to address the underlying issues contributing to the audit backlog.
- 1.9 The Council has faced significant challenges due to delays in addressing the backlog of the statement of accounts. These delays have been primarily attributed to the implementation of a new financial system, which, while promising enhanced efficiency and accuracy, has introduced several complexities. One of the major issues has been the reconciliation of key ledger transactions, a critical process to ensure the accuracy and integrity of financial records. The transition to the new system has required extensive adjustments and troubleshooting, leading to unforeseen delays.
- 1.10 In response to these challenges, the Council is actively working to resolve the issues brought about by the new financial system. This includes a thorough review and refinement of the reconciliation processes to ensure that all key ledger transactions are accurately and promptly reconciled. The Council recognises the importance of these reconciliations in maintaining financial transparency and accountability, and is committed to addressing any discrepancies that have arisen during the transition period.
- 1.11 To expedite the reconciliation processes and reduce the backlog, the Council is currently reviewing its exchequer processes. This review aims to identify and implement more efficient procedures, streamline workflows, and leverage the capabilities of the new financial system to their fullest potential. By doing so, the Council hopes to not only clear the existing backlog but also establish a more robust and resilient financial management framework for the future.

- 1.12 The Council is maintaining open and transparent communication with its external auditors, Azets, to ensure a smooth and efficient audit process. Regular updates and meetings are being held to discuss the progress of the reconciliations and address any issues that may arise. This collaborative approach helps to keep Azets informed and allows the Council to promptly respond to any queries or concerns they might have.
- 1.13 The goal is to publish the draft accounts for 2023/24 as soon as practically possible, once all reconciliations are completed. By working closely with Azets, the Council aims to ensure that the draft accounts are accurate and comprehensive, reflecting the true financial position of the Council. This proactive communication and cooperation with Azets are crucial steps in achieving timely and reliable financial reporting.

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:	The Council has responded to Government consultations in respect of backstop dates and the recent consultation in respect of the Government's Local Audit Strategy.
Risks:	- Loss of public trust and confidence in the Council's financial management and governance. - Reduced transparency and accountability to the Council's stakeholders, including taxpayers, service users, creditors, grant providers and regulators. - Increased scrutiny and intervention from external bodies, such as the Department for Levelling Up, Housing and Communities and Local Government, the National Audit Office, the Local Government Association and the Public Sector Audit Appointments. - Potential legal challenges or claims from aggrieved parties who may rely on the accuracy and timeliness of the financial information in the Statement of Accounts. - Additional costs and resources required to resolve the audit issues and complete the audit process.
Officer Contact	Paul Stone Director of Resources paul.stone@nwleicestershire.gov.uk

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APPENDIX ONE

Ministry of Housing,
Communities &
Local Government

Will Garton

Director General for Local
Government, Growth and
Communities
2 Marsham Street
London
SW1P 4DF

To Chief Executives, Chief
Financial Officers, Local Authority
Leaders, and Audit Committee Chairs

13 January 2025

Dear Colleagues,

UNAUDITED ACCOUNTS AND MEASURES TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND

I am writing to your authority and a number of others regarding the Government's measures to tackle the local audit backlog in England. In particular, I am writing to set out the implications should you not be able to publish outstanding unaudited (draft) accounts for Financial Year 2023/24 by 16 January 2025.

At the time of writing, your authority has yet to publish unaudited (draft) accounts (financial statements, the annual governance statement and narrative statement) and hold the 30-working day public inspection period for financial year 2023/24. The deadline for the publication of these unaudited accounts was 31 May 2024.

These steps are prerequisites to meeting the backstop date of 28 February 2025 for 2023/24 audited accounts. The audit opinion can only be issued once the inspection period has been completed. For this to happen in time, unaudited accounts for the 2023/24 would need to be published by 16 January at the latest – publication on this date would enable the public inspection period to run between 17 January and 27 February.

The backstop dates have not altered the legislative requirements regarding the signing and approval of accounts. The requirements in regulation 9 of the 2015 Regulations include that the responsible financial officer confirms that the accounts provide a true and fair view prior to the commencement of the public inspection period (and, once this is complete, re-confirms that the accounts provide a true and fair view before the body approves the accounts). It also should not be necessary for the audit of the previous year's accounts to be completed for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view, as local bodies should have sufficient internal controls and processes.

If you are unable to publish outstanding unaudited accounts for financial year 2023/24 by 16 January, then I would be grateful if you could contact the Department (localaudit@communities.gov.uk) as soon as possible.

There are some limited and specific exemptions from bodies meeting the backstops. These are set out in regulation 9A (4)-(5) of the 2015 Regulations. If a body is not exempt and fails to comply, it must publish an explanation on (or as soon as practicable after) the backstop, to send a copy of this to the Secretary of State (via localaudit@communities.gov.uk) and publish audited accounts as soon as practicable.

The Government intends to publish a list of bodies and auditors that do not meet the backstop dates, which will make clear where unaudited (draft) accounts were not published in time, and to keep the issue of consequences under close review. I understand that your authority met the 13 December backstop date for publication of audited accounts for financial years up to and including 2022/23 and I am grateful for your hard work towards meeting this deadline.

I know that finance teams, key audit partners and others have delivered significant, and sometimes challenging, work in support of these measures. Moving forward, continued collaboration between auditors and bodies is clearly vital. The Government also recognises the imperative to tackle underlying systemic issues and, on 18 December 2024, launched its [strategy](#) to overhaul the broken local audit system.

Finally, you may also wish to note that the Chartered Institute of Public Finance and Accountancy (CIPFA) recently [published information](#) to help preparers understand the impact of the backstop dates and how they should approach any unpublished accounts, alongside guidance for audit committees via its Better Governance Forum.

Will Garton

Director General for Local Government, Growth and Communities

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 5
FEBRUARY 2025

Title of Report	QUARTER 3 AUDIT PROGRESS REPORT	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2024/25	Public Report: Yes
Financial Implications	There are no direct financial implications arising from the report.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	None arising from this report.	
	Signed off by the Monitoring Officer: yes	
Staffing and Corporate Implications	There are no direct staffing implications arising from the report.	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2024/25 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THAT THE AUDIT AND GOVERNANCE COMMITTEE NOTES THE REPORT.	

1.0 BACKGROUND

- 1.1 The Public Sector Internal Audit Standards require the Council'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 2024/25 Audit Plan on 24 April 2024. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

2.1 The Internal Audit Progress Report for the period 1 October 2024 to 31 December 2024 (Q3) is attached at Appendix 1

3.0 FINANCIAL IMPLICATIONS

3.1 None.

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service supports all council priorities. <ul style="list-style-type: none"> - Planning and Regeneration - Communities and Housing - Clean, Green and Zero Carbon - A Well-Run Council -
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:	N/A
Environment, Climate Change and Zero Carbon	N/A
Consultation/Community/Tenant Engagement:	The report was presented to Corporate Leadership Team on 18 December 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 a risk of not confirming 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 2024/25 Q3

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 2024/25 Internal Audit Plan up to 31 December 2024.

2. Internal Audit Plan Update

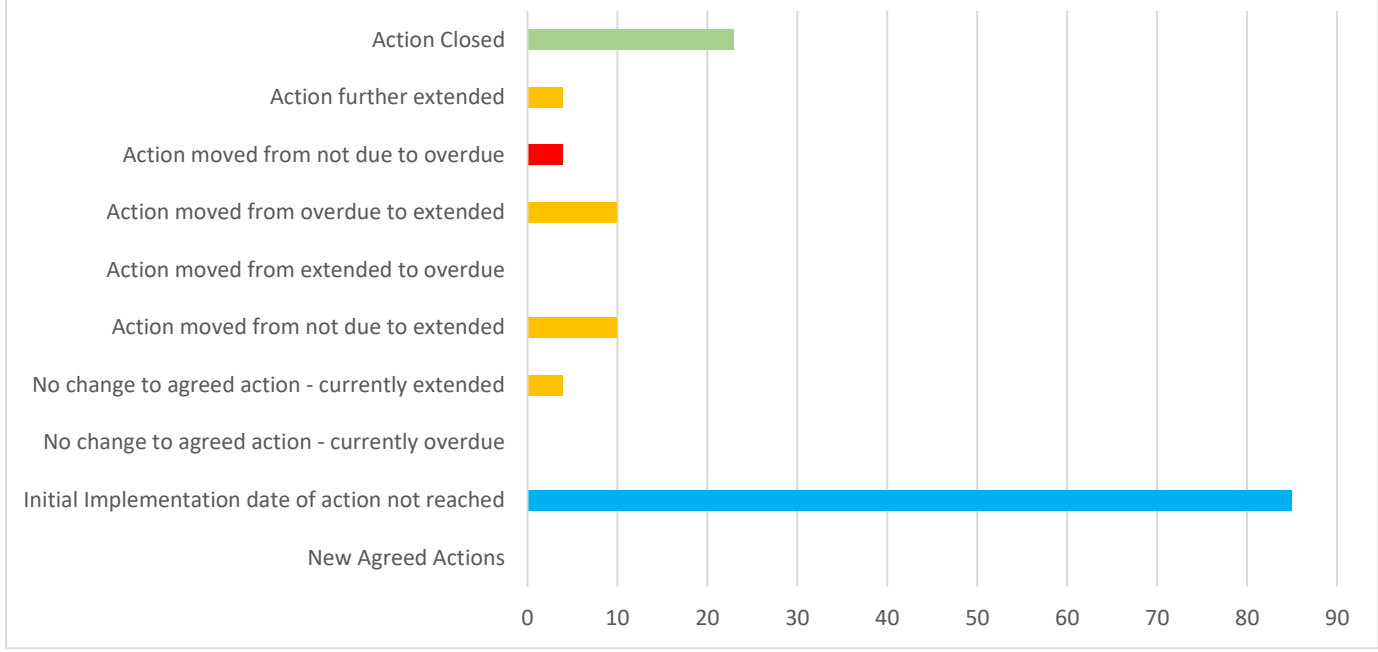
- 2.1 The 2024/25 audit plan is included at Appendix A for information and details the audits in progress. There have been several advisory pieces of work completed to date.

3. Internal Audit Recommendations

- 3.1. Internal Audit monitor and follow 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		Total Closed		
	High	Medium	High	Medium	High	Medium	Critical	High	Medium
21/22	-	-	2	1	-	-		30	21
22/23	-	-	9	4	-	-		23	22
23/24	48	37	9	3	3	1	3	38	39

Movement of Agreed Actions during Quarter 3 2024/25



4. Internal Audit Performance Indicators

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

2024/25 AUDIT PLAN AS AT 31 DECEMBER 2024

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Void Properties	Audit	12		Q3						Works are now being carried out by Wates and therefore will be included within the Housing Contract Management Audit.
Housing Compliance	Audit	20	17	In progress						
Housing Contract Management	Audit	20	0.5	Q2						Postponed until Q4 to allow for Wates contract to be fully mobilised.
Housing Materials	Audit	10		Q4						Addition to plan
Choice Based Lettings	Audit	7	10	Review						
Tree Stock Management	Audit	8	3	In progress						The audit has been put on hold and the time will now be used for advisory work as further work on the strategy is needed.
Waste Services	Advisory	6	0.5	In progress						
Trade & Bulky Waste	Audit	14		Q4						
Insurance	Audit	8	14	Management Debrief						
VAT & Benefits in Kind	Audit	10		Q2						
Key Financial Systems	Audit	55		Q3,4						
Regeneration Projects	Consultancy	20	22	Completed	N/A					
IT Audit – IT Security Management	IT Audit Contractor	10		Management Debrief						
IT Audit – Unit 4 Application Review	IT Audit Contractor	10		In progress						
Net Zero	Audit	8		Q3						Changed to advisory to support the work carried out by Unipart.
Driver Checks	Advisory	6	13	Completed	N/A					
Transformation Projects	Advisory	3		Ongoing						

Complaints	Audit	12		Q2					
UKSPF	Audit	8		Q2					Postponed until Q4
Changing Places	Grant	2		Q3					
Procurement & Contract Management	Audit	12		Q4					Cancelled until 2025/26 due to the delay in the changes in legislation.
TA Accounts	Assurance		8.5	Completed	N/A				
Housing Decarbonisation Grant	Grant Assurance	5	2	In progress					
UKSPF	Advisory		5	Completed	N/A				Addition to plan
Corporate Property Projects	Advisory		1.5	In progress					Addition to plan
Grant sign-off	Assurance		1						

OVERDUE RECOMMENDATIONS

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	CLT Lead	Original Due Date	1st Follow up comments	Extension Date	Second Follow up comments	Extension Date	Further Management update	Further extension date
2023/24	Asbestos Management	3.The Council should conduct an assessment to identify all areas of non-compliance of statutory duties in relation to Asbestos Management. Following this an action plan should be put in place to ensure that the non-compliance is addressed. Assessments should then be scheduled at regular intervals to ensure ongoing compliance.	High	<p>The Asset Management team holds reports to cover compliance of over 95% of the domestic stock and 100% of communal to comply with CAR2012. The Asset Management team has assessed where non-compliance is occurring and, in the majority, falls down to lack of resources that are managed or influenced by the following –</p> <ul style="list-style-type: none"> • Two managers absent on long term sick leave. • Failing to recruit to three team crucial posts. • One post being carried out by an unqualified member of staff. <p>Due to the lack of resources, the data received day to day, operational admin and data management is not being completed to a sufficient standard. Minimal admin is undertaken, and other staff resources are being utilised to pick up the short fall. Quality assurance is at risk due to insufficient administration of the asbestos data and as a consequence puts operatives, contractors, staff and other end users at risk.</p> <p>Failure to manage properly exposes NWLDC to prosecution from the Regulator, HSE and leading to unlimited fines. The service is continually trying to actively recruit, however, to reduce/ remove the risks associated with the control issues identified, the Housing Asset Management team is currently reviewing options available to them which include outsourcing the</p>	Head of Housing	Director of Communities	Nov-24	Nov-24 - No response		Dec-24 – No response			

				control and quality assurance of the asbestos data that is relied on.									
2023/24	Asbestos Management	5. Asbestos surveys should be uploaded to QL / MRI within a reasonable period of time following receipt of the survey.	High	This is a known issue that can only be resolved by adequate resourcing and addressing the issues detailed in the response to recommendation 3 above. The Tersus portal will be used initially to reduce the risks.	Compliance Team Leader – when appointed	Head of Housing	Nov-24	Nov-24 No response.		Dec-24 – No response.			
2023/24	Planned maintenance	5. The authorising of variations and orders through the Versa system is investigated to ensure an adequate audit trail exists.	Medium	Discussions will be held with Versa to identify where the audit trail is and if this issue can be resolved.	Housing Strategy and Systems Team Manager	Director of Communities	Nov-24	Nov-24 No response.		Dec-24 – No response.			
2023/24	Planned maintenance	7. Processes are put in place to ensure certificates are obtained upon completion and are filed appropriately for future reference.	High	The reconciliation will, going forward, be carried out by the financial Asset Management Support Officer (AMSO). The process has been confirmed as – the in-house team complete compliance via a tablet. Contractors send through compliance certificates which are uploaded to the MRI software system with relevant reference number. Audit to review in three months to ensure process is now working.	Support Services Manager	Director of Communities	Oct-24	Oct-24 No response on evidence requested.		Dec-24 - Audit testing highlighted controls are not in place for all types of certifications. Awaiting confirmation of a further implementation date.			

EXTENDED RECOMMENDATIONS

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	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 6 months. Nov-24 The Statutory Duty Group standing agenda includes an item where all services are invited to discuss support contracts with the intention of providing early warning of contracts about to end and new contracts that are being procured. The item also allows discussion and noting of any poor performance by contractors. As the CAFM system is implemented, data fields will be introduced within the system for all matters that are required (and if additional choose) to monitor in terms of compliance. The system will be able to capture any KPIs that have been attached to compliance related contracts and to record data that evidences accordance or otherwise with those KPI. This will allow for the introduction of a metric based rather than subjective assessment and management of	Oct-24 Sept-25

												compliance type contracts. The CAFM system is to be operational by 1/4/2025. Data input over a number of quarters will be required in order to provide evidence that KPI are being monitored and managed. It is expected that the team will be able to fully evidence that this audit recommendation has been complied with by the end of September 2025 (to allow two quarters of data to be collected post introduction of the CAFM system)	
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 Nov-24 The CAFM system being procured contains a compliance module which allows both officers and contractors to upload compliance reports, reinspection dates and logs of remedial actions with “to complete by” dates. The system then provides alerts to nominated officers when remedial actions are required and reminders when overdue. Managers with access to the system will via the dashboard be able to identify how many remedial actions are overdue at any time and to identify who has been allocated responsibility for dealing with the remedial action. Officers are confident that this module will provide for close monitoring of remedials. The CAFM system will be operational by 1/4/2025 and it will be possible to monitor the number of remedial actions that are overdue once all users and managers have been trained and are comfortable interrogating	Oct-24 Jul-25

												the system (allow three months) therefore it should be possible to demonstrate compliance with this recommendation by 1/7/2025	
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	<p>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.</p> <p>Nov-24 This recommendation effectively goes hand in hand with number 2 above. The Performance Monitoring is carried out against the comprehensive record of checks and inspections.</p> <p>A comprehensive list of checks and inspections has been established through the compliance toolkit work completed earlier in 2024 by EXI. This recommendation has yet to be fully implemented, however, as the compliance records are not kept in one place, against a comprehensive (single) asset register. The CAFM system to be operational from April 2025 will provide the single asset list, the single point of recording and the ability to check compliance metrics.</p> <p>Once the system is operational records of inspections will be able to be uploaded but a number of periods of data gathering will be required in order to prove compliance with this audit recommendation.</p>	<p>Oct-24</p> <p>Oct-25</p>

												Sufficient evidence will be available by 1/10/2025 (2 quarters post CAFM becoming operational).	
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. Sept-24 Further extension due to ongoing issues with Unit 4	Mar-24 Sept-24 Mar-25
2023/24	Procurement and Contracts	3.The contract register should be reviewed and updated on a regular basis to ensure compliance with the Local Government Transparency Code. Responsibility for updating the contracts register should be relevantly assigned.	High	Agreed. This is currently in train. If the full information is not available, will publish and add full detail at a later date.	Procurement Officer	Director of Resources	Jun-24	June 24 – The data continues to be compiled. It is intended that the register will be published on the Council's website by the end of July.	Aug-24	July 24 - Currently reviewing how the software available can be utilised to ensure that the register is relevantly published.	Sep-24	Oct 24 – Extended as not yet in position to publish contracts register. Third party appointed to assist with procurement support. Dec-24 - Extension requested to March 2025	Mar-25
27													
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.	Jun-24	June 24 – To be addressed through the ongoing policy review process and through the specific Rent Accounting Audit recently completed.	Mar-25		
2022/23	Rent Accounting and Arrears	3. A review as to the circumstances in which properties are taken 'out of debit' and whether this is the correct action to take should be carried out. Where a decision is made to continue to take properties 'out of debit', then the relevant policy / procedure needs to be updated.	High	Agreed, this will be reviewed along with the decision-making process.	Head of Housing	Director of Communities	Jun-24	June 24 – To be addressed via the Head of Housing working with the Head of Finance and the Housing Systems and Strategy Team Leader.	Dec-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 23: 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	Jul 24 – Information provided does not detail any ASB performance indicators. No further update provided		Nov-24 New service standards have been introduced but currently, due to the system used, it is not possible to report on performance. A new system is due to be implemented in April 2025 and it is hoped that this will have the capacity to accurately report performance, the extension will provide the time needed to ensure that the reporting is accurate and enable this to be evidenced appropriately.	Dec-25
2022/23	Payroll	1. A review of the roles carried out between HR Administration, HR Payroll and Finance Payroll should be carried out to ensure, adequate separation of duties exist between HR (staffing), payroll (preparation) and payroll (payment).	High	Agree – will need to look at roles of staff and how to implement to ensure adequate separation of duties.	Head of Finance and Head of HR and Organisational Development	Director of Resources/ Head of HR & OD	April-24	Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	July-24	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
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	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
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	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
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.	July-24	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25

2022/23	Payroll	5. On, at least, an annual basis an establishment report from iTrent should be run and issued to Heads of Service / Managers to confirm the accuracy of the report. The report should include all staff, vacancies, hours worked, contractual basis, salary and salary point. Checks should be documented and once completed should be returned to HR to action any items identified and to retain as evidence of checks being undertaken.	High	Agree – report to be obtained from iTrent and issued on an annual basis.	Head of HR and Organisational Development.	Head of HR and Organisational Development	Mar-24	Extended as requested.	July-24	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
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	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
2022/23 20	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	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
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	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
2023/24	Main Accounting and Budgetary Control	12. Following completion of clearing the suspense/ holding accounts, regular monitoring of these accounts is carried out.	Medium	Agree – monthly reconciliations will be undertaken	Interim Exchequer Services Team Leader	Director of Resources	Sep-24	Oct-24 The process for implementing the action has been slow and therefore there is a need to extend the implementation date. Additional resources have	Mar-25				

								been employed to improve progress.					
2023/24	Main Accounting and Budgetary Control	4. Reconciliations for FY 23/24 be completed as a matter of urgency. Going forward, time limits are set for the completion and sign off for all reconciliations, these should be relevantly managed and monitored.	High	Agree - completion of 2023/24 reconciliations are being worked on as a priority. There will be a monitoring process for all feeder system reconciliations going forward.	Finance Team Manager and Interim Exchequer Services Team Leader	Director of Resources	Sep-24	Oct-24 The process for implementing the action has been slow and therefore there is a need to extend the implementation date. Additional resources have been employed to improve progress.	Mar-25				
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	Jul 24 – No response received		Nov-24 Due to staffing changes it has not been possible to implement this recommendation. Dec-24 - Due to staff changes and a system process review the delivery of payroll processing is under consideration.	Apr-25
2023/24	Workforce Planning	1.The Council should develop a Workforce Planning Strategy, supported by an action plan, that clearly sets out the desired approach and methodology to workforce planning along with roles and responsibilities across the Council. The Strategy should also include details of how the Council will react to any significant external factors such as emerging risks, changes in legislation, opportunities and staff satisfaction that could impact the resourcing structure or pressures across the organisation. Once developed the Strategy should be formally approved and communicated as appropriate, with the action plan becoming a live document that is appropriately reviewed, managed, monitored, and	High	Agreed. A Work Force Planning Strategy will be developed.	Head of HR and Organisational Development	Chief Executive	CLT September 2024 Followed by consultation Approval by Cabinet November 2024	Oct 24 – Plan due to be reviewed by CLT in Nov and will then require relevant committee approval.	Jan-25	Nov 24 - Due to the committee approval process this recommendation is required to be further extended.	Apr-25		

31		updated.											
2023/24	Workforce Planning	2.The partners that the Council is working with need to be documented in either the Workforce Planning Strategy or supporting documentation	High	Agreed as per the recommendation.	Head of HR and Organisational Development	Chief Executive	CLT September 2024 Followed by consultation Approval by Cabinet November 2024	Oct 24 – Request for extension. Plan due to be reviewed by CLT in Nov and will then require approval.	Jan-25	Nov 24 - Due to the committee approval process this recommendation is required to be further extended.	Apr-25		
2023/24	Main Accounting and Budgetary Control	5. All virements must be appropriately processed through the finance system.	High	Agreed.	Finance Team Manager	Director of Resources	Sep-24	Oct-24 Extension required as budget monitoring is being prioritized before the virements are processed. An external company is being engaged with to assist with developments.	Mar-25				

2023/24	Housing Rents	5. A Credit Balances Policy is put in place to ensure that the Council's stance on rent accounts in credit is clear to tenants and staff.	Medium	The Council's stance on credit balances will be included when the wider review on the Income and Rent Policy is undertaken.	Housing Strategy and Systems Team Manager	Head of Housing	Nov-24	Nov-24 Extended as this will be included within the single income management policy which is currently being developed.	Mar-25				
2023/24	KFS Creditors	11. Reporting specification to be written into UNIT4 to enable exception reports of this nature to be generated showing the audit trail of newly created supplier accounts and amendments made to supplier account records. Exercise to be undertaken with immediate effect. These reports may possibly be available through audit functionality within the system.	High	1. Report requested from Embridge to allow the viewing of new and amended suppliers with audit trail (created by, amended by, checked by and approved by) within Unit 4.	Interim Financial Services Team Leader	Director of Resources	Sep-24	Oct-2024 Extended due to incorrect setup of the workflow in Unit 4 therefore have yet been unable to create appropriate report.	Dec-24				
2023/24	KFS Creditors	4. An exercise on identifying all duplicate invoice payments made during 2023/24 be completed as a matter of priority.	High	1. Duplication report has been created within the Unit 4 system. This report requires a review alongside the bank reconciliation which is currently taking place. 2. Historic duplicate payments listing for the previous financial year has also been located which will be reviewed. 3. A request has been raised with Embridge (software management company) to provide a tool on Unit 4 to track duplicate invoices and payments for accuracy and also allow a report to be run against these specific invoices. 4. External Duplicate payments tracker created in the meantime to monitor and track payments alongside bank rec.	Interim Financial Services Team Leader	Director of Resources	Sep-24	Oct-24 Work is still underway on the bank reconciliation, this will identify the duplicate invoice payments made.	Dec-24				

2023/24	Capital Programme Management	9. A full review of the capital expenditure to date for all capital projects is completed and reported to the Capital Strategy Group as soon as accurate information is available.	High	Agreed. Focus is on updating Unit 4 which focuses on revenue monitoring. Capital monitoring functionality is available and will be considered at a later date to support improved monitoring.	Head of Finance	Director of Resources	Sep-24	Sept 24 - Report is planned to be presented to Capital Strategy Group at end of September.	Oct-24	Oct-2024 No Response on evidence requested		Nov 24 - Work has been carried out in identifying the expenditure on capital projects but further work is required to ensure that all expenditure is captured within Unit 4. This will be completed as part of the close down process.	Mar-25
2023/24	Asbestos Management	13.The Council should ensure that all relevant staff have received / undertaken the level of training in Asbestos Management as required by either their job role or their assigned role within the Asbestos Management Policy.	Medium	Whilst all operational staff have the minimum Asbestos Awareness training others at team leader, supervisor and management have received Duty to Manage training. Whilst this is recognised as a minimum requirement, it has been identified that team managers should receive P405 training to mitigate risk at a higher level and to cover duty holder requirements in the absence of other Responsible Persons. HR, in conjunction with managers/ Heads of Service, will be requested to carry out a review of which officers require which level of training across the authority. Following this, training will be arranged.	Head of Housing and Strategic Director of Communities	Director of Communities	September 2024	Oct 24 – Head of OD & HR to discuss with H&S Manager and to arrange relevant corporate training. Extended to Mar-25 in CLT.	Mar-25				

2023/24	KFS Debtors	8. Senior management to consider approval of the reintroduction of the facility to use external debt recovery agencies into the sundry debt recovery process for overdue debts. Use of 'External Debt Recovery Services' policy and associated procedures to be agreed and documented.	High	1. Set up workshop to discuss new world requirements post pandemic, document and apply into policy for debt recovery. 2. Review and sign off policy 3. Activate and implement as part of Finance Service Plan KPI and monitor monthly.	Interim Financial Services Team Leader	Director of Resources	Sep-24	Oct-2024 Extended due to policy still in progress and debt recovery agency still to be confirmed.	Nov-24	Nov-24 In progress awaiting approval of policy.		Dec-24 - A draft debt policy is currently being reviewed. Additionally, the Vision project has started to ensure there is a write off process within Unit 4.	Mar-25
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2024/25 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.12.2024	Comments
Achievement of the Internal Audit Plan	11%	A number of audits are in progress.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	
Annual Opinion Report - August 2024 Audit and Governance Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on two received during 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.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 5
FEBRUARY 2025

Title of Report	TREASURY MANAGEMENT UPDATE REPORT - QUARTER 3	
Presented by	Anna Crouch Head of Finance	
Background Papers	Audit and Governance Committee – 20 November 2024 Treasury Management Update Report – Quarter 2	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 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 Management Activity for the period April to December 2024.	
Recommendations	THAT THE COMMITTEE NOTES THE TREASURY MANAGEMENT 2024-25 QUARTER 3 ACTIVITY REPORT (APPENDIX 1).	

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 Treasury Management Strategy was approved by Council on 22 February 2024.
- 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 quarter three report for the financial year 2024/25 designed to inform the Committee of the Council's treasury activity and enable scrutiny of activity and performance.

2.0 SUMMARY

2.1 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 2024 to December 2024. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Policies and other considerations, as appropriate	
Council Priorities:	The Treasury Strategies and Prudential Indicators help the Council achieve all its priorities: <ul style="list-style-type: none"> - Planning and Regeneration - Communities and Housing - Clean, Green and Zero Carbon - 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	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 reduction.
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 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

Treasury Management Activity Report Quarter 3 2024/25

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.
- 1.2 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.
- 1.3 The Council's treasury management strategy for 2024/25 was approved at the Council meeting on 22 February 2024. The Council has invested substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

2. External Context (provided by Arlingclose)

- 2.1 **Economic background:** The Chancellor of the Exchequer delivered her Autumn Budget at the end of October. Based on the plans announced, the Office for Budget Responsibility reported they would provide a short-term boost to GDP growth before weakening it further out and push inflation higher over the medium-term. This change to the economic and inflation outlook caused financial markets to readjust expectations of Bank of England (BoE) Bank Rate and gilt yields higher. The Council's treasury management adviser, Arlingclose, also revised its interest rate forecast upwards in November, with Bank Rate expected to eventually fall to 3.75%.
- 2.2 UK annual Consumer Price Index (CPI) inflation remained above the BoE 2% target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices rose 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, and remained elevated at 3.6% in November against a forecast of 3.5% and compared to 3.3% in the previous month.
- 2.3 UK economy GDP registered no growth (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the ONS. Of the monthly Gross Domestic Product (GDP) figures, the economy was estimated to have contracted by 0.1% in October, following the same size decline in September.
- 2.4 The labour market continued to loosen, but the ONS data still require treating with some caution. Recent figures reported the unemployment rate rose to 4.3% (3mth/year) in the three months to October 2024 and economic inactivity fell to 21.7%. The ONS reported pay growth over the same three-month period at 5.2% for both regular earnings (excluding bonuses) and for total earnings.
- 2.5 The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting (5-4 vote to cut). At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%. The meeting minutes suggested a reasonably dovish tilt to rates with the outlook for economic growth a concern among policymakers as the Bank downgraded its Q4 GDP forecast from 0.3% to 0.0%.

- 2.6 The November Monetary Policy Report (MPR) showed the BoE expected GDP growth to pick up to around 1.75% (four-quarter GDP) in the early period of the forecast horizon before falling back. The impact from the government's Autumn Budget pushed GDP higher in 2025 than was expected in the August MPR, before becoming weaker. The outlook for CPI inflation showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. Over the medium-term, once the near-term pressures eased, inflation was expected to stabilise around the 2% target. The unemployment rate was expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.
- 2.7 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would continue to fall from the 5.25% peak. From the first cut in August 2024, followed by the next in November which took Bank Rate to 4.75%, February 2025 is deemed the likely month for the next reduction, with other cuts following steadily in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.
- 2.8 The US Federal Reserve continued cutting interest rates during the period, reducing the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected into 2025, but uncertainties around the potential inflationary impact of President-elect Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.
- 2.9 The European Central Bank (ECB) also continued its rate cutting cycle, reducing its three key policy rates by 0.25% in December. Euro zone inflation rose above the ECB 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Inflation is expected to rise further in the short term but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.
- 2.10 **Financial markets:** Financial market sentiment was generally positive over the period, but economic, financial and geopolitical issues meant the ongoing trend of bond yield volatility very much remained. In the last few months of the period, there was a general rising trend in yields due to upwardly revised interest rate and inflation expectations, causing gilt yields to end the period at substantially higher levels to where they began.
- 2.11 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at a high of 4.57%, having reached a low of 3.76% in mid-September. While the 20-year gilt started at 4.40%, ended at a high of at 5.08% and hit a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.01% over the period to 31st December.
- 2.12 **Credit review:** In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days.
- 2.13 Fitch revised the outlooks on Royal Bank of Scotland, NatWest Markets PLC, and National Westminster Bank to positive from stable, while affirming their long-term ratings at A+.
- 2.14 Moody's upgraded the ratings on National Bank of Canada to Aa2 from Aa3, having previously had the entity on Rating Watch for a possible upgrade. Moody's also upgraded the ratings on The Co-operative Bank to A3 (from Baa3) and downgraded the ratings on Coventry Building Society to A3 (from A2) and Canada's Toronto-Dominion Bank to Aa2 (from Aa1).
- 2.15 S&P also downgraded Toronto-Dominion Bank, to A+ from AA-, but kept the outlook at stable.
- 2.16 Credit default swap prices were generally lower at the end of the period compared to the beginning for most of the names on UK and non-UK lists. Price volatility over the period also

remained generally more muted compared to previous periods.

- 2.17 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

3. Local Context

- 3.1 On 31 March 2024, the Council had net borrowing of £26.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Estimated £m*	31.3.25 Estimated £m
General Fund CFR	37.6	36.4
HRA CFR	50.5	53.0
Total CFR	88.1	89.4
External borrowing	56.3	58.9
Internal borrowing	31.8	30.6
Total Borrowing	88.1	89.4

* Revised Estimate following publication of 2022/23 Statement of Accounts

- 3.2 The treasury management position at 31 December 2024 and the change over the nine months in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	31.12.24 Balance £m	31.12.24 Rate %
Long-term borrowing	55.1	0.0	55.1	3.50%
Short-term borrowing	1.3	-0.6	0.6	2.25%
Total borrowing	56.3	-0.6	55.7	3.48%
Long-term investments	0.0	0.0	0.0	0.00%
Short-term investments	25.0	-20.0	5.0	4.79%
Cash and cash equivalents	5.0	31.0	36.0	4.72%
Total investments	30.0	11.0	41.0	4.73%
Net borrowing	26.3	-11.6	14.7	

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.
- 4.2 Public Works Loans Board (PWLB) loans are no longer available to local authorities planning to buy investment assets primarily for yield and the Council intends to avoid this activity to retain its access to PWLB loans.
- 4.3 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 with a secondary objective of financial return. Before undertaking further additional borrowing the Council will review the options for exiting these investments.
- 4.4 As shown in table 1 the Council has internally borrowed £30.6m. This internal borrowing foregoes a potential interest income rate of 4.73%. Current one-year external borrowing rates with the PWLB (Certainty Rate) are 5.19% as of 31 December 2024. An additional rate for HRA specific borrowing has been implemented from June 2023 which is 0.4% lower than standard PWLB rates.

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 appropriate risk balance between securing lower 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. During the period short term interest rates have been higher than long term interest rates.

Arlingclose Commentary:

- 5.2 After substantial rises in interest rates since 2021, many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.
- 5.3 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.40% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.44%. Rates for 20-year maturity loans ranged from 5.01% to 5.87% during the period, and 50-year maturity loans from 4.88% to 5.69%.
- 5.4 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during that month, as expected shorter-term rates reverted to a more market-consistent range and were generally around 5.00% - 5.5%. Rising rates were seen towards the end of the period in the LA-LA market.
- 5.5 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield

unless these loans are for refinancing purposes. The Council has no new plans to borrow to invest primarily for financial return.

5.6 On 31 December, the Council held £55.7m of loans, there has been a decrease of £0.6m since 31 March 2024 due to principal repayments. A breakdown of outstanding loans is shown below in table 3.

5.7 **Table 3: Borrowing Position**

	31.3.24 Balance £m	Net Movement £m	31.12.24 Balance £m	31.12.24 Weighted Average Rate %	31.12.24 Weighted Average Maturity (years)
Public Works Loan Board	52.4	-0.6	51.8	3.38%	13.9
Banks (LOBO)	0.0	0.0	0.0	0.00%	0.0
Banks (fixed term)	3.9	0.0	3.9	4.74%	2.1
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	56.3	-0.6	55.7	3.48%	16.0

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 adviser Arlingclose.

6. **Treasury Investment Activity**

6.1 CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

6.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances have ranged between £26.3m and £46.6m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	31.12.24 Balance £m	31.12.24 Income Return %	31.12.24 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	0.0	0.0	0.00%	0
Government (incl. local authorities)	30.0	-14.0	16.0	4.73%	24
Money Market Funds	0.0	25.0	25.0	4.73%	1
Total investments	30.0	11.0	41.0	4.73%	24

- 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 investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 6.5 Bank Rate reduced from 5.25% to 5.00% in August 2024 and again to 4.75% in November 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.70% and 4.94% and money market rates between [4.68% and 5.07%].
- 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 %
31/12/2024	4.51	A+	61%	7	4.73%
Similar Las	4.62	A+	62%	52	4.96%
All Las	4.59	A+	61%	10	4.88%

**From last available benchmarking data*

- 6.7 In financial markets the April – December period was characterised by overall positive equity market performance, rising global yields and bond market volatility, central bank interest rate cuts and changing expectations of the path of future cuts, and uncertainties surrounding the impact of the UK Budget and US presidential election.
- 6.8 The Council has budgeted £696,200 in interest income from investments after deductions in 2024/25. The actual income received by 31 December 2024 was £1.02m. The Council is now forecasting the risk adjusted interest received by March 31 2025, to be £1.367m and after deductions income to be £1.093m.
- 6.9 Interest rates can and have been extremely volatile over the financial year and are likely to be similarly volatile in the upcoming months. Therefore, for the purpose of budget setting these forecasts are reduced by 20% to ensure that there is not an overreliance placed on interest return for creating a balanced budget.
- 6.10 The updated forecast of £1.093m will be split between the General Fund (GF) and Housing Revenue Account (HRA). This split will be 37.4% to the GF and 62.6% to HRA. The percentage split is worked using the investment balances for both funds throughout the year as a percentage of the overall investment fund. This is subject to change.
- 6.11 Interest forecasts are notoriously difficult to predict and are subject to change particularly in an unstable interest rate environment and constantly changing economic environment.

7. Non-Treasury Investments

- 7.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the 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 the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 7.3 The Council held £8.9m of investments made for commercial purposes. This consisted entirely of directly owned property and land. A full list of the Council's non-treasury investments is available in the Investment Strategy 2024-25 document. These investments are forecast to generate £410,000 in investment income in 24/25 for the Council after taking account of direct costs.
- 7.4 The main purpose of these investments is regeneration of the local area rather than investment income. All commercial investments are located within the district.

8. Treasury Performance

- 8.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship with benchmark interest rates.
- 8.2 As discussed in section 6.8, investment interest income during the reporting period was £1.02m before deductions. The Council's Investment interest return percentage on 31 December 2024 was 4.73%. For comparison purposes the Daily Sterling Overnight Index Average (SONIA) which is used for benchmarking purposes was 4.70%. For similar local authorities the most recent benchmarking data, which is from 31 December 2024 showed an investment return of 4.96%. This is shown in Appendix 1.
- 8.3 Since the beginning of the reporting period the Council has paid £924,994 in interest on borrowing. The forecast amount to be spent on interest on loans for the financial year 24/25 in total is £1.952m. The weighted average interest rate on borrowing is 3.46%. For comparison purposes the current PWLB Maturity Loan rate for new 10-year borrowing is 5.40%. This represents a good rate of borrowing in the current environment.
- 8.4 During the reporting period the Council has paid back £0.6m in principle on its PWLB loans. It is forecast to repay £1.26m in total on PWLB loan principal by the end of the year. £1.26m is for the annuity loans whereby regular payments are made throughout the lifetime of the loan. There is no intention to borrow to replace these loans as the Council currently has the resources to absorb this.
- 8.5 The Council has forecast to undertake new borrowing of £3.8m for the HRA in the 2024/25 financial year, however, none has so far been undertaken and borrowing, if needed at all, will be delayed as long as possible to minimize debt interest costs.

- 8.6 On 10 April 2024, amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding, less the Expected Credit Loss (ECL) charge for that loan.
- 8.7 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

9. **Compliance**

- 9.1 The S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice.
- 9.2 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	Q3 Maximum During Period £m	31.12.24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	56.3	55.7	99.2	110.2	YES

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

Table 7: Investment Limits

	Q3 Maximum During Period £m	31.12.24 Actual £m	2024/25 Limit £m	Complied?
The UK Government	20.5	16.0	Unlimited	YES
Local authorities & other government entities	15.0	0.0	60.0	YES
Secured investments	0.0	0.0	60.0	YES
Banks (unsecured)	2.0	0.9	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	25.0	25.0	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	62.5	41.9	
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10. Treasury Management Prudential Indicators

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

10.2 **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 8: Security

	31.12.24 Actual	2024/25 Target	Complied?
Portfolio average credit rating	A+	A-	Yes

**From last available benchmarking data*

10.3 **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. Due to recent changes in Treasury Officers, a very prudent approach has been taken to cashflow forecasts. This will continue to be the case between now and year end.

Table 9: Liquidity

	31.12.24 Actual £m	2024/25 Target £m	Complied?
Total cash available within 3 months	£36.0	£2.5	YES

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

Table 10: Interest Rate Exposures

Interest rate risk indicator	31.12.24 Actual	2024/25 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	491,015	600,000	YES
Upper limit on one-year revenue impact of a 1% fall in interest rates	-491,015	-600,000	YES

10.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates. Due to all Council investments maturing in year

and the majority of Council borrowing maturing in later years this means that the Council would benefit from an increase in Interest rates (as investments are replaced with higher rates but not borrowing) but are negatively impacted by a decrease in interest rates for the same reason.

- 10.6 This is demonstrated in the above figures which show a positive return from an increase and a negative return from a decrease in interest rates. Both impacts are within reasonable limits for the revenue budget. The Council also takes further precautions by reducing its interest forecast by a risk adjusted amount of 20% as discussed in paragraph 6.9.
- 10.7 For context, the changes in interest rates during the quarter were:

Table 11: Interest Rate Changes

	31.3.24	31.12.24
Bank Rate	5.25%	4.75%
1-year PWLB certainty rate, maturity loans	5.36%	5.19%
5-year PWLB certainty rate, maturity loans	4.68%	5.10%
10-year PWLB certainty rate, maturity loans	4.74%	5.40%
20-year PWLB certainty rate, maturity loans	5.18%	5.84%
50-year PWLB certainty rate, maturity loans	5.01%	5.66%

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

Table 12: Maturity Structure of Debt

	31.12.24 Actual £m	31.12.24 Actual %	Lower Limit	Upper Limit	Complied?
Under 12 months	0.6	1%	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	1.8	3%	0%	30%	YES
10 years and within 20 years	43.8	80%	0%	90%	YES
20 years and above	5.7	10%	0%	30%	YES
Totals	55.7	100%			

- 10.9 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 10.10 **Principal Sums Invested for Periods Longer than a year:** 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 limits on the long-term principal sum invested to final maturities beyond the

period end were:

Table 13: Long Term Investments

	2024/25 £M	2025/26 £M	2026/27 £M	No Fixed Date £M
Actual principal invested beyond year end	£0	£0	£0	£0
Limit on principal invested beyond year end	£60	£10	£10	£10
Complied?	YES	YES	YES	YES

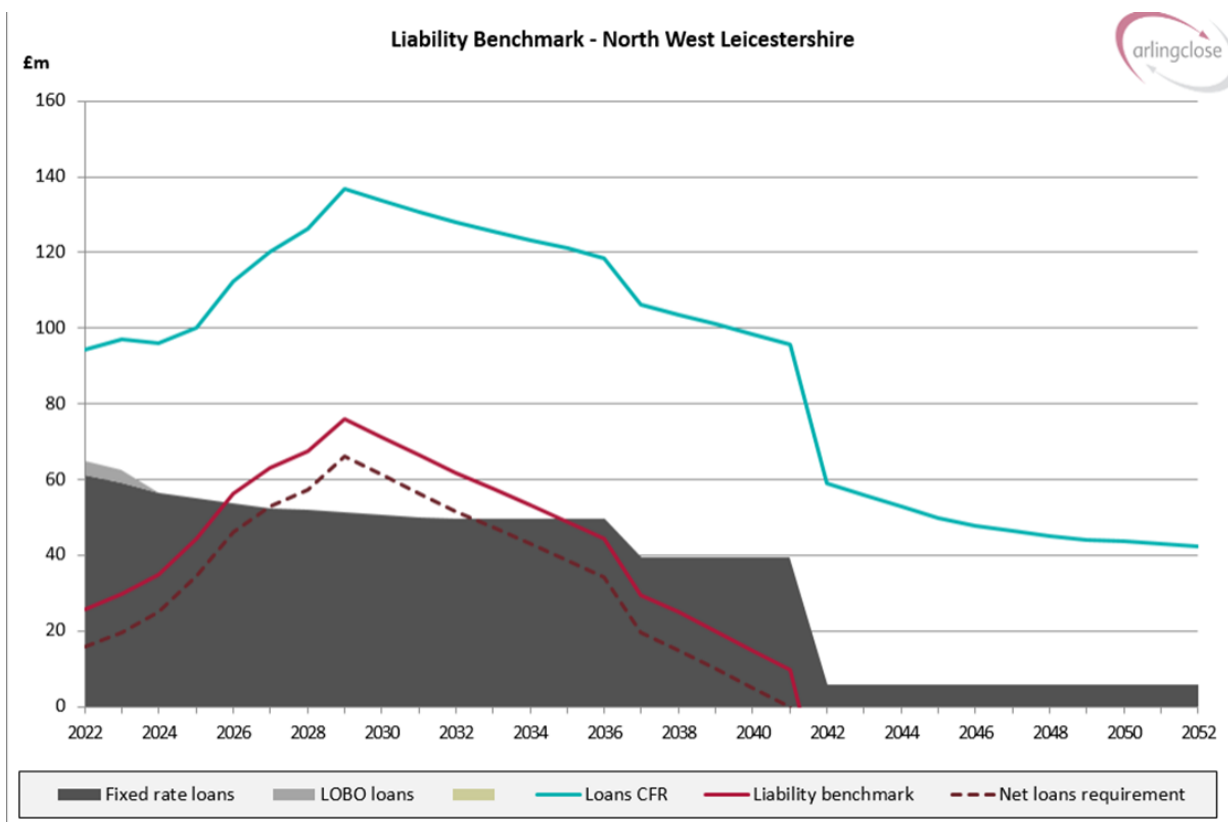
10.11 **Liability Benchmark:** This indicator compares the Council’s actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term 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.

10.12 **Table 14: Liability Benchmark**

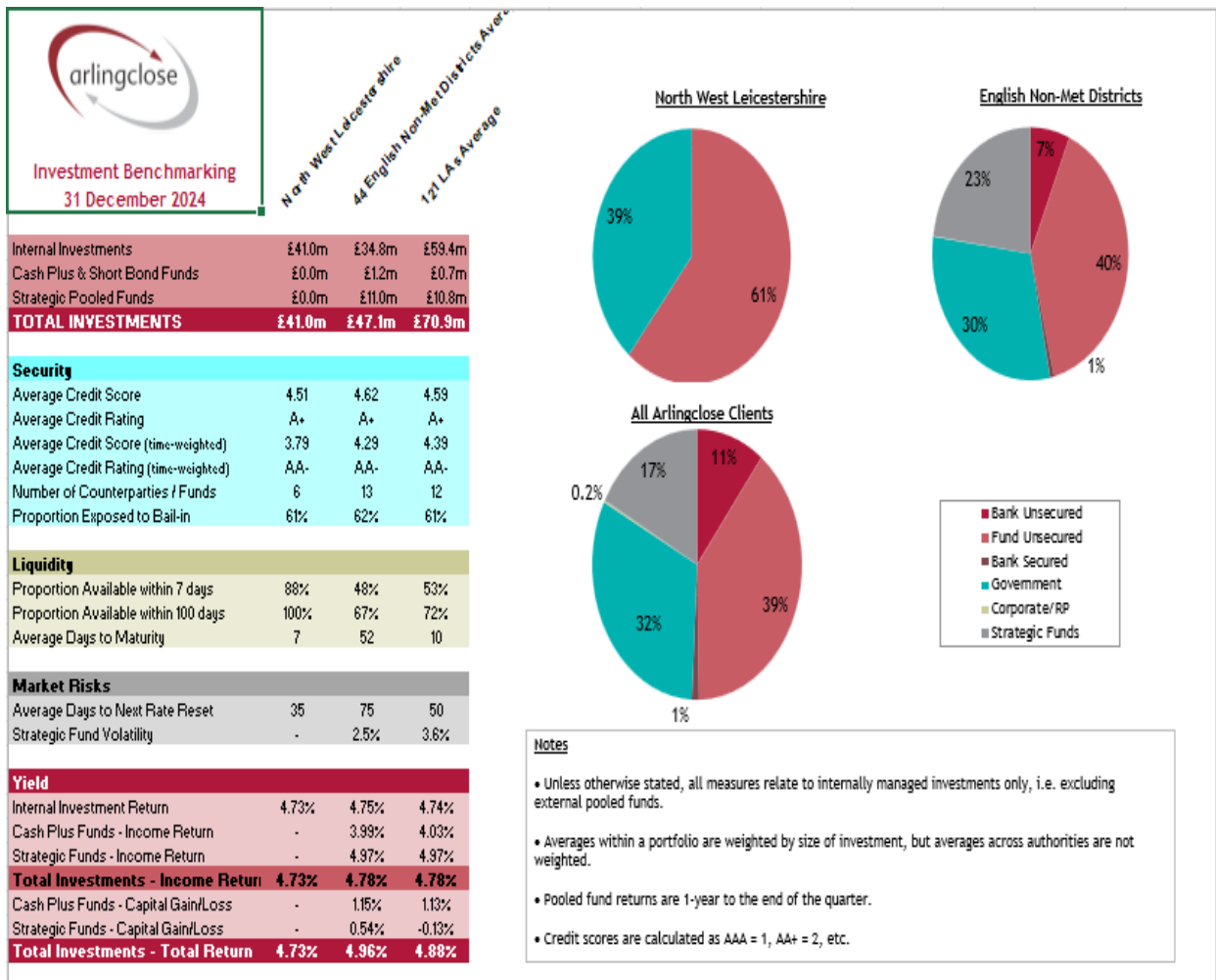
	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
Loans CFR	88.1	100.2	112.4	120
Less: Balance sheet resources	-61.8	-66.3	-66.8	-67.7
Net loans requirement	26.3	33.9	45.6	52.3
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	36.3	43.9	55.6	62.3
Existing external borrowing	56.3	55.1	53.8	52.5

*The 31.3.24 position is an estimate due to statement of accounts not yet being published

10.13 Following on from the medium-term forecast above, the long-term liability benchmark assumes no capital expenditure funded by borrowing before 2025/26, minimum revenue provision on new capital expenditure based on a variable asset life depending on asset type (This can vary from 5 – 50 years) 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.



10.14 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 loans and the strong red line as the requirement for external borrowing. This graph demonstrates that by using internal resources the Council is likely to not have an external borrowing requirement in 2024/25. However, there is little room for adjustment and the Liability Benchmark graph is an estimate and subject to significant change. This situation may evolve and create a borrowing requirement in the next couple of years.



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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 5
FEBRUARY 2025

Title of Report	DRAFT ACCOUNTING POLICIES 2023/24	
Presented by	Anna Crouch Head of Finance	
Background Papers	Accounting Policies and Materiality – Audit and Governance Committee 26 April 2023	Public Report: Yes
Financial Implications	There are no direct financial implications as a direct result of this report.	
	Signed off by the Section 151 Officer: yes	
Legal Implications	There are no direct legal implications as a direct result of this report.	
	Signed off by the Monitoring Officer: yes	
Staffing and Corporate Implications	There are no direct staffing and corporate implications as a direct result of this report.	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	To present the draft accounting policies for the 2023/24 financial statements.	
Recommendations	THAT THE COMMITTEE CONSIDERS AND APPROVES THE DRAFT ACCOUNTING POLICIES FOR THE 2023/24 FINANCIAL STATEMENTS AS DETAILED IN APPENDIX A	

1.0 BACKGROUND

- 1.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2 In August 2022, CIPFA issued a consultation on the 2023/24 Code of Practice, inviting comment on the voluntary adoption of IFRS 16, updates resulting from legislation changes, IFRS 17 Insurance Contracts, sustainability reporting and a review of the Code's structure and format.
- 1.3 There are no accounting changes within the 2023/24 code that will have significant impact on the Council's 2023/24 Statement of Accounts.

2.0 ACCOUNTING POLICIES 2023/24

- 2.1 The Accounting policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements.
- 2.2 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as: Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
- 2.3 The Audit and Governance Committee’s Terms of Reference require the Committee to “consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”. It is, therefore, considered good practice for the Committee to have greater visibility over these accounting policies before they are applied.
- 2.4 The draft accounting policies for 2023/24 are included in Appendix A. The Finance Team reviews the accounting policies each year to ensure they comply with accounting standards. Any policies, which are no longer relevant or have no material effect to the Statement of Accounts are removed. Following the 2023/24 review, there are no changes to the accounting policies from 2022/23.
- 2.5 The draft accounting policies may be reviewed by the external auditors as part of the audit of the accounts and are still subject to change up to the point the final Statement of Accounts documented is approved and signed. Any major changes will be highlighted to the Audit Committee alongside the final version of the Statement of Accounts.

Policies and other considerations, as appropriate	
Council Priorities:	Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting all the council priorities
Policy Considerations:	CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24
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:	None
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk

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Notes to the accounts

Accounting policies

1. General Principles

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

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the statement to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

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

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

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

Appendix A

2. Accruals of income and expenditure

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

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

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

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

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

4. Exceptional items

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

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

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

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

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

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

6. Charges to revenue for non-current assets

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

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

3. Cash and cash equivalents

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

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

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

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

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

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

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

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

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

Accounting for Council Tax and NDR

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

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

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

8. Employee Benefits

Benefits Payable during Employment

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

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

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

Termination Benefits

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

when the Council recognises costs for a restructuring.

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

Post-employment Benefits

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

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

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

9. Events after the reporting period

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

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

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

10. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their Cashflow characteristics. There are three main classes of financial assets measured at:

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

- Fair value through other comprehensive income (FVOCI).

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

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

Financial Assets measured at amortised cost

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

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

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

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

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

Expected credit loss model

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

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

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

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

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

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

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

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

that are observable for the asset, either directly or indirectly

- Level 3 inputs – unobservable inputs for the asset.

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

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

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

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

11. Government Grants and Contributions

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

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

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

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

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

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

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

12. Heritage Assets

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

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

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

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

13. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the

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

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

proceeds greater than £10,000) the Capital Receipts Reserve.

14. Inventories and Long-term Contracts

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

15. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial

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

16. Leases

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

plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee Finance Leases

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

Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation

and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

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

17. Overheads and Support Services

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

18. Property, plant and equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred while assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive

Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost

(instant build) as an estimate of current value

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

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

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

have been charged if the loss had not been recognised.

Depreciation

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

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

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

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

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

Disposals and non-current assets held for sale

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

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

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

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

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

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

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

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

A proportion of capital receipts relating to housing disposals is payable to the government (50% for land and other assets, net of statutory deductions and allowances and for dwellings, amounts determinable under the Right to Buy and One for One Agreement that the Council signed in 2012). The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the

General Fund Balance in the Movement in Reserves Statement.

19. Provisions, contingent liabilities, and contingent assets

Provisions

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

20. Reserves

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

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

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

21. Revenue Expenditure Funded from Capital under Statute

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

General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

22. VAT

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

23. Accounting standards that have been issued but have not yet been adopted

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2024/25.

IAS 1

Presentation of Financial Statements and IFRS Practice Statements 2 will be revised to further clarify the classification of liabilities as current or non-current and improve the information provided where the Council has a non-current liability with a

covenant. These changes are not anticipated to significantly affect the amounts held in the Council's financial statements.

IFRS 16

Leases will be implemented to recognise a right-of-use asset on the Balance Sheet for all leases where the Council is the lessee (except where short-term or low value). When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement.

Leases will be additionally amended to clarify the lease liability in a sale and leaseback scenario.

These changes are not expected to have a material impact on the Council's financial statements.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 5 FEBRUARY 2025



Title of Report	ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION	
Presented by	Kate Hiller Head of Legal and Support Services and Monitoring Officer	
Background Papers	Current Constitution Working Group Minutes 18 September 2024 Working Group Minutes 20 November 2024 Working Group Minutes 19 December 2024	Public Report: Yes
Financial Implications	There are no direct financial implications arising.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	The Monitoring Officer has reviewed the Constitution to ensure that members and officers can make robust effective decisions. The proposed changes are based on legal advice and best practice.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no direct staffing or corporate implications arising.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To ask the Committee to consider the work of the Governance Working Group on the 24/25 review of the Constitution and to recommend its adoption to Council.	
Recommendations	THAT AUDIT AND GOVERNANCE COMMITTEE: <ol style="list-style-type: none"> 1. NOTES THE WORK OF THE CROSS-PARTY WORKING GROUP IN CONDUCTING THE ANNUAL REVIEW OF THE CONSTITUTION; 2. CONSIDERS THE PROPOSED CHANGES TO THE CONSTITUTION, SUMMARISED IN THE REPORT AND AT APPENDIX A, ILLUSTRATED AT APPENDIX B, AND THE CHANGES REQUIRED BY THE PROCUREMENT ACT 2023 SUMMARISED AT APPENDIX C; 3. RECOMMENDS THE CHANGES TO THE CONSTITUTION TO COUNCIL AT ITS MEETING ON 20 FEBRUARY 2025 FOR ADOPTION WITH EFFECT FROM 1 MARCH 2025. 	

1.0 BACKGROUND

- 1.1 The Local Government Act 2000 requires each local authority to prepare, keep up to date and publicise the document known as the Constitution.
- 1.2 The Constitution should be logical, integrated and accessible to members, officers, the public and anyone else interested in the way a local authority makes its decisions. There is also a statutory requirement on the Council's Monitoring Officer to keep the Constitution up to date, and accordingly the update of the Constitution is an on-going process.
- 1.3 Full Council considers reports on the annual review of the Constitution. The updates are generally required due to legislative and organisational changes or to clarify and improve processes within the Council to reflect best practice. The proposed changes are considered by Audit and Governance Committee before Council.

2.0 METHOD OF REVIEW

- 2.1 The review of the Constitution was led by Legal Services and involved consultation with officers on areas of the document which needed to be updated/amended for the purposes of clarity, to reflect any changes in the law and incorporating any feedback raised by Members.
- 2.2 As with the previous reviews and the interest expressed by Members in this area of work, a cross party Member working group was established to feed into the work on the Constitution. The Governance Working Group comprised of Councillors Everitt, Rogers, Simmons (Chair), Smith and Sutton, and met on the following dates:

18 September 2024

20 November 2024

19 December 2024 (also attended by the Strategic Director of Resources)

- 2.3 The working group had agreed its terms of reference at an earlier meeting which was convened to review the Arrangements for Dealing with Complaints against Councillors. At the meeting of the Group held in September 2024, the Group agreed the timetable for the review of the Constitution and the way that it wished to see information presented to it. The appendices to this report reflect the approach agreed by the working group. Appendix A shows the proposed changes in a summary schedule of changes. Appendix B takes extracts from each relevant section of the Constitution and shows the proposed changes as tracked changes. This enables Members to see the proposed changes in one place and in the context of the Constitution document. Appendix C sets out the proposed changes to the Contract Procedure Rules required by the Procurement Act 2023.
- 2.4 Any feedback from the group has been taken into account in updating the relevant sections. Members have provided invaluable insight and constructive challenge to the review process and are thanked for their time and work on this project.

3.0 SUMMARY OF MAIN CHANGES PROPOSED

- 3.1 The summary schedule of changes to the Constitution is provided at Appendix A. The updated extract from the Constitution is provided at Appendix B. A hyperlink on the first page helps navigate to the relevant sections.

- 3.2 The changes to the Contract Procedure Rules within the Constitution required as a result of the Procurement Act 2023 coming into force have been set out in Appendix C. At the Working Group, it was requested that a comparison with the relevant previous provisions from the Contract Procedure Rules be included with this report to the Committee, due to the significant changes being proposed. Due to the amount of differences between the two versions, it has not been possible to create a full comparison, but relevant parts from the current rules have been included in order for the Committee to see the most important changes.
- 3.3 In addition to the main changes, a cold read of the entire Constitution will be undertaken to correct any inconsistencies, to include the correction of typing and numbering errors.
- 3.4 Usually on a review of the Constitution, the changes would be adopted from the new civic year, however on this occasion it is proposed that the changes are adopted from 1 March 2025. This is to ensure the new provisions added to comply with the Procurement Act 2023 are in place when the Act comes into force.

Policies and other considerations, as appropriate	
Council Priorities:	A well-run council which is trusted by customers to provide its services.
Policy Considerations:	The constitution sets out how the Council makes decisions and its governance arrangements
Safeguarding:	N/A
Equalities/Diversity:	N/A
Customer Impact:	A clear yet comprehensive Constitution will enable customers to understand the functions and responsibilities of the Council and hold the Council to account.
Economic and Social Impact:	N/A
Environment, Climate Change and zero carbon:	N/A
Consultation/Community Engagement:	N/A
Risks:	An up to date Constitution is a legal requirement.
Officer Contact	Kate Hiller Head of Legal and Commercial Services kate.hiller@nwleicestershire.gov.uk

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Appendix A – Table of Proposed Changes to the Constitution

Issue	Current Provision in Constitution	Proposed Change	Rationale for Change
Constituting working groups	Full Council has the responsibility for agreeing/amending the terms of reference for non-executive committees and working groups, save for those constituted by the scrutiny committee.	It is proposed to change this provision to reflect that the Audit and Governance Committee can constitute working groups as well.	It is common practice for A&G to convene working groups to consider matters such as this constitution review. This amendment is to make it clear that A&G do this and to reflect working practice.
Schedule of meetings	Full Council has the responsibility for agreeing the schedule of meetings for Full Council and Committees.	Addition of wording to provide the chair of the relevant committee with discretion to convene additional meetings not within the agreed schedule, or allowing the chair to change the time and place of meetings.	It is common for chairs to convene additional meetings or rearrange meetings for various reasons at their discretion. This additional wording is to make this clear in the constitution, particularly if unforeseen circumstances mean the time or place of meetings need to change.
Registerable interests and planning committee conflicts	In Section D4, a conflict of interest is when a member has a registerable interest which would prevent them from making a decision in accordance with the Councillors' Code of Conduct.	Removal of the word 'registerable', so that the clause refers to 'any interest'.	This ensures all potential conflicts are captured and can be dealt with accordingly, as per the Code of Conduct - Appendix B, not all interests are Registerable Interests but would still need to be disclosed and could still result in a conflict.
Notice to be treated as a political group to be given to the Proper Officer	None.	Amendment to the definition of Political Group, to acknowledge that notice will have been given under s15 of the Local Government and Housing Act 1989, using the Council's requisite form (and a link to a blank copy of the form will also be provided).	The amendment to the definition will make it clear that there is a requirement to fill in the form, and will make it easier for members to locate the blank form via the hyperlink.
Appointments Committee	The section of the Constitution dealing with the Appointments Committee refers to appointments of Council's Statutory Officers,	It is proposed to change this provision to make it clearer which roles are being referred to as within the scope of the Appointments Committee, making this	In the course of another piece of work, it was identified that some minor amendments would make the

	<p>Chief Officers and Deputy Chief Officers.</p> <p>It then does not use these definitions when setting out the functions of the Appointments Committee, instead referring to the Head of Paid Service, Strategic Director and Head of Service posts.</p>	<p>more consistent throughout the document.</p> <p>The definition of Appointments Committee would also be amended to reflect this.</p>	<p>wording more consistent and clear as to the scope of the Appointments Committee's role.</p>
<p>Outside Bodies</p> <p>78</p>	<p>'An external organisation which has invited the Council to nominate representative(s) to serve on its management body.'</p>	<p>Expansion of the definition as set out in Appendix B, to include further information about how Outside Bodies are reviewed.</p>	<p>The proposed amendment is to clarify the current process. It will not involve any changes to the Council's way of working, but will ensure the Constitution expressly reflects the current process. Democratic Services keep a list of Outside Bodies, which they review on an annual basis, and the MO will work with them to review the necessary forms and information requested of the Outside Bodies.</p>
<p>Suspension of Council Procedure Rules</p>	<p>Part 3, Section A1, Paragraph 24.1 currently suspends a number of Council and Committee Procedure Rules, including suspension of Rule 10.</p>	<p>The list of Rules to be suspended is to remain, save that Rule 10 should no longer be included.</p> <p>Addition of the words 'potential or actual' in front of 'legal proceedings'.</p>	<p>Council and Committee Procedure Rule 10 relates to questions by members of the public.</p>

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<p>Legal Proceedings</p> <p>88</p>	<p>The current provision for officers to recommend the need to institute, prosecute, defend etc. legal proceedings to the Head of Legal did not include potential legal proceedings, or the negotiation and settling of alleged disputes.</p>	<p>Addition of the words 'alleged or actual' in front of 'disputes'.</p> <p>Addition of wording to make it clear that the Head of Legal and Support Services can then make the decision based upon the recommendation.</p>	<p>It would not be appropriate for Rule 10 to be suspended, as this is important for ensuring public questions are dealt with correctly.</p> <p>While it would be implied that the recommendation could relate to potential or alleged disputes, the Constitution does not currently provide for this – there may be a situation where a claim is likely, but settling it can bring the matter to a close. The amendments tidy up the wording and make sure these actions are covered in the Constitution.</p> <p>Likewise, it would be implied that the Head of Legal and Support Services could then make decisions in response to the recommendation, however this was not provided for, so has been expressly added for the avoidance of doubt, to ensure both parts of the document reflect each other.</p>
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<p>Payment of Compensation</p>	<p>The Constitution currently provides for delegated officers to approve compensation payments to remedy complaints.</p> <p>There is also a separate function of the Monitoring Officer to make compensation payments up to £500 to victims of maladministration, after consultation with the Chair of the Audit and Governance Committee.</p>	<p>It is proposed to remove the paragraph from the function of the Monitoring Officer, as this is covered elsewhere – see Appendix B – the existing provision can then be amended to make it clear that the Monitoring Officer has to advise on the appropriateness of compensation.</p>	<p>The requirement for the Monitoring Officer to advise on the appropriateness of compensation for maladministration is set out within the Summary of Monitoring Officer functions, so adding this wording to clause 12.3 ensures this will be acknowledged.</p> <p>The deletion is to deal with the duplication surrounding the compensation payments and ensure this is kept in one place, with the amended clarity of how maladministration compensation is dealt with.</p>
<p>Protocol on Councillor/Officer Relations - Requests for information on a 'need to know' basis</p>	<p>The Protocol deals with the provision of information on demonstrating a 'need to know', with requests for information to be made to the Strategic Director responsible.</p>	<p>The proposed amendment is for the request to be made to the Monitoring Officer, rather than the Strategic Director.</p>	<p>The Access to Information Procedure Rules provide that Councillors wishing to see confidential documents, or attend the confidential part of a meeting, should make a written application to the Monitoring Officer, setting out the reasons for having a 'need to know'. This is the process which has been followed, so this amendment ensures the Protocol aligns with this.</p>
<p>Protocol on Councillor/Officer Relations – Prejudicial Interests</p>	<p>Currently, the Protocol makes reference to 'Personal and prejudicial interests'.</p>	<p>The proposal is to instead refer to 'Registrable and Non-Registrable Interests', to use wording consistent with the Councillors' Code of Conduct.</p>	<p>These references related to the terminology in the previous code of conduct. Since the terminology has changed, we need to ensure the Protocol is updated to reflect that.</p>

Appendix B - Extracts of the Constitution showing proposed amendments

1	<u>Constituting working groups</u>
2	<u>Schedule of Meetings</u>
3	<u>Registerable Interests and Planning Committee conflicts</u>
4	<u>Notice to be treated as a Political Group to be given to the Proper Officer</u>
5	<u>Appointments Committee</u>
6	<u>Outside bodies</u>
7	<u>Suspension of Council Procedure Rules</u>
8	<u>Legal Proceedings</u>
9	<u>Payment of compensation</u>
10	<u>Protocol on Councillor/Officer relations – ‘need to know’ basis</u>
11	<u>Protocol on Councillor/Officer relations - interests</u>

1. Constituting Working Groups

Part 1

SECTION C - FULL COUNCIL

ONLY THE FULL COUNCIL SHALL HAVE RESPONSIBILITY:

17. agreeing and/or amending the **Terms of Reference** for Non-Executive Committees and working groups (save those constituted by the **Scrutiny Committee** or the Audit and Governance Committee) and deciding on their composition;

2. Schedule of Meetings

Part 1

SECTION C - FULL COUNCIL

ONLY THE FULL COUNCIL SHALL HAVE RESPONSIBILITY:

32. for agreeing an annual schedule of meetings for Full Council and Committees, save that the Chair of the relevant Committee may in their discretion convene an additional meeting not currently in the agreed schedule of meetings, or may change the time and place of meetings, subject to giving the requisite notice;

Part 3

SECTION A2 - PROCEDURE RULES

2. Ordinary Meetings of the Full Council

2.1 Ordinary meetings of the Council will take place in accordance with a programme decided by **Full Council**.

2.2 The **Chief Executive** is responsible for convening all ~~Committee~~**Council** meetings in accordance with the programme set under Rule 2.1.

2.3 A meeting of the **Full Council** will take place each year in order to calculate the **Budget** requirement and set the **Council Tax**. This is known as the **Budget Council meeting**.

N.B. The wording at 2.2 [as amended] would then need to be copied into the sections in the Constitution for each Committee: The Chief Executive is responsible for convening all Committee meetings in accordance with the programme set by Full Council, and any meetings which have been convened at the Chair's discretion in addition to those in the programme.

3. Registerable Interests and Planning Committee conflicts

Part 2

SECTION D4 - PLANNING COMMITTEE

3.6 For the purpose of this clause 3 a conflict of interest is where a member has any ~~registerable~~ interest which would prevent them from making a decision in accordance with the **Councillors Code of Conduct**.

4. Notice to be treated as a Political Group to be given to the Proper Officer

Definitions

Political Group

Two or more Councillors who have joined together and asked to be recognised as a **Political Group** and have given requisite notice under s15 of the Local Government and Housing Act 1989 to the Proper Officer using the Council's standard form [[link to the blank version of the form](#)].

5. Appointments Committee

PART 2
SECTION D2 – APPOINTMENTS COMMITTEE

1 COMMITTEE FORM AND STRUCTURE

Composition

1.1 The Appointments Committee will comprise four Councillors in Political Balance, one of whom must be a Cabinet Member, plus the relevant Portfolio Holder.

1.2 Members and the Chair will be appointed by Full Council annually.

Quorum

1.3 The Appointments Committee Quorum will be 3 Councillors.

2 MATTERS RESERVED FOR THE APPOINTMENTS COMMITTEE

~~2.1~~ With regard to appointments of the Council's Statutory Officers, Chief Officers and Deputy Chief Officers:

~~2.1.1~~ To interview shortlisted candidates for Head of Paid Service, Chief Officer, Deputy Chief Officer, Strategic Director and Head of Service posts;

~~2.1.2~~ To make recommendations to Full Council on the appointment of the ~~Chief Executive~~/Head of Paid Service;

~~2.1.3~~ To make decisions about all permanent appointments to ~~Strategic Director~~Chief Officer and Head of Service posts.

~~2.1.4~~ Undertake an annual appraisal of the performance of the ~~Chief Executive~~/Head of Paid Service.

~~2.1.5~~ To hear appeals from the Investigatory Committee

Part 6

Glossary of Terms

Appointments Committee

Determines matters relating to the appointment of the Councils' Statutory Officers, Chief Officers, ~~and~~ Deputy Chief Officers and Heads of Service— see Part 2.

6. Outside Bodies

Part 6

Glossary of Terms

Outside Body An external organisation which has invited the Council to nominate representative(s) to serve on its management body. Democratic Services keeps a list of Outside Bodies which is reviewed on an annual basis, and will work with the Monitoring Officer to review the necessary forms and information requested of the Outside Bodies.

7. Suspension of Council Procedure Rules

PART 3

SECTION A1 - INTERPRETATION AND CHAIR'S RULING

24. Suspension of the Council and Committee Procedure Rules

24.1 Rules 9, 11 to 15, 18 and 25 may be suspended by motion on notice or without notice, if at least one half of the whole number of Councillors are present. Suspension shall only be for the duration of the meeting.

8. Legal Proceedings

SECTION G2 – GENERAL DELEGATIONS TO DESIGNATED OFFICERS

4 Legal

4.1 To recommend to the Head of Legal and Support Services, where it is necessary to give effect to a decision of the Council, the need to institute, prosecute, defend, conduct, participate in, withdraw or settle any potential or actual legal proceedings brought by or against the Council, to make any necessary applications and to take steps to enhance or protect the Council's legal position or interest.

4.2 To recommend to the Head of Legal and Support Services, the negotiation and settling of claims and alleged or actual disputes without recourse to court proceedings including the use of alternative dispute resolution

SECTION G3 – DELEGATIONS TO THE HEAD OF PAID SERVICE AND STATUTORY OFFICERS

3 Functions delegated to the Monitoring Officer (Head of Legal and Support Services)

3.18 Authority to consider and act upon the recommendations of delegated officers in accordance with Section G2 Clauses 4.1 and 4.2 and to sign any document necessary in legal proceedings on behalf of the Council and authority to sign informations and complaints, and lay them on behalf of the Council for the purpose of Magistrates Court proceedings unless Statute provides otherwise.

9. Payment of Compensation

PART 2

SECTION G2, CLAUSE 12.3

12.3 To approve compensation payments to remedy complaints in accordance with the Council's Complaints Procedure and Financial Procedure Rules in Part 3 provided that the Monitoring Officer has advised on the appropriateness of compensation for maladministration in accordance with s92 Local Government Act 2000.

SECTION G3, CLAUSE 3.16

~~3.16 After consultation with the Chair of the Audit and Governance Committee, to make compensation payments of up to £500 to victims of maladministration.~~

10. Protocol on Councillor/Officer Relations – ‘need to know’ basis

PART 4

SECTION C – PROTOCOL ON COUNCILLOR/OFFICER RELATIONS

5.6 The exercise of the common law right depends upon a Councillor's ability to demonstrate a "need to know". In this respect a Councillor has no right to "a roving commission" to examine any documents of the Council. Mere curiosity is not sufficient. Requests made for information should be made in the first instance to the Monitoring Officer ~~Strategic Director~~ responsible who may be give suitable directions as to how the request shall be dealt with.

11. Protocol on Councillor/Officer Relations – Interests

PART 4

SECTION C – PROTOCOL ON COUNCILLOR/OFFICER RELATIONS

5.5 It is important to note that these rights only apply where Councillors are clearly carrying out their role as elected representatives. Where any Councillor has a ~~disclosable pecuniary interest or a personal and prejudicial interest~~ Registrable or Non Registrable Interest in a matter the Councillor will only be entitled to the same access as would be the case for a private individual, i.e. to inspect the reports, Minutes and Background Papers relating to the public part of the Cabinet, Committee or Sub-Committee Agenda. In these circumstances, the Councillor must make it clear that s/he is acting in his/her private capacity and not as a Councillor. More information can be found in the Access to Information Procedure Rules in Part 3 of the Constitution

Appendix C – Changes to the Contract Procedure Rules

Summary of Key Changes

- Application of the rules – there are certain contracts that the procurement legislation does not apply to, as it is not always practicable to procure those contracts in a standard way. The Council's current rules include some circumstances where the rules do not apply, however, the proposed rules broaden this list to reflect what the Council does in practice and to make it easier for Officers to understand (rule 2).
- Procurement responsibilities – whilst in practice procurement is overseen at many different levels within the organisation, the current rules do not currently specify whose responsibility it is to make sure that the rules are complied with. Whilst it is every officer's responsibility to comply with the rules, the new rules place greater responsibility on the Strategic Directors to ensure that the officers within their directorate are aware of the rules and are following them accordingly (rule 3).
- Thresholds for contracts – the Council's current rules have seven different levels of approval for entering into contract, five different financial levels for how a contract is procured and separate rules for who can sign contracts. The feedback from officers is that this is hard to follow, as they are required to look in different places. The new rules have four different 'bands' of contracts and the rules are clear for each band who can approve it, how to procure it and who can sign it (rule 5).
- Granting exemptions – currently the rules allow Cabinet to give a waiver from the rules, statutory officers to give an exemption or Heads of Service to waive the requirements for quotes if the value is below £50k. It is not always clear to officers which of these routes they should follow as they all technically overlap i.e. a head of service could waive the requirement for 3 quotes, the officer could get an exemption from statutory officers or could go to Cabinet for a waiver. The new rules separate it out to provide that exemptions for contracts below £50k are the responsibility of Heads of Service and above, exemptions for contracts above £50k and not a key decision can be agreed by statutory officers and for contracts which are a key decision, exemptions are to be agreed by Cabinet (rule 9.2).
- Grounds for exemptions – the current rules have two fairly broad grounds for exemption, which can be interpreted in a number of different ways. The new rules seek to set out 7 more specific grounds for exemption (rule 9.5) that are clear when they are engaged or not. This is to give officers and members more certainty in considering exemptions.

The remaining changes reflect the legislative changes e.g. value inclusive of VAT, the requirement to split up procurements to appeal to SMEs, requirements for notices to be published in certain circumstances, etc.

In addition to the above, it was considered that the key decision threshold was potentially confusing officers, as there was not a single value above which contracts should go to Cabinet. Members may recall that at a previous meeting, it was proposed to reintroduce the key decision wording into the constitution and that wording provides that a financial decision above £100,000 is a key decision, unless it is a contract where alternative circumstances apply. It is now proposed that this wording is removed so that

it will always be a key decision if it is £100,000 or above. This revised wording is attached at Appendix B.

Furthermore, there is a consequential change to the Financial Procedure Rules required to reflect the changes to the thresholds in the Contract Procedure Rules. The Council operates different levels of financial authorisation through its 'Unit 4' finance system, which are not currently reflected in the rules. Now that the Contract Procedure Rules are cross-referring to those authorisations it was deemed prudent to update the Financial Procedure Rules with those levels for Officers to refer to. This revised wording is attached at Appendix C.

SECTION G – CONTRACT PROCEDURE RULES

These Contract Procedure Rules are made under section 135 of the Local Government Act 1972.

Contents

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DEFINITIONS	

1 Introduction and application of Contract Procedure Rules

These Contract Procedure Rules (**CPR**) set out the framework for the procurement of works, services and goods. They are an essential set of rules and compliance with them will ensure that officers seek and obtain value for money, and that public money is properly spent and accounted for.

1.1 Council officers and members must comply with these CPR in all instances when buying works, services and goods on behalf of the Council, and failure to comply may result in disciplinary action being taken against the officer concerned. Officers have a duty to report any breaches of these CPR to the Strategic Director for Resources.

1.2 These CPR form part of the Council's Constitution and provide the framework that governs the Council's procurement of contracts for works, services and goods. Following these CPR helps the Council to demonstrate:

- good internal governance;
- propriety and the proper spending of public money;
- value for money and effective use of resources is being achieved;
- additional social value in the delivery of works, services and goods;
- the delivery of high-quality works, services, supplies;
- compliance with relevant laws;
- controls to deter fraud, bribery and corruption;
- support of the local economy and small to medium enterprises (**SMEs**); and
- application of sound procurement practice.

1.3 Every contract for works, services and goods made by the Council must conform to all relevant UK legislation. UK public procurement legislation and policy require that the procurement of contracts should:

- Deliver value for money;
- Maximise public benefit;
- Involve the sharing of information with all potential suppliers fairly;
- Enable the Council to act, and be seen to act, with integrity;
- Ensure that the Council treats suppliers equally and fairly;
- Ensure that the Council takes all reasonable steps to prevent unfair advantages or disadvantages; and
- Reduce barriers to entry for SMEs whenever and wherever possible.

1.4 Contracts must not be artificially split to avoid the application of the key thresholds contained in these CPR. The Council's responsibilities are collective rather than based upon what individual services require.

1.5 All figures in these CPR are **inclusive** of VAT unless stated otherwise.

1.6 Officers dealing with the procurement of standard or repetitive goods and services, or where multiple smaller individual requirements are needed should

consider the use of Framework Agreements and should seek guidance from the Council's Procurement Officer.

2 Scope

2.1 These CPR apply:

- whenever the Council intends to spend money (or provide other payments in kind) under contracts for works, services or supplies;
- to expenditure from either capital or revenue sources;
- to works and services concession contracts;
- to supplies for re-sale;
- to both officers and members;
- where the Council acts as the lead partner in a multi-authority procurement (in addition to the equivalent rules for partner organisations); and
- where any third-party organisation is authorised to procure works, services and/or supplies on behalf of the Council as the Council's agent or representative.

2.2 These CPR do not apply:

- to contracts of employment;
- to service level agreements made between departments within the Council;
- grants the Council is awarding to third-parties;
- to acquisitions and disposals of land or buildings, except in so far as it relates to a contract for works, services or goods;
- to financial services in connection with the issue, purchase, sale or transfer of securities or other financial instruments, in particular transactions by the Council to raise money or capital;
- in the case of individual investments which are not deemed as the purchase of supplies or services for the purposes of these CPR;
- any contract related to the receipt of investment advice or a related ancillary service under the Financial Services & Markets Act 2023;
- where the Council instructs counsel or any external legal advisors to represent or act on its behalf in relation to legal matters;
- contracts awarded to Local Authority Controlled Companies unless the Monitoring Officer determines otherwise;
- in the case of civil contingencies;
- contracts with local authorities for the joint delivery of services or discharge of functions, provided that they demonstrate value for money.

Provided that, in all instances, all relevant legislation, rules, and guidance **must** still be complied with, together with other relevant parts of the Council's Constitution.

3 Roles and responsibilities

3.1 Overall responsibility for these CPR rests with the Strategic Director for Resources. Further information and advice on these CPR can be sought from the Council's Procurement Officer.

3.2 **Any** officer undertaking procurement or purchasing activity on behalf of the Council **must** comply with these CPR and any and all relevant legislation and regulations.

3.3 Strategic Directors are responsible for ensuring that **all** Officers with procurement responsibilities within their directorates fully understand and comply with these CPR.

3.4 Strategic Directors are responsible for **all** purchase orders and contracts tendered and let by their directorates, are accountable to Cabinet for the performance of their duties in relation to contract letting and management, and must ensure that all Officers comply with these CPR.

3.5 The duties of Strategic Directors are as follows:

3.5.1 To seek and obtain value for money and secure continuous improvement in all procurements;

3.5.2 To ensure no contract is entered into by their Directorate without there being adequate and agreed budget provision;

3.5.3 To ensure compliance with all applicable legislation, seeking advice from the Council's Procurement Officer at an early stage in the process as appropriate;

3.5.4 To ensure **all** staff (including any agents or consultants acting on their behalf) dealing with procurement for their directorate are fully aware of and comply with these CPR;

3.5.5 To declare to the Council any pecuniary interest whether direct or indirect they personally have in any contract to be let, and to make that declaration in writing to the Monitoring Officer and the Strategic Director for Resources;

3.5.6 In the event of any breach of these CPR, to take immediate action and report it to the Monitoring Officer and the Strategic Director for Resources, whilst carrying out corrective action and appropriate investigations where necessary;

3.5.7 To ensure every contract has a named officer with responsibility for it;

3.5.8 To keep securely proper records of all purchase orders, signed contracts and copies of all relevant documentation to provide a full audit trail of actions taken.

3.5.9 To ensure that the Council's Contracts Register is kept up-to-date for all contracts greater than £50,000 in value within their directorate.

3.5.10 To ensure the Council's 'Procurement Pipeline' is kept up to date

with all procurements greater than £100,000 in value to be carried out in the next 18 months.

3.5.11 To comply with the Council's arrangements for the obtaining and opening of quotations and tenders as set out in these CPR;

3.5.12 To ensure that the Council's seal is affixed to any contract where this is required in accordance with these CPR and to ensure that all other contracts are signed by a person authorised under these CPR;

3.5.13 To ensure that records are kept in a manner that ensures reviews of contracts are undertaken in good time and that appropriate action is taken to re-procure those contracts where necessary.

4 Consultation and approvals prior to advertising a procurement

4.1 Procurements of Band C and D contracts can only be published following approval of a procurement plan report by the relevant decision maker.

4.2 Officers must comply with the Council's Constitution in relation to all Executive Decisions and Key Decisions, where required. Planning of a procurement must take into account these procedures and Officers should consult with Democratic Services, as appropriate.

4.3 The procurement plan report will set out how the procurement will be managed to deliver the best outcomes for the Council. The level of detail in the report should be proportionate to the whole life value of the contract and the level of risk but should, where relevant, include:

- High level summary of contract purpose and outcomes, including the approach to reflecting these in the specification;
- Governance process, including the engagement of key stakeholders (including service users), approval of key documents during the procurement process and any delegations requested for contract award;
- Market analysis, including any work that needs to be done by the Council to market itself to potential bidders as an important customer;
- Review of potential performance issues of existing contractors and how they will be mitigated / managed through the procurement process;
- Key risks, including sustainability risks, and how they will be managed during the procurement process;
- The proposed lot structure to be adopted and how it will support achieving the Council's objectives, or otherwise the justification for not dividing into lots;
- Approach to evaluation, including evaluation criteria and weightings. Evaluation criteria shall include an assessment of the bids against the deliverables to be secured under the contract;
- Legal issues, including terms and conditions for the contract, contract length and extensions etc.;
- Commercial issues such as pricing strategy, management of change and performance management/incentives;

- Approach to Social Value, including performance obligations, main areas of potential benefit, VCSE and sustainability opportunities;
- Overall projected timescales and milestones;
- Approach to assessing and agreeing preferred route to market.

It is important that the Council's Procurement Officer is engaged at a sufficiently early stage to provide advice and when necessary to jointly produce the procurement plan report with the contract lead.

4.4 For all procurements, the Council is required to divide the complete requirement into lots to reduce barriers to SMEs or otherwise provide justification for not doing so.

4.5 Officers **must** consult the Council's Procurement Officer for any procurement 10 where the Total Contract Value is estimated to be more than £50,000. The procurement must be entered into the Council's 'Procurement Pipeline' a minimum of 18 months in advance of the procurement commencing.

4.6 Officers **must** consult and seek support from the Council's Procurement Officer for any procurement where the Total Contract Value is estimated to be Above Threshold. The route to market must be approved by the Strategic Director of Resources.

4.7 Subsidy Control rules **must** be considered by the contract lead in situations or circumstances where the proposed arrangement (as either a contract, grant or other award), may provide an advantage through public resources being given on a selective basis to any organisation(s) that could potentially distort competition and / or trade.

4.8 The Council has a legal duty to consider the application of the relevant Subsidy Control rules when making awards. This may require a bespoke assessment of each measure against the relevant legislative provisions. Advice from Legal Services should be sought where the contract lead considers that the subsidy control rules may be engaged.

5 Approvals and procurement procedures

5.1 Pre-procurement approval and the procurement procedure required will depend on the Total Contract Value.

Band A Contracts – Contracts valued at less than £10,000

5.2 For any single contract, not related to or part of any larger procurement, of a value that is less than £10,000 (inclusive of VAT), one written quotation shall be obtained.

5.3 The approval of any contract that is valued less than £10,000 shall be in accordance with the authorisations in the Financial Procedure Rules.

5.4 Any contract valued at less than £10,000 can be signed by the officer that approved it under rule 5.3.

Band B Contracts – Contracts valued at between £10,000 and £49,999

5.5 For any single contract, not related to or part of any larger procurement, of a value that is between £10,000 and £49,999 (inclusive of VAT), three written quotations shall be obtained using an invitation to quote.

5.6 The approval of any contract that is valued between £10,000 and £49,999 shall be in accordance with the authorisations in the Financial Procedure Rules.

5.7 Any contract valued at between £10,000 and £49,999 can be signed by the officer that approved it under rule 5.3.

5.8 Where Officers are seeking formal responses to an invitation to quote:

5.8.1 the opportunity shall be advertised on the Source Leicestershire website, Contracts Finder (only for contracts worth £30,000 or more) and the Council's website;

5.8.2 Officers shall ensure that the selection process used is fair and equitable and in accordance with these Contract Procedure Rules;

5.8.3 Officers must select the quote which offers value for money for the Council;

5.8.4 The Head of Service shall be responsible for keeping a record for audit purposes of:

- all those contractors that were requested to provide a quotation;
- the reasons why those particular contractors were selected to provide a quotation; and
- the reason for selecting the winning quote.

Band C Contracts – Contracts valued at £50,000 and above but Below Threshold

5.9 For any single contract, not related to or part of any larger procurement, of a value of £50,000 or more but Below Threshold, the officer shall conduct a formal tender using the Council's template and accompanied by terms and conditions prepared by Legal Services.

5.10 Any contract that is valued at £50,000 or above and Below Threshold shall be approved by the relevant Strategic Director, provided that any contract that constitutes a Key Decision under the Constitution must be subject to approval by Cabinet.

5.11 Any contract valued at £50,000 or above and Below Threshold must be signed by the Monitoring Officer and any contract of a value of £250,000 and above must be executed as a deed and sealed (unless the Monitoring Officer determines otherwise).

5.12 Where Officers conduct a formal tender:

5.12.1 The Council's standard templates and methodology should be used;

5.12.2 The evaluation of tenders and any pre-qualification of bidders should be carried out according to the procedures set out in these CPR and associated guidance from the Council's Procurement Officer, and clearly documented and recorded;

5.12.3 Bids which are received after the date and time stipulated in the invitation to tender document should not be considered;

5.12.4 Following the conclusion of a procurement process, prior to the award of contract, a contract award report should be prepared for the relevant Strategic Director;

5.12.5 The level of detail in the contract award report should be proportionate to the whole life value of the contract and the level of risk, but should where relevant include;

- The subject matter and the whole life value of the contract proposed to be made;
- The procurement process that has been followed;
- (Where applicable) The results of market analysis undertaken;
- Details of the evaluation criteria, the weightings, and the results of the evaluation process;
- The name of the successful bidder and the reasons why its tender was selected;
- The reasons for the rejection of the other bids received; 12
- (Where applicable) conflicts of interests detected, and subsequent measures taken;
- any risks associated with the award of the contract and measures taken to minimise that risk; and
- any additional or non-standard action required to support mobilisation.

5.12.6 Where the decision maker wishes to accept a tender other than the highest scoring acceptable tender, full supporting documentation must be kept to evidence why the highest scoring acceptable tender was not considered the most advantageous tender.

Band D Contracts – Above Threshold

5.13 For any contract of a value that is Above Threshold, tenders shall be sought in accordance with the relevant legislation.

5.14 The provisions of these CPR shall continue to apply to such a contract only to the extent that they do not conflict with the provisions of the legislation.

6 Contract documentation and standard contract conditions

6.1 The provisions of any statute or regulation take precedence over anything said in these CPR, and all contracts entered into by the Council must comply with all

those requirements.

6.2 The Council's standard conditions of contract are to be employed for procurements

unless:

(a) leasing arrangements are involved; or

(b) the requirement is particularly complex; and/or

(c) the use of standard conditions is considered inappropriate by Legal Services.

6.3 If a supplier requires the use of their terms and conditions in order to contract, the advice of Legal Services **must** be sought.

6.4 In all procurements where the Total Contract Value is expected to be above £50,000, the advice of Legal Services **must** be sought on the preparation of the terms and conditions for the contract.

6.5 Terms and conditions **must** be published and made available to bidders as part of the tender pack, therefore they **must** be completed before the publication of a procurement.

6.6 Bidders may seek to clarify or amend terms as part of the clarification period of a tender. Should the Council amend terms during a procurement they **must** be amended for all bidders equally and released in reasonable time. Legal advice should be sought in advance of agreeing to vary any legal terms in the contract.

6.7 The Council may **not** negotiate or otherwise amend the contract terms and conditions with the successful bidder following award of contract.

7 Advertising

7.1 The Council uses the e-Sourcing Portal to advertise and run formal requests for quote, mini competitions, call offs and tenders, as well as to operate the Council's Contract Register. The Portal allows opportunities to either be openly advertised, where any appropriately registered supplier may express interest (advertised), or for quotes / tenders to be sent to specifically nominated suppliers only (by invitation).

7.2 All opportunities with a total estimated whole life contract value Above Threshold **must** be openly advertised. Below this figure opportunities may be advertised at the discretion of the Officer, based upon market knowledge and the need to generate market interest. In such circumstances, any contracts advertised become a Covered Procurement despite being Below Threshold.

7.3 Whatever the value, where the Council advertises contracts using the Portal the opportunity **must** also be advertised on the government's Contracts Finder website if

the opportunity will exceed £25,000 in value and release the relevant Notices as per section 6.

7.4 All suppliers invited to tender must be issued with the same information at the same time and subject to the same conditions.

7.5 Where advertising is preferred, but not required by these CPR, if the Officer chooses not to advertise, they **must** record the reasons for their decision in the procurement plan report.

8 Evaluating bids

8.1 Care should be taken to evaluate bids using the most advantageous tender rather than simply the unit price. The lowest priced tender may not offer the best value for money over the life of the contract, taking into account price, quality, social value and environmental considerations.

8.2 Procurement evaluation criteria and how the Council will apply them must be published to bidders as part of the procurement documents.

8.3 Should a submitted bid appear to be priced too low to deliver the required quality of service, this should be clarified. The bidder should be challenged as to how they can deliver the expected quality and requirements at that price. Should this show that the proposed service is indeed unsustainable, the tender may be rejected. Before any bid is rejected on this basis, Officers **must** take advice from the Council's Procurement Officer.

8.4 Where it has been identified that a bidder may have made a genuine error in their bid, the Council may afford that bidder an opportunity to correct their error. Such communications will be relayed by the Council's Procurement Officer.

8.5 The results of the tender evaluation process must be recorded in writing, including scores and rationales of individual evaluators, as well as final scores and rationales following moderation.

8.6 The Council is not obliged to accept any tender, however, if the Officer chooses not to award to any bidder, then they must publish a procurement termination notice.

9 CPR Suspension and Exemptions

9.1 Only Cabinet has the authority to fully suspend these CPR.

9.2 If there are special circumstances to waive or suspend any section or sections of CPR, the following exemptions may be granted, depending on contract value:

- for all contracts less than £50,000, a Head of Service or above may approve an exemption;
- for all contracts £50,000 and above that do not meet the Key Decision threshold, Statutory Officers may approve an exemption upon receipt of an exemption form; and

- for contracts that do meet the Key Decision threshold, Cabinet may approve an exemption.

9.3 In all cases where the exemption is for a contract valued at £50,000 or above, an exemption form must be completed, which must include advice from Legal Services and Finance.

9.4 Exemptions granted by Statutory Officers will be subsequently reported to Cabinet.

9.5 Acceptable reasons for an exemption under these rules are limited to the following and subject to any legislative requirements:

- Quantifiable and significant cost and efficiency savings can be achieved through seeking an alternative route, which outweigh the legal risk of the exemption;
- Extreme urgency exists for unforeseen reasons which are not attributable to the Council and the various time limits cannot be met. Inadequate forward planning would not constitute special circumstances;
- The Council would otherwise be exposed to immediate and significant financial, legal, or reputational risk that has been identified in the relevant risk register and is considered to outweigh the risk of the exemption;
- Only one supplier is objectively able to provide the works, services or supplies in question including, but not limited to:
 - where the provision is specialist,
 - where the supplier has exclusive intellectual property rights, artistic or other rights,
 - where the supplier has a monopoly; or
 - where the supplies bought are for re-sale;
- Additional or new works, services or supplies are required which, through unforeseen circumstances, were not included in an existing Council contract and are necessary for the completion of the contract and / or cannot be carried out separately.
- Supplies are required as a partial replacement for, or addition to, existing supplies or installations and obtaining them from another source would result in incompatibility or disproportional technical difficulties in operation or 15 maintenance of existing equipment.
- Where an exemption is to allow the continuation of Council services or operations whilst a compliant procurement process is completed.

9.6 The Procurement Officer will maintain a full record of all exemptions granted.

10 Framework Agreements, Dynamic Markets & Open Frameworks

10.1 The intention behind a framework agreement is to streamline the competitive process by enabling Officers, at any time during the term of the framework, to buy works, services, or goods by placing an order (without reopening competition) or by holding a mini tender process (competed services), without having to tender each individual purchase. Multiple orders or call-off contracts can be made through the framework.

10.2 The following principles should be followed when deciding whether to buy works, services or goods under an existing framework agreement established by another body:

- There should be evidence that the framework can be accessed by the Council;
- For competed services, the framework must provide for the holding of a mini competition;
- For direct award, the framework must clearly identify the criteria for selecting, in order of priority, the contractor to be first, and subsequently, offered the order;
- The framework should offer value for money;
- The technical aspects and quality standards of the framework must meet the Council's requirements.

10.3 The use of a framework agreement **must** be approved as part of the procurement plan report.

11 Contracts

11.1 **All** contracts shall, as a **minimum**:

- be in writing;
- specify what is to be supplied (that is, the works, materials, services, matters or things to be furnished, had, or done);
- specify the payment provisions (that is, the price to be paid and when);
- specify the timescale within which the contract is to be performed; and
- specify the termination provisions under which the Council shall and may terminate the contract.

11.2 In addition, every contract Above Threshold **must** also clearly state as a **minimum**:

- the performance standards to be met, associated performance reporting and performance management;
- the insurance requirements;
- health and safety requirements;

- equality and diversity requirements;
- (Where relevant) that the contractor may not assign the contract or sub-contract any part of the contract without prior written consent from the Council;
- information governance, Freedom of Information and Data Protection requirements;
- (Where relevant) supply of anonymised TUPE data by the contractor to the Council and an organisation structure freeze within the contractor at a point designated by the Council prior to the of contract
- contract management requirements;
- a right, given to the Council, of access to documents and records which relate to the subject matter of the contract for monitoring and audit purposes;
- an obligation on the Council to pay undisputed invoices within 30 days;
- an obligation on the principal contractor to pay any subcontractor invoices within 30 days;
- a clause for the prevention of corruption and bribery;
- contract enforcement mechanisms;
- a requirement to provide electronic invoicing compliant with BS EN 16931-1:2017 and PD CEN/TS 16931-2:2017; and
- rights of termination

11.3 Formal advice from Legal Services **must** be sought on contract terms and conditions for the following contracts:

- where the estimated total contract value of the opportunity is above £50,000;
- those involving leasing arrangements;
- where it is proposed to use the external supplier's own terms;
- those that are considered to be high risk in terms of service failure or the Council's reputation; or
- those that are complex in any other way.

11.4 Contract terms and conditions must be published and made available to bidders as part of the tender pack.

11.5 Bidders may seek to clarify or amend terms as part of the clarification period of a tender. Should the Council amend terms during a procurement they must be amended for all bidders equally and released in reasonable time. Legal advice should be sought in advance of agreeing to vary any legal terms in the contract.

11.6 The Council may not negotiate or otherwise amend the contract terms and conditions with the successful bidder following award of contract.

12 Contract extensions and modifications

12.1 If the original contract includes an option to extend the initial term and the authority to spend and enter into the contract was given for the whole life contract value, the Officer that approved entering into the contract may authorise the extension period.

12.2 If the authority to enter into the contract was not given for the extension period, authority to extend the initial term **must** be obtained before the contract is extended. The value of the extension period will determine who can authorise the extension based on the thresholds at rule 5.

12.3 Requests to modify or vary an Above Threshold contract **must** be made in writing to the Council's Procurement Officer **before** the modification is sent for approval by the relevant Strategic Director. Legal advice must be sought on all modifications or variations to Above Threshold contracts.

12.4 Where a modification or variation will result in a Below Threshold contract becoming Above Threshold due to additional scope or value, it **must** be treated as if Above Threshold for the purposes of this rule 16.

12.5 Requests to modify or vary a Below Threshold contract may be approved and signed in accordance with the thresholds at rule 5.

12.6 Where a modification or variation occurs during the life of the contract that cannot be met from within existing budgetary provision, the Officer follow the requirements of the Financial Procedure Rules.

12.7 If the variation or extension of the contract does not fall within the approved contract value authorised in the relevant Contract Award Report then officers should proceed as in the case of a **new procurement** and follow the procedures within these CPR and accompanying guidance, as determined by the total contract value inclusive of the modification or variation.

12.8 Following completion of a contract modification, the contract lead **must** update the Council's Contract Register and a contract modification notice should be published where required in accordance with legislative requirements.

12.9 Regardless of other factors, if a variation or extension takes the Total Contract Value above £100,000 then this will need to be recorded as a Key Decision, unless advised otherwise by the Monitoring Officer.

13 Contract Management

13.1 Each contract must have a named contract manager (the contract lead).

13.2 For each contract Above Threshold, the contract lead will work jointly with the Council's Procurement Officer or other designated procurement professional during the procurement process.

13.3 As part of the procurement process the contract lead and the Council's Procurement Officer will agree the contract management measures that are appropriate for the contract. This will include, but not be limited to:

- performance measurement / management;
- review meetings;
- risk management; and
- governance and escalation.

13.4 The approach to contract management shall be proportionate, with management activity linked to contract risk and value.

13.5 A contract performance notice will be published annually, where required to by legislation.

13.6 The contract lead must maintain a contract file containing all details, documentation, reports, records and decisions related to a procurement and the contract awarded.

13.7 In the event of an investigation by the Procurement Investigation Agency, officers **must** co-operate fully with investigators and provide any documents or records requested through the means defined by the investigators, as well as attending interviews as required.

DEFINITIONS

In these CPR, the following expressions have the following meanings:

1. Above Threshold: Means the contract value is above the value for which the Procurement Act 2023 and Procurement Regulations 2024 **fully** apply.
2. Below Threshold: Means the contract value is below the value for which the Procurement Act 2023 and Procurement Regulations 2024 **fully** apply.

The Threshold values are updated every 2 years by the UK government; therefore, Officers should consult the Council's Procurement Officer if unsure which Threshold applies to the contract.

3. Covered Procurement: Any Above Threshold procurement where the full Procurement Act 2023 applies, or any Below Threshold procurement where the Council has made the Procurement Act 2023 apply by its actions, e.g., advertising a Below Threshold procurement.
4. E-Sourcing Portal: a web-based system which the Council currently uses to advertise and run requests for quotes and tenders and publish contracts.

5. Social Value: The Public Services (Social Value) Act 2012 imposes a duty on the Council to consider at the pre-procurement stage of any service contract how the services proposed to be procured may improve the economic, social, and environmental well-being of the District and how the Council may secure that improvement as part of the procurement process.
6. Subsidy Control: as set out in the Subsidy Control Act 2022, this is a set of legal conditions within which local authorities can legally provide subsidies, i.e., any form of financial assistance whether directly or indirectly to an organisation that is engaged in an economic activity. This could include, for example, a cash payment (grant), a loan with below market interest or the free use of equipment or office space. Outside of these conditions the Council may not provide subsidies to organisations without potentially triggering penalties or prejudicing contracts.
7. Total contract value: the cost of the contract over its full duration, inclusive of VAT, including the value of any extension periods. If the precise value isn't known an estimate can be made, but it must be the most accurate estimate possible that can be evidenced based upon data available at the time of the estimate.
8. VCSE: Voluntary Community and Social Enterprise, the voluntary or non-profit sector of the economy.
9. Value for money: the optimum combination of whole life costs and quality (or fitness for purpose) of the supplies, works or services to meet the Council's requirement.

Key Decision Wording

Key Decision

(i) A “key decision” means a decision taken by the Cabinet, a committee of the Cabinet, an area or joint committee in connection with the discharge of a function which is the responsibility of the Cabinet and which is likely:

(a) to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Authority’s budget for the service or function to which the decision relates; or

(b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the District.

(ii) For the purposes of (a) above:

(a) £100,000 shall be regarded as significant in terms of expenditure ~~except where:~~

~~The expenditure is in relation to a contract for goods and services and:~~

~~1) The term of the contract is for more than 1 year and less than 5 years,~~

~~and~~

~~2) The aggregated value of the contract does not exceed more than £250,000 over its term, and~~

~~3) The value of the contract does not exceed £100,000 in any one year term~~

and

(b) £100,000 shall be regarded as significant in terms of savings.

(iii) For the purposes of (b) above any issue which, in the opinion of the Leader, is likely to have an impact on people shall be regarded as significant in terms of impact on communities. In deciding whether an issue is significant the Leader shall have regard:

to whether the decision may incur a significant social, economic or environmental risk

to the likely extent of the impact of the decision both within and outside the District

to whether the decision is likely to be a matter of political controversy

to the extent to which the decision is likely to result in substantial public interest

a decision taker when making a decision may only make a key decision in accordance with the requirements of the Executive Procedure Rules set out in Part 3 of this Constitution.

Current Contract Procedure Rules – Thresholds and Authorisations for Comparison

Threshold Table

Contract Value		Process	Award Procedure based on	Advertise Contract Opportunity	Documentation
From	To				
Minor Purchases					
£0	£999	No prescribed process	Officer's discretion	N/A	Purchase Order
Band A					
£999	£24,999	Quotation	Seeking a minimum of three written quotations	N/A	Purchase Order Budget holder to record details when authorising order
Band B					
£25K	£49,999	Quotation	Seeking a minimum of three written quotations using Invitation to Quote documentation	Contracts Finder for contracts £30k plus only	Purchase Order Budget holder to record details when authorising order
Band C					
£50K	FTS	Formal Tender	Full Tender Process	NWL Web site Contracts Finder	ITT documentation using NWL E- tendering portal
NOTE: the FTS threshold is a figure set out by the Government and the World Trade Organisation's (WTO) Government Procurement Agreement (GPA). These vary from time to time. Please seek advice from the Procurement Team.					
Band D					
FTS	Above	Formal Tender	Full Tender Process	Find a Tender Service (FTS) NWL Web site Contracts Finder	ITT documentation using NWL E- tendering portal

Authority to award contracts

5.7. Officers may only enter into a contract if they have sufficient authority to do so. Legal advice in respect of authority to award contracts can only be given to the extent that such authority is set out in the Constitution. Officers are responsible for knowing the extent of any delegated authority they may have and ensuring they do not exceed that.

5.8. The Constitution contains a scheme of delegation, which sets out what decisions can be made by which body, individual or group of individuals. For the purposes of awarding contracts, the following authorisation table provides an initial indication of where those decisions sit. However, Officers should take advice from Legal Services as to the appropriate source of authority to award where they are unsure.

5.9. Contracts under which the Council will not incur any costs (such as Information Sharing Agreements or grant documents where the Council is receiving the grant) and contracts for the provision of goods or services in return for a revenue payment may be authorised by any Team Manager, Head of Service, Strategic Director or the Chief Executive.

Authorisation Table and Signatories

5.10. It is for individual Officers to ascertain the limits of their authority to award contracts and orders. An Officer may award a contract provided that the value of that contract does not exceed their level of financial authorisation (see paragraph D.5 of the Financial Procedure Rules in Part 3). The below table provides a guide for Officers in salary bands A-I, who should check with their line managers and/or the finance department as to what they are and are not authorised to commit the Council to.

5.11. The authority to award a contract (i.e. decide that the contract should be given to a particular supplier) is separate from authority to sign the contract. Contracts under which the Council will be liable for sums up to £50,000 may be signed by any Officer (or awarded by issuing a purchase order) provided that the contract value does not exceed their financial authorisation. All contracts above £50,000 must be signed by the Head of Legal and Support Services or their appointed nominee

Authorisation Table

Authorisation Table	
	Approval
Contracts that are: 1. More than £250,000 in total; 2. more than £100,000 in any one contract year; OR 3. more than 5 years long	Cabinet (Financial Key Decision)
Contracts that are: (a) less than £250,000 in total; (b) Less than £100,000 in any one contract year; AND (c) less than 5 years long	Chief Executive or Strategic Director
Up to £99,999	Chief Executive or Strategic Director
Up to £49,999	Heads of Service
Up to £24,999	Team Managers
Up to £9,999	Officers in salary bands G, H and I, at the request of their Strategic Director or Head of Service
Up to £4,999	Officers in salary bands D, E and F, at the request of their Strategic Director or Head of Service
Up to £2,000	Officers in salary bands A, B & C, at the request of their Strategic Director or Head of Service

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 5
FEBRUARY 2025

Title of Report	STANDARDS AND ETHICS REPORT - QUARTER 3	
Presented by	Kate Hiller 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 from 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 and consider the figures for the Local Determination of Complaints and Ethical Indicators for Quarter 3 of 2024/25.	
Recommendations	THAT THE REPORT BE RECEIVED AND NOTED.	

1.0 BACKGROUND

- 1.1 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.

This is a quarterly report to the Committee. The Standards and Ethics Report appended provides information in two categories: Local Determination of Complaints and Ethical Indicators. Each category is split for ease of reference.

This report will enable the Audit and Governance Committee to keep track of how many complaints are received by the Monitoring Officer each quarter and how these are dealt with. Where the Councillor Code of Conduct has been breached, this will also

be recorded to enable the Committee to determine whether there needs to be further targeted training.

The report also allows the Committee to have oversight on the quarterly data for Ethical Indicators. This includes reporting on instances of concern raised regarding Modern Slavery, reporting of whistleblowing incidents, whether the Council has used its RIPA powers, and several other indicators.

Policies and other considerations, as appropriate	
Council Priorities:	A Well-Run Council
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 arising directly from the report. Details regarding the process for making a Freedom of Information 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:	Receiving regular reports on the statistics of Ethical Indicators and councillor complaints enables the Committee to exercise oversight of their function under the Localism Act 2011 and manage risks.
Officer Contact	Kate Hiller Head of Legal and Support Services kate.hiller@nwleicestershire.gov.uk

Standards and Ethics

Quarter 3 Report

2024-2025

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Slide 3 - Introduction

Slides 4 and 5 - Local Determinations of Complaints

Slide 6 - Ethical Indicators

Slides 7 and 8 - Freedom of Information Requests

Slide 9 - Definitions

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 2024/25.

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

Quarter 1 - 1 April to 30 June

Quarter 2 - 1 July to 30 September

Quarter 3 - 1 October to 31 December

Quarter 4 - 1 January to 31 March

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

The report will enable the Audit 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 5 complaints in Quarter 3 of 2024/25 (1 October 2024 – 31 December 2024).

1 complaint received in Quarter 2 is still ongoing.

2.1 Assessment Sub-committee Decisions

There has been 0 Assessment Sub-committee meetings in this quarter.

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

0 complaints have been resolved informally in Quarter 3.

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 has included it in the Council's arrangements for dealing with complaints with an aim to hold an Assessment Sub-committee within 15 working days of notifying the parties that informal resolution is not possible

2.3 Subsequent Referrals

None to report – see above

2.4 Outcome of Investigations

None to report – see above

2.5 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 Q3 2024/25

Qtr 3 24/25	Complaint from	About district/ parish councillor	Regarding	status
	District Councillor	District Councillor	Concerns raised regarding conduct at a Council meeting	Ongoing
	District Councillor	District Councillor	Concerns raised regarding conduct at a Council meeting	Ongoing
	District Councillor	District Councillor	Concerns raised regarding conduct at a Council meeting	Ongoing
	District Councillor	District Councillor	Concerns raised regarding conduct at a Council meeting	Ongoing
	District Councillor	District Councillor	Concerns raised regarding conduct at a Council meeting	Ongoing

Ethical Indicators

PERFORMANCE INDICATOR	Q1			Q2			Q3			Q4		
	22/ 23	23/ 24	24/ 25	22/ 23	23/ 24	24/ 25	22/ 23	23/ 24	24/ 25	21/ 22	22/ 23	23/ 24
Instances of concerns raised re Modern Slavery	0	0	1	0	0	0	0	1	0	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 Councils Accounts	0	0	0	0	0	0	0	0	0	0	0	0
Disciplinary action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0	0	0	0
Follow up action relating to breaches of the Member/Officer Protocol	0	0	0	0	0	0	0	0	0	0	0	0
Use of RIPA powers	0	0	0	0	0	0	0	0	0	0	0	0

Freedom of Information Requests

	Q1			Q2			Q3			Q4		
	22/23	23/24	24/25	22/23	23/24	24/25	22/23	23/24	24/25	21/22	22/23	23/24
Total Number (FOIs)	147	157	122	122	196	132	108	157	197	196	148	194
% answered on time	51%	93%	89%	79%	86%	90%	60%	92%	92%	78%	91%	92%
Average per month	49	52	39	41	71	44	38	52	65	65	49	64
Average response time (days)	7	11	11	9	12	14	14	10	9	15	13	11
Withheld due to exemption/fees (FOI and BAU)*	0	13	18	0	2	13	7	13	17	13	3	19
Transfers (TFRs)	29	18	22	21	15	27	18	20	16	28	26	38
Subject access requests (SARs)	3	11	11	6	11	10	5	9	12	13	10	8
Internal Reviews	1	1	0	3	2	0	3	1	2	2	1	0
Environmental Information Requests/ Land Charges Searches (personal)	4	6	4	4	7	6	7	360	249	1	7	409

- There has been an increase in the number of requests received this quarter. This has not affected the response time, which is still above target.
- The requests that have not been answered on time continue to be from a specific service area due to capacity/staffing issues.
- The number of SAR requests received have remained at consistent levels to previous quarters.

FOI Data for Q2 24/25

	Subject Access Requests											
	Q1			Q2			Q3			Q4		
	22/23	23/24	24/25	22/23	23/24	24/25	22/23	23/24	24/25	21/22	22/23	23/24
Total number received	3	11	11	6	11	10	5	9	12	13	10	8
% answered on time			100%			90%		78%	92%			88%
Internal reviews			1			0			1			

	Freedom of Information Requests											
	Q1			Q2			Q3			Q4		
	22/23	23/24	24/25	22/23	23/24	24/25	22/23	23/24	24/25	21/22	22/23	23/24
Total number received	147	157	122	122	196	132	108	157	197	196	148	194
% answered on time	51%	93%	89%	79%	86%	90%	60%	92%	92%	78%	91%	92%
Internal reviews	1	1	0	3	2	0	3	1	1	2	1	0

	Environmental Information Requests											
	Q1			Q2			Q3			Q4		
	22/23	23/24	24/25	22/23	23/24	24/25	22/23	23/24	24/25	21/22	22/23	23/24
Total number received	4	6	4	4	5	6	7	3	1	1	7	3
% answered on time			100%		80%	100%		100%	100%			100%
Internal reviews			0		0	0		0	0			0

Definitions

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

Land Charges specific information about a particular property

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

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

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

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

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 5
FEBRUARY 2025

Title of Report	ANNUAL IT HEALTH CHECK	
Presented by	Sam Outama IT MANAGER	
Background Papers	NA	Public Report: No Appendix 1 is exempt under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972
Financial Implications	<p>Fines could be imposed upon the Council if data breaches were to occur, the risk of which would be increased if the IT Health Check recommendations were not followed.</p> <p>The cost of the re-test once the recommendations are remedied will be £2,090.00</p>	
	Signed off by the Section 151 Officer: yes	
Legal Implications	The Council could be open to legal challenges if data breaches were to occur, the risk of which would be increased if the IT Health Check recommendations were not followed.	
	Signed off by the Monitoring Officer: yes	
Staffing and Corporate Implications	N/A	
	Signed off by the Head of Paid Service: yes	
Purpose of Report	To provide assurance to the Audit and Governance Committee on the security of Council's network, and to advise of the steps to be taken to address the recommendations in the Health Check report.	
Recommendations	<p>That the Committee:</p> <p>1) Notes the contents of the annual IT Health Check report and the actions both undertaken and in progress to comply with the IT Health Check recommendations, as set out in Appendix 1.</p>	

1.0 BACKGROUND

- 1.1 IT security health checks are recommended as best practice, in line with Public Services Network (PSN) and National Cyber Security (NCSC) requirements. The Council's yearly IT security health check was carried out in November 2024. The results of the health check are attached in Appendix 1.
- 1.2 There were 31 low, 15 medium and 5 high risks, identified as part of the IT health check. The Council are focusing on the 15 mediums and the 5 highs as part of our remediation plan as these are the ones which need to be addressed as a priority.
- 1.3 Since the IT health check was carried out, the Council have remediated two high risks and 5 medium risks. The remaining high and medium risks will be remediated by the end of February 2025, as this is when the Council needs to submit its remediation plan to the Cabinet Office for the renewal of our PSN (Public Sector Network) certification, however the Council is reliant on suppliers and their resources. Some remediations may run for slightly longer whilst we await patches or software upgrades from suppliers. As long as we know which risks these are and have a plan to remediate, the cabinet office, have been happy with this approach. So far, we have not incurred any additional costs for remediations and don't foresee any costs with the remaining remediations.
- 1.4 A retest of the remediations will be carried out to make sure the high and medium risks have been remediated correctly. The cost of the retest is £2,090 and the retest will be carried out before the end February, prior to submission to the cabinet office. A retest which is awaiting supplier fixes and software upgrades will be carried out, once these patches and upgrades have been applied.

2.0 FINANCIAL IMPLICATIONS

- 2.1 The cost of the retest is £2,090 and is funded from the IT revenue budget.

Policies and other considerations, as appropriate	
Council Priorities:	A Well-Run Council
Policy Considerations:	N/A
Safeguarding:	N/A
Equalities/Diversity:	N/A
Customer Impact:	Customer services and the business would be severely impacted if there was no access to the network or systems.
Economic and Social Impact:	N/A
Environment, Climate Change and Zero Carbon	N/A
Consultation/Community/Tenant Engagement:	N/A

Risks:	There are no specific risks associated with this report, however, if the areas identified within the IT Health Check are not remediated the Council could be at a higher risk of a cyber-attack.
Officer Contact	Sam Outama IT MANAGER Sam.Outama@nwleicestershire.gov.uk

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