



## Audit and Standards Advisory Committee

**Wednesday 7 December 2022 at 6.00 pm**

Conference Hall - Brent Civic Centre, Engineers Way,  
Wembley, HA9 0FJ

Please note that this meeting will be held as an in person physical meeting with all Committee members required to attend in person.

The meeting will be open for the press and public to attend or alternatively can be followed via the live webcast. The link to follow proceedings via the live webcast is available [HERE](#)

### Membership:

#### Members

David Ewart (Chair)

#### Substitute Members

#### Councillors:

Chan (Vice-Chair)  
Long  
Kabir  
Smith  
S Butt  
Choudry  
Patel

#### Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

#### Councillors:

Kansagra and Mistry

#### Independent Members

Javed Ansari

#### Independent Advisor

Vineeta Manchanda

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Tel: 020 8937 5106; Email: [Natalie.Connor@brent.gov.uk](mailto:Natalie.Connor@brent.gov.uk)

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### **Notes for Members - Declarations of Interest:**

If a Member is aware they have a Disclosable Pecuniary Interest\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest\*\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

### **\*Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

### **\*\*Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
    - To which you are appointed by the council;
    - which exercises functions of a public nature;
    - which is directed is to charitable purposes;
    - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
  - (b) The interests of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;
- or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

# Agenda

Introductions, if appropriate.

Item	Page
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1	<b>Apologies for absence and clarification of alternate members</b>	
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2	<b>Declarations of Interest</b>	
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Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.

3	<b>Deputations (if any)</b>	
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To hear any deputations received from members of the public in accordance with Standing Order 67.

4	<b>Minutes of the previous meeting</b>	1 - 16
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To approve the minutes of the meeting held on Thursday 29 September 2022 as a correct record and note the action log arising from previous meetings.

5	<b>Matters arising (if any)</b>	
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To consider any matters arising from the minutes of the previous meeting.

**Standards Items - None included for consideration at this meeting**

**Audit & Finance Items**

6.	<b>Treasury Management Strategy</b>	17 - 40
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This report presents the draft Treasury Management Strategy (TMS) for 2023/24 for consideration by the Audit & Standards Advisory Committee. Members are asked to note that the final version of the TMS incorporating the views of this Committee will be included in the annual budget setting report to be presented to Cabinet on 6 February 2023.

7	<b>Treasury Management Mid-Year Report 2022-23</b>	41 - 54
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This report updates Members on Treasury activity for the first half of the

financial year 2022-23.

**8 Counter Fraud Interim Report 2022-23** 55 - 62

The report sets out a summary of the counter fraud activity undertaken for the period 1<sup>st</sup> April to 30<sup>th</sup> September 2022.

**9 Internal Audit Interim Report 2022-23** 63 - 86

This report outlines the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan.

**10 External Audit Progress Report and Sector Update** Verbal Update

To receive a verbal update on progress in delivering Grant Thornton's responsibilities as the Council's external auditors. The update will also include a summary of emerging national issues and developments that may be relevant to Brent as a local authority.

**11 Forward Plan and Agenda for the next meeting** 87 - 88

To review and note the Committee's work programme for 2022-23.

**12 Any other urgent business**

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or her representative before the meeting in accordance with Standing Order 60.

**Date of the next meeting: Tuesday 7 February 2023**



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public. Alternatively it will be possible to follow proceedings [here](#)



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Thursday 29 September**  
**2022 at 6.00 pm**

**PRESENT:** Councillor David Ewart (Chair), Councillor Chan (Vice-Chair) and Councillors S.Butt, Choudry, Kabir, Long, Jayanti Patel & Smith.

Independent Member: Vineeta Manchanda.

Also present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform).

**Also Present:** Councillors

1. **Apologies for absence and clarification of alternate members**

None received.

2. **Declarations of Interest**

David Ewart declared a personal interest as a member of CIPFA.

Councillor S.Butt declared a personal interest in Agenda Item 8 (i4B Holdings Ltd & First Wave Housing (FWH) Ltd performance and External Audit Findings) as a Council appointed Director on the Board of both i4B Holding Ltd and FWH Ltd.

Given the reference to completion of Mandatory Training by members within the Standards Report (Agenda Item 6) the Committee was advised that Councillor Choudry had subsequently completed the Equalities Training module, with the monitoring details to be updated accordingly.

3. **Deputations (if any)**

None received.

4. **Minutes of the previous meeting and action log**

**RESOLVED** that the minutes of the previous meeting held on Monday 1 August 2022 be approved as a correct record.

Members also noted the update provided in relation to the Action Log of issues identified at previous meetings. Councillor Chan advised that members had received a copy of the report outlining the Council's approach and support in tackling the Cost-of-Living crisis presented to the Resources & Public Realm Scrutiny Committee on 6 September 2022. The Committee were encouraged to feedback any audit related issues they felt it would be useful to pursue via

Councillor Chan, in order to consider the potential for any more joined up work required with scrutiny.

The Chair also took the opportunity to thank Ben Ainsworth (Head of Finance) for the responses provided on the detailed follow up questions by members in relation to the Draft Statement of Accounts 2021-22.

5. **Matters arising (if any)**

None.

6. **Standards Report**

Debra Norman, Corporate Director Governance, introduced a report updating the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions. In considering the report the Committee noted:

- The summary of gifts and hospitality which had been registered by members during July – September 2022, as detailed within section 3.3 and Appendix A of the report.
- That with the exception of Equalities & Safeguarding Vulnerable Adults training all members had completed the required mandatory training courses including both Standards and Data Protection modules. Having noted the updated provided at the start of the meeting, the Committee were advised that six members were still to complete their Equalities training; two members their Safeguarding Vulnerable Adults training and four members their Corporate Parenting & Safeguarding Children modules, with the specific details provided in Appendix B of the report.
- The positive progress made in terms of completion of the mandatory training modules by members, with further sessions of the relevant training sessions being arranged for those members unable or still to complete the initial programme.

As no further issues were raised the Chair thanked Debra Norman for the update provided and it was **RESOLVED** to note the contents of the report.

7. **Complaints and Code of Conduct**

Debra Norman, Corporate Director Governance, introduced a report providing an annual review of the complaints received pursuant to the Complaints Procedure and a review of the Members' Code of Conduct. In considering the report the Committee noted:

- The summary of complaints received in the last 12 months, as detailed in section 3.4 and Appendix A of the report.
- During this period, the Corporate Director Governance as Monitoring Officer had received and made determinations regarding three councillors allegedly in breach of the Members Code of Conduct. Of these complaints one had been resolved at Initial Assessment stage and two had been resolved at the Assessment Criteria stage. None had been upheld as a breach of the Code

of Conduct. One had been subject to a review request but none had been escalated to hearing/formal investigation stage, with one of the main recurring issues having been highlighted relating to councillors rights to freedom of expression.

- The overview of the complaints procedure provided within section 3 of the report and consistency produced as a result of the detailed procedure and assessment criteria.
- That no additional changes were being recommended as a result of the current review of the Member Code of Conduct Complaints Procedure.

As no further specific issues were raised the Chair thanked officers for the report and it was **RESOLVED** to note the contents of the report and that no recommendations had been identified for referral to the Audit and Standards Committee in respect of any changes required to the Member Code of Conduct Complaints Procedure.

## 8. **Order of Business**

At this stage in the meeting the Chair advised that he intended to vary to the order of the agenda so that items listed below were considered in the following order:

Item 9 Emergency Preparedness Update

Item 8 Review of Performance & Management of i4B Holdings Ltd & First Wave Housing Ltd along with the External Audit Findings

The minutes reflect the order in which the items were considered at the meeting.

## 9. **Emergency Preparedness update**

Daryl Jooste, Civil Contingencies Manager, introduced a report outlining the progress made since the previous update for the Committee in 2021 around the Council's emergency preparedness arrangements. The report also detailed the type and number of incidents in Brent along with the initiatives and programmes of work under way to enhance the Council's resilience and response arrangements.

Members noted that the report had been resubmitted for consideration, following an initial review by the Committee at its meeting on 1 August 2022 as it had not been possible for Daryl Jooste to attend that meeting in order to present the report.

In considering the report the Committee noted:

- The ongoing efforts being made to recruit additional Emergency Response Officers from across the Council in order to support the existing call out rota arrangements. Current numbers of staff on the rota totalled 23, although following a recent recruitment campaign six additional members of staff had now been identified. Members were assured that current levels of staff remained above the minimum level assessed as being required (14) to support the call-out rota.
- The enhanced contact arrangements established to support any emergency response, which had included the option to set up a dedicated emergency helpline during incidents alongside the standard 24/7 in and out of hours contact arrangements.

- The summary of incidents which had involved an emergency planning response since the previous report in 2021, as detailed within section 3.4 of the report.

The Committee was then invited to raise questions on the report, which are summarised below:

- Given the continued impact of climate change and impact being created by incidents linked to adverse weather conditions requiring an emergency response, members were keen to explore the arrangements being developed as part of the Council's emergency planning response arrangements to address these type of issues. As an example, reference was made to the response that had needed to be provided to the recent wildfires linked to record high temperatures experienced over the summer. In response Daryl Jooste advised that these trends had been recognised, with the additional resilience being built into the emergency response staffing arrangements and other preventative measures therefore key in terms of the ability to respond to these type of incidents over a protracted and longer term period.
- With regards to ongoing collaboration with the emergency services as part of the Council's emergency planning response arrangements, members sought further details on any issues being experienced as a result of the more limited resources available across each service, particularly in relation to the police. In recognising that any effective emergency planning response would require a joined-up response across a range of partner agencies, members were advised of the current arrangements in place with emergency services to focus on the approach towards dealing with civil emergencies, which included a quarterly liaison meeting with emergency response agencies, including the police. Confirmation was also provided in terms of the specific arrangements involving the police that it would be the on-duty police inspector who was responsible for co-ordinating their emergency response and support at any incident.
- Given the number of incidents identified involving house fires, particularly in relation to Houses in Multiple Occupation (HMOs) members were keen to focus on the action being taken to address these issues and ensure the necessary safety measures were being enforced in relation to the way these types of properties were maintained and managed. In response, members were advised of the ongoing focus needed in terms of enforcement specifically related to unlicensed and unregistered HMOs.
- In terms of specific actions which the Committee could take to continue supporting ongoing resilience efforts, members were encouraged to attend the Member Learning & Development event which had been arranged on 10<sup>th</sup> October 2022 focussed on the Council's Emergency Response arrangements and role of partner agencies. Further details on the session would be circulated to all members of the Committee who were also asked to share more widely amongst other councillors.
- As a final issue, details were sought on the welfare support available to those staff involved in co-ordinating and delivering the Council's emergency response at specific incidents. In response members were advised of the welfare assistance and support available, which included relevant training



and the debriefing of staff following each incident along with management support and access to the Employee Assistance Programme.

As no further issues were raised the Chair, on behalf of the Committee, thanked Daryl Jooste and his team for their ongoing work and for the report, and the Committee **RESOLVED** to note the update provided.

10. **To review performance, management and annual accounts of i4B Holdings Ltd and First Wave Housing Ltd**

**10.1(a) Report on i4B Holdings Ltd**

Martin Smith, Chair i4B Holdings, introduced a report providing an update on i4B Holdings Ltd.'s (i4B, the Company) recent performance, accounts outturn, risk register and audit arrangements.

In presenting the report the Committee noted:

- i4B's performance remained sound with them continuing to provide good quality homes at affordable rents for people who may otherwise have been in temporary accommodation, having provided 386 homes to residents since its inception including the additional fully let 153 unit Key Worker block.
- i4B's financial position remained on track, with the business expecting to break even by 2022-23 and the possibility of a marginal surplus in line with their original expectation when the business was initially established that it would take approximately 5 years before surplus funds were accrued.
- The update provided in terms of operational performance with the ongoing focus in relation to void turnaround times, repair and response times and target rent collection levels.
- That two significant risks had been identified on the risk register:
  - Climate Change and Health & Safety Compliance. The risks related to climate change involved work being completed on properties to bring them up to energy efficiency bands B or C. There was concern that the cost of improvement could be unaffordable and threaten the viability of the company.
  - The second significant risk involved Health & Safety Compliance following a Compliance Audit that concluded that there were operational areas that were not working as well as they could. As a result of concerns expressed the Board had already implemented a response including an immediate piece of work to gather evidence on each property in their portfolio and follow up on any areas of concern. A further longer term piece of work would be implemented by Brent Housing Management to improve safe and reliable systems, including record keeping to ensure compliance.
- There were a range of external economic factors that could affect the future financial viability of i4B that included the rate of inflation, increased interest rates and affordability of properties. The Committee were advised that it would be necessary to find a balance of the economic factors in order to maintain i4B's financial stability.

**10.1(b) i4B Holdings Ltd External Audit Findings Report**

The Committee then moved on to consider the report from Grant Thornton (External Auditors) presenting the results of the audit undertaken in relation to the i4B financial statement and accounts for the year ended 31 March 2022. Stephen Dean, Grant Thornton, presented the report and the Committee noted:

- Although to be finalised the audit work had been substantially completed and, subject to the outstanding matters being finalised as detailed in the report, the auditors had advised there were currently no matters of which they were aware that would require modification of their audit opinion.
- There were no significant risk areas in the report or any issues which needed to be brought to the Committee's attention other than the auditors recognising the change in the accounting system mid-year to Oracle Cloud which had created some challenges in ensuring all the transactions had been correctly included. The auditors were satisfied that after reconciling the transactions to the financial statements that the transactions provided were complete.
- A minor discrepancy has been picked up by the auditors with regards to a loan interest calculation in 2017/18 which totalled a difference of £114,000. This was not a material difference and therefore not adjusted in final balance sheet.
- That the calculation of bad debt provision would be included in the final report.

#### **10.2(a) Report on First Wave Housing Ltd**

Martin Smith then moved on, as Chair of First Wave Housing Ltd, to introduce the report providing an update on First Wave Housing Limited's (FWH) recent performance, accounts outturn, risk register and audit arrangements.

- The Committee were advised that First Wave continued to perform well with approximately 200 homes provided to Brent residents through First Wave Housing.
- As a well established housing provider in Brent it was highlighted that the process of providing management services for First Wave properties was simpler than that of i4B with the structure of the organisation.
- First Wave's financial position remained strong due to regular operating profits, positive cash flow and high levels of rent collection.
- Operational issues were in line with i4B and remained high on the Board's priority to improve operational performance by re-vamping systems and processes.
- It was noted that whilst the same issues around climate change and economic factors that applied to i4B were also true of First Wave Housing, the economic uncertainty was to a lesser extent than for i4B.

#### **10.2(b) FWH Ltd External Audit Findings Report**

The Committee then moved on to consider the report from Grant Thornton (External Auditors) presenting the results of the audit undertaken in relation to the i4B financial statement and accounts for the year ended 31 March 2022. Stephen Dean, Grant Thornton, presented the report and the Committee noted:

- The accounts were scheduled for signing off on the 30 September 2022.
- There were no significant risk areas in the report or any issues which needed to be brought to the Committee's attention other than the auditors recognising the change in the accounting system mid-year to Oracle Cloud which had created some challenges in ensuring all the transactions had been correctly included. The auditors were satisfied that after reconciling the transactions to the financial statements that the transactions provided were complete.
- The final report would include any control matters that were of relevance.

Having considered each report the Chair invited Committee members to ask any questions or points of clarity they may have, with the following points of discussion summarised below:

- In response to a query regarding what forecasting had been completed by i4B to try and understand the potential impact of economic uncertainty and how these concerns could be mitigated effectively, the Committee heard that i4B regularly undertook modelling to manage preparedness for potential risks.
- The Committee were advised that i4B had a stock of borrowing capacity that had been secured at a good rate, therefore in the short term continued purchases were viable for approximately 30-40 additional properties under the current loan agreement. Additionally, in the event that interest rates continued to rise but property values fall, i4B would maintain a stable position to make further viable purchases.
- In response to a Committee question regarding how long the council could continue to lend money to i4B given the multiple budgetary pressures, it was clarified that lending would still be possible, however interest rates would be higher. Ongoing work to secure loans at the best rates continued to take place parallel to the monitoring of the challenging financial climate.
- The issue of void turnaround terms was highlighted as a concern due to the loss of revenue from empty properties and the hardships faced by those waiting for accommodation. It was confirmed that i4B were equally concerned with the issue around void performance, with multiple issues affecting the turnaround time that included labour shortages and supply chains coupled with the need to review some internal processes. These concerns were high on the Board's priorities and discussions had taken place with Brent Housing Management who were leading with a remedial plan. It was re-iterated to the Committee that realistically it would take some time to embed new processes and see a significant positive impact on void turnaround times.
- In relation to a Committee query regarding ownership and timescales on the action plan, the Committee were reassured that there would be timescales linked to management actions.
- Further details were sought regarding why the collection rate for FWH was higher than that of i4B. In response members were advised that it was not a performance management issue as both i4B and FWH rents were collected by the same team. It was felt there were three key differences in why collection rates were more challenging for i4B that included a higher percentage of i4B residents claiming Universal Credit, i4B rents were

- generally higher than FWH rents with many i4B tenants also likely to be a more vulnerable cohort.
- The Committee heard that a plan had been devised to increase rent collections for i4B that included increased signposting to sources of support for residents struggling to pay their rent and the pending appointment of a Sustainability Officer whose sole role would be support residents to manage their rent and stay in their properties.
  - A final question was raised as to whether there were contingency funds to support the remedial works that properties would need to support improved energy efficiency as well as additional funds for freeholders which may require funding for their own remedial works for their buildings that homed i4B units. The Committee were advised that there was provisional funding set aside for this, however this had not been called upon by freeholders as yet. In terms of the broader picture the Board noted that climate concerns would be a sector wide issue moving forward and as such preparedness was vital. i4B had responded to this as a risk as part of their business plan modelling, findings from this concluded that to achieve an energy efficiency rating of B it was likely that each property would need between £30-40k of improvements. The costs involved would have implications on a capital programme for energy works going forward and could affect the purchasing of additional properties as further considerations would be given to potential costs involved in ensuring energy efficiency.

As no further issues were raised the Chair thanked Martin Smith for attending the meeting in order to present both the i4B Holding Ltd and FWH Ltd reports and it was **RESOLVED**:

- (1) To note the performance update reports provided in relation to both i4B Holding Ltd and FWH Ltd and continued focus required on the key risks and performance issues identified.
- (2) To note both the i4B Holdings Ltd and FWH Ltd Audit Findings report.

## 11. **Statement of Accounts**

David Ewart (as Chair) open consideration of this item by advising the Committee that the report provided by the Corporate Director Finance & Resources detailed progress, since previous consideration of the draft Statement of Accounts at the Committee's previous meeting on 1 August 2022, in approving the Council's Statement of Accounts for 2020/21 and providing a draft Letter of Representation for consideration in advance of final sign off and Grant Thornton being able to issue a final audit opinion.

In considering the report the Committee noted its role in considering any issues raised by the External Auditors as part of the process for approving the Council's annual statement of accounts, with the basis for this being the "report to those charged with governance" also referred to as the ISA260 report. The Council's external auditors, Grant Thornton, produced the report following completion of the audit of accounts with the report intended to identify any changes to the accounts, unadjusted misstatements or material weaknesses in controls identified during the audit work. It also provided the findings from the value for money conclusion for the year.

Ciaran McLaughlin, Grant Thornton External Audit, was then welcomed to the meeting and invited to provide the Committee with an update on the progress in completing the audit of the 2021-22 accounts and their ISA260 report. Whilst Brent's 2021-22 Statement of Accounts had been finalised and signed off, members were advised that the audit process had been delayed as a result of a national issue previously reported relating to the accounting requirements for the calculation of asset values of highways infrastructure. As this was still to be resolved and would potentially require legislative action by the Department for Levelling Up, Housing and Communities, there had been a need to pause the completion of the audit process pending this being addressed.

In terms of current progress, Members noted that the audit work had commenced and was substantially complete with the anticipated result being an unqualified audit opinion being issued, however it would not be possible to confirm this until any change in relation to the accounting requirements around the treatment of Highway Infrastructure assets had been resolved. As a result, this was also expected to impact on the ability to meet the deadline for publication of the final accounts by 30 November 2022 with the necessary revisions to the CIPFA accounting Code of Practice not anticipated to be until late November 2022.

The Chair thanked Ciaran McLaughlin for the update and advised that as a result of the delays outlined there would be a need to recommend to the Audit & Standards Committee that they consider authorising the Chair of that Committee to sign off the required letter of Representation and Statement of accounts, subject to a written assurance being provided that all outstanding matters and adjustments contained in the audit findings report have been made and that if there are any material adjustments required following the resolution of the infrastructure assets issue, these should be brought back to the next committee for sign off and also sent to the Chair of the Audit and Standards Advisory Committee and the Independent Advisor to the Committee.

With no further issue raised the Committee took the opportunity to thank all officers involved in the preparation of the accounts and it was **RESOLVED**:

- (1) To note the reasons for the current pause and delay in the final audit being completed whilst the infrastructure issue was being addressed by CIPFA and the Department for Levelling Up, Housing and Communities.
- (2) To note the proposed recommendation to be made to the Audit & Standard Committee in relation to the process for final approval of the Letter of Representation to Grant Thornton and sign off of the Statement of Accounts.

## 12. **LB Brent 2021/22 Audit Findings Report**

The Committee then moved on to consider in detail the report, introduced by Ciaran McLaughlin, Grant Thornton External Audit, outlining the key issues and findings in relation to the current position on the statutory audit of the Council's 2021-22 Statement of Accounts.

In considering the report the Committee noted:

- In terms of journals, debtors and creditors, this work had been completed subject to final review. Income and expenditure testing was being discussed with management but these issues were not expected to result in the need for any significant adjustments. Subject to completion of this process and resolution of the accounting requirements in relation to highway infrastructure assets it was anticipated that an unqualified audit opinion would be issued.
- In terms of the initial Value for Money assessment no significant weaknesses had been identified to date, with the final outcome due to be reported to Committee once completed.
- Moving on to materiality, having been advised of the approach adopted and revisions in relation to the financial statements and performance members were advised that no major issues had been identified in terms of the assessments and qualitative factors considered.
- The review undertaken as part of the audit in relation to the following areas of significant risks identified within the Audit Plan:
  - Fraud in expenditure recognition – whilst a projected misstatement had been identified in relation to an insurance policy this had been recorded on the unadjusted error schedule and at this stage no other issues had been identified in respect of the risk identified;
  - Valuation of land and buildings – whilst identifying a control point in relation to the Council needing to obtain a formal valuation certified by their valuer when applying indexation to determine the year end valuation of land and buildings this was not expected to have any significant impact and no other issues had been identified to date in relation to the risk identified;
  - Valuation of pension fund net liability – with no significant issues based on the revised IAS 19 report identified in respect of the risk identified;
  - New Oracle Cloud system implementation – subject to the internal control issues identified in the audit Action Plan attached as Appendix A to the report which included recommendations in relation to the segregation of duties; audit logging; monitoring of scheduled processes and secure maintenance of project documents on which management actions had already been identified, no other issues had been identified;
  - Valuation of Council dwellings - whilst identifying a control point in relation to the Council needing to obtain a formal valuation certified by their valuer once indexation had been applied, no other significant issues had been identified to date;
- The key estimates and judgements considered as part of the enhanced audit requirements, as detailed within Section 2 of the report.
- The assessments provided in relation to the Council's Internal Control mechanisms and accompanying recommendations and Action Plan detailed in response to the issues identified during the course of the audit. These included:
  - Income Population Listing (High Risk);
  - Review of opening & closing balance (High Risk);
  - IT Audit Control Findings re Oracle Cloud (High Risk);
  - PPE Valuation findings;
  - Oracle New System Implementation - reconciliation

- The matters which had been identified as significant for discussion with management during the course of the audit, which had been focussed around:
  - the impact of the war in Ukraine on the Council's budget and cost of living crisis, with it having been assessed that the Council had established reasonable arrangements to mitigate against the associated risks identified;
  - Value of infrastructure assets and presentation of gross cost and accumulated depreciation in the PPE note – with a formal update of the CIPFA code awaited in order to review compliance;
- The communication requirements identified during the audit process with sufficient audit evidence having been provided to enable a conclusion that no material uncertainty in relation to going concern had been identified and that use of the going concern basis of accounting in the preparation of the financial statements was appropriate.
- The confirmation and assurance provided in relation to the independence and ethical standards of the auditors.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- In response to a query relating to the adequacy of internal controls around implementation of the Oracle Cloud system, members' attention was drawn to the management actions identified within the Audit Action Plan included within Appendix A of the report. The actions being taken to address the issues identified in relation to the segregation of duties, audit logging and monitoring of processes had been acknowledged with further assurance provided in relation to the level of testing undertaken on journals (particularly those identified as high risk areas) and no issues having been identified as a result. It was also recognised that initial implementation had been based on a "lift and shift" approach from the previous system with further reviews now underway in relation to use of additional functionality taking account of cost, system performance and dependencies. Confirmation was also provided that similar issues and risks in Oracle Cloud implementation had been identified within other local authorities when switching to the new system.
- In response to a query regarding the valuation of dwelling, land and buildings, it was confirmed these assets had been subject to valuation by a professional valuer.
- A query was raised on the valuation of properties and to what extent expert valuers were factoring in the issue of climate change. Members were advised this had been recognised as an issue in terms of accounting requirements with initial guidance having been issued in relation to Financial Statement reporting and the main focus on Value for Money considerations. Confirmation was provided that these issues had been raised with the valuers to ensure they were following the relevant guidance and it was anticipated that this focus would increase as part of the asset valuation process and considerations in relation to remediation works.

As no further issues were raised the Chair thanked officers and the External Auditors for their efforts and it was **RESOLVED** to note the contents, key issues and findings contained within the Audit Findings report.

In terms of next steps, the Committee were updated that a Letter of Representation from management would be required before the audit and Statement of Accounts could be formally signed off. As completion of the audit had needed to be paused, however, the Committee was asked to consider making the following recommendation to the Audit & Standards Committee in relation to the sign off process, which it was **RESOLVED** to agree:

On the basis of the discussion and comments made at the Audit and Standards Advisory Committee, the Audit and Standards Committee agrees authorising the Chair of that Committee to sign the required letter of Representation and Statement of accounts, which are expected to be unqualified, subject to a written assurance being provided that all outstanding matters and adjustments contained in the audit findings report had been made. If there were any material adjustments required following the resolution of the infrastructure assets issue, these would be brought back to the next Committee for sign off and also sent to the Chair of the Audit and Standards Advisory Committee and the Independent Advisor to the Committee.

### 13. **LB Brent Pension Fund 2021/22 Audit Findings Report**

Ciaran McLaughlin, Grant Thornton External Audit, introduced a report, which updated the Committee on the Pension Fund audit findings for the year ended 31 March 2022. In considering the report, the Committee noted:

- That the audit work was now substantially complete and subject to the final outstanding queries being resolved the External Auditors anticipated being able to issue an unqualified audit opinion.
- The approach towards the materiality assessments as identified in Section 2 of the report.
- The risks identified within the Audit Plan, in relation to management override controls, valuation of Level Three investments and new system evaluation recognition in contributions. Having been evaluated however, the audit work had not identified any significant issues in respect of the risks identified
- The key estimates and judgements considered as part of the enhanced audit requirements with no significant issues having been identified to date.
- The communication requirements identified during the audit process with sufficient audit evidence having been provided to enable a conclusion that no material uncertainty in relation to going concern had been identified and that use of the going concern basis of accounting in the preparation of the financial statements was appropriate.
- With regards to any outstanding matters, it was noted that this centred around finalising the review process and the delay in being able to sign off the Pension Fund Statement of Accounts and Audit as a result of the pause in the Council's Statement of Account sign off process.

The Committee was then invited to raise questions on the report, which are summarised below:

- Given the impact of recent market turmoil on Pension Funds nationally, further details were sought on the potential need for any reconsideration of the original statement of accounts. In response, Ciaran McLaughlin advised



that no guidance had yet been issued on the need to consider the impact of market adjustments with any additional assessment therefore dependent on the impact relating to materiality thresholds of the financial statements and Fund performance.

- Further details were also sought regarding the difference between materiality thresholds for the Pension Fund and Council's main Financial Statements. In response, members were advised that the thresholds applied would relate to the value of net assets and changes identified since the planning stage and also took account of the overall value of the Fund along with the nature of benefit payments and contributions from and to the Fund.

As no further issues were raised the Chair thanked all those involved for their work in preparing the financial statements and it was **RESOLVED** (in noting the reasons outlined for the delay in final sign off of the accounts and recommendation made to the Audit & Standards Committee as a result) to note the contents key issues and findings contained within the Pension Fund Audit Findings report.

#### 14. **Planning Code of Practice Review**

Biancia Robinson, Senior Constitutional and Governance Lawyer, introduced a report updating the Committee on the outcome of an Independent Review undertaken in relation to the Council's Planning Code of Conduct and changes being recommended as a result.

In considering the report the Committee noted:

- The requirement within the Code of Conduct for an independent review relating to operation of the Code to be undertaken once every four years, with the last review completed in 2018.
- The Planning Advisory Service (PAS) had been commissioned to undertake the current independent review, with a copy of the full review, outcome and recommendations having been attached as Appendix A to the committee report.
- The key findings identified as a result of the review, as detailed within section 3 of the committee report. Whilst identifying some areas for consideration the review had found that these were not critical or likely to put Brent at risk of challenge if not implemented immediately with the overall review being complimentary of the way in which the Code and Planning Committee operated, including the professionalism and conduct of councillors and officers at meetings. In commending Brent's approach, the review had also identified the Code as representing national best practice and one which it recommended was used as a benchmark by other Councils.
- The recommendations and comments made as a result of the review (as detailed within Appendix B of the report) had been subject to consideration by officers, with the recommended changes to the Code identified as a result having been set out within Appendix C of the report.

The Committee was then invited to raise questions on the report, which are summarised below:

- Clarification was sought on the level of Special Responsibility Allowance (SRAs) provided for members of the Planning Committee with members advised, in response, of a planned review of SRAs across all committees to be undertaken by the Constitution Working Group later in the year based on the outcome of a further review by London Councils Independent Remuneration Panel.
- As part of any review of the duties undertaken by members of the Planning Committee it was highlighted that in person site visits had now recommenced with members also expected to be engaged in pre application briefings for relevant schemes and on which additional guidance was currently being finalised.
- In response to a query on the independent review process, confirmation was provided that this had involved engagement with councillors and officers as opposed to local residents.

Members commended those officers involved for the outcome of the review and recognition provided in relation to Brent's Code as national best practice and as no further issue were raised it was **RESOLVED**:

- (1) To note the report and outcome of the Independent Review.
- (2) To note that the changes recommended to the Planning Code of Practice as a result of the report would now be referred to Full Council for formal approval.

#### 15. **Review the Committee's Forward Plan**

It was **RESOLVED** to note the Committee's current Forward Plan and Work Programme for 2022-23 and date of the next meeting as Tuesday 07 December 2022.

#### 16. **Any other urgent business**

None.

The meeting closed at 8.10 pm


David Ewart  
Chair

**London Borough of Brent  
Audit & Standards Advisory Committee – Action Log**

	<b>Audit &amp; Standards Advisory Committee</b>	<b>Meeting Date: 1 August 2022</b>
<b>Agenda Item No</b>	<b>Item</b>	<b>Actions</b>
5.	Matters Arising – Financial Dashboard presentation	As more data sets became available there would be an Outcome Based Review which would be a Council wide programme. It was suggested that an update was provided on this at a future meeting. <i>(Sadie East/Peter Gadsdon)</i>
6	Standards Report (incl Gifts & Hospitality)	The Committee noted that it would be helpful to see where Brent's code of conduct differed to the proposals set out in the LGA guidance. This annotation would be circulated to Members of the Committee. <i>(Biancia Robinson/Debra Norman)</i>
9	Internal Audit 2021-22 Annual Report – Addendum Report	Agreed to share the EQA survey with Members who previously served on the Committee <i>(David Ewart/Darren Armstrong)</i>
	<b>Audit &amp; Standards Advisory Committee</b>	<b>Meeting Date: 29 September 2022</b>
5.	Matters Arising – Financial Inclusion Dashboard presentation	Copy of Cost of Living report provided for Resources & Public Realm Scrutiny Committee to be provided for members of ASAC with members to contact Vice-Chair re any potential further joint work with scrutiny.
8.1	i4B Holdings Performance Update	To maintain review of i4B Risk Register in relation to impact of wider economic context on viability of company acquisition strategy.
9.	Emergency Preparedness Update	Members encouraged to attend Emergency Planning Member

**London Borough of Brent – Action Sheet Audit & Standards Advisory Committee: Tuesday 7 June 2022**

Agenda Item No	Item	Decision & Actions Arising
		Learning & Development session on 10 October 22 for which further details to be provided.
<b>10, 11 &amp; 12.</b>	Statement of Accounts & Audit Findings	<p>Update to be provided on delay to account sign off as a result of national issue regarding the representation of infrastructure assets in LA accounts, which required CIPFA revisions to the code of practice. <i>(Minesh Patel/Rav Jassar)</i></p> <p>Approval delegated to sign of Draft Letter of Representation to Corporate Director Finance &amp; Resources, with copy to be made available to Chair, Vice-Chair and Independent Advisor. <i>(Minesh Patel/Rav Jassar)</i></p> <p>Approval of Statement of Accounts to be delegated to Chair ASC subject to agreement of necessary final adjustments and final audit opinion. <i>(Minesh Patel/Rav Jassar)</i></p> <p>Update on VFM work to be provided as part of the External Auditors Report at December's Audit and Standards Advisory Committee.</p>
<b>13.</b>	Planning Code of Practice Review	Formal approval of changes to Code of Practice and Council Constitution to be referred to November Full Council meeting. <i>(Biancia Robinson)</i>

	<b>Audit &amp; Standards Advisory Committee</b> 7 <sup>th</sup> December 2022
	<b>Report from the Corporate Director of Finance and Resources</b>
<b>Treasury Management Strategy 2023/24</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	One  Appendix 1 - Draft Treasury Management Strategy 2023/24
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Sacha Bakhtiar Senior Finance Analyst Email: <a href="mailto:Sacha.bakhtiar@brent.gov.uk">Sacha.bakhtiar@brent.gov.uk</a> Tel: 020 8937 4039  Amanda Healy Head of Finance Email: <a href="mailto:Amanda.healy@brent.gov.uk">Amanda.healy@brent.gov.uk</a> Tel: 020 8937 5912

## 1.0 Purpose of the Report

- 1.1 This report presents the draft Treasury Management Strategy (TMS) for 2023/24 for consideration by the Committee. The final version of the TMS incorporating the views of this Committee will be included in the annual budget setting report to be presented to Cabinet on 6 February 2023.

## 2.0 Recommendation(s)

- 2.1 That the Audit and Standards Advisory Committee considers and comments on the draft Treasury Management Strategy 2023/24 included in Appendix 1.

### **3.0 Detail**

- 3.1 The Strategy sets out the framework for Treasury Management activity in 2023/24 and includes details on:
- Borrowing Strategy and sources of debt finance
  - Investment Strategy, investment types and prescribed limits
  - Treasury Management Indicators for 2023/24
  - Alternative options/strategies
  - External context
  - Local context

- 3.2 The draft strategy is included in Appendix 1.

### **4.0 Financial Implications**

- 4.1 The planned treasury management activity outlined in appendix 1 will result in capital interest costs as well as the generation of investment income for the Council. The Council's capital financing budget for 2023/24, including provisions for MRP (sums set aside for the repayment of debt) has been aligned with this strategy and will form part of the overall budget setting report scheduled to be presented to cabinet on 6 February 2023.

### **5.0 Legal Implications**

- 5.1 There are no direct legal implications.

### **6.0 Equality Implications**

- 6.1 No direct implications.

### **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 None.

### **8.0 Human Resources/Property Implications**

- 8.1 No direct implications.

#### **Report sign off:**

**Minesh Patel**  
Corporate Director of  
Finance and Resources

## **Appendix I - Draft Treasury Management Strategy Statement 2023/24**

### **Introduction**

- 1.0 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 2.0 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

### **External Context**

- 3.0 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.
- 4.0 The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7-2 majority of the Monetary Policy Committee (MPC), with one of the two dissenters voting for a 0.50% rise and the other for just a 0.25% rise.
- 5.0 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
- 6.0 The UK economy grew by 0.2% between April and June 2022, but the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 7.0 CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However the BoE has stated it considers this path to be too

high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.

- 8.0 The labour market remains tight for now, with the most recent statistics showing the unemployment rate fell to 3.5%, driven mostly by a shrinking labour force. Earnings were up strongly in nominal terms by 6% for total pay and 5.4% for regular pay but factoring in inflation means real total pay was -2.4% and regular pay -2.9%. Looking forward, the MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 9.0 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 10.0 Inflation has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 0.2% in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.

### **Credit outlook**

- 11.0 Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.
- 12.0 CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.
- 13.0 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.
- 14.0 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.



### Interest rate forecast

- 15.0 The Council's treasury management adviser Arlingclose is forecasting that the Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 16.0 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 17.0 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 18.0 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix 1.
- 19.0 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 3%, and that new long-term loans will be borrowed at an average rate of 4%.

### Local Context

- 20.0 The Council's borrowing as at 31<sup>st</sup> December 2022 will be summarised in 21.0 below and detailed in Appendix 2 once available later this year.
- 21.0 At 31<sup>st</sup> December 2022, the Council held £X.Xm of borrowing (£X.Xm long term and £X.Xm short term) and £X.Xm of investments. This is set out in further detail at **Appendix 2**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

22.0 *Table 1: Balance sheet summary and forecast*

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Capital financing requirement	998.5	1,146.6	1,395.1	1,571.6	1,632.0
Other debt liabilities *	25.6	25.6	25.6	25.6	25.6
Loans CFR	1,024.1	1,172.3	1,420.7	1,597.3	1,657.6
External borrowing **	(684.6)	(681.7)	(618.3)	(609.9)	(601.6)

Internal (over) borrowing	339.6	490.6	802.4	987.4	1,056.0
Less: Balance Sheet resources	(438.2)	(438.2)	(438.2)	(438.2)	(438.2)
Treasury Investments (or New borrowing)	98.6	(52.4)	(364.2)	(549.2)	(617.8)

\* leases and PFI liabilities that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

23.0 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. The Council's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This means the Council has minimised its interest costs by utilising internal resources over the short term instead of undertaking more expensive external borrowing. As our internal resources are being depleted, there is an increasing need for the Council to undertake new external borrowing to fund the capital programme. The Council will need to borrow up to £617.8m over the forecast period.

24.0 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2023/24.

### Liability Benchmark

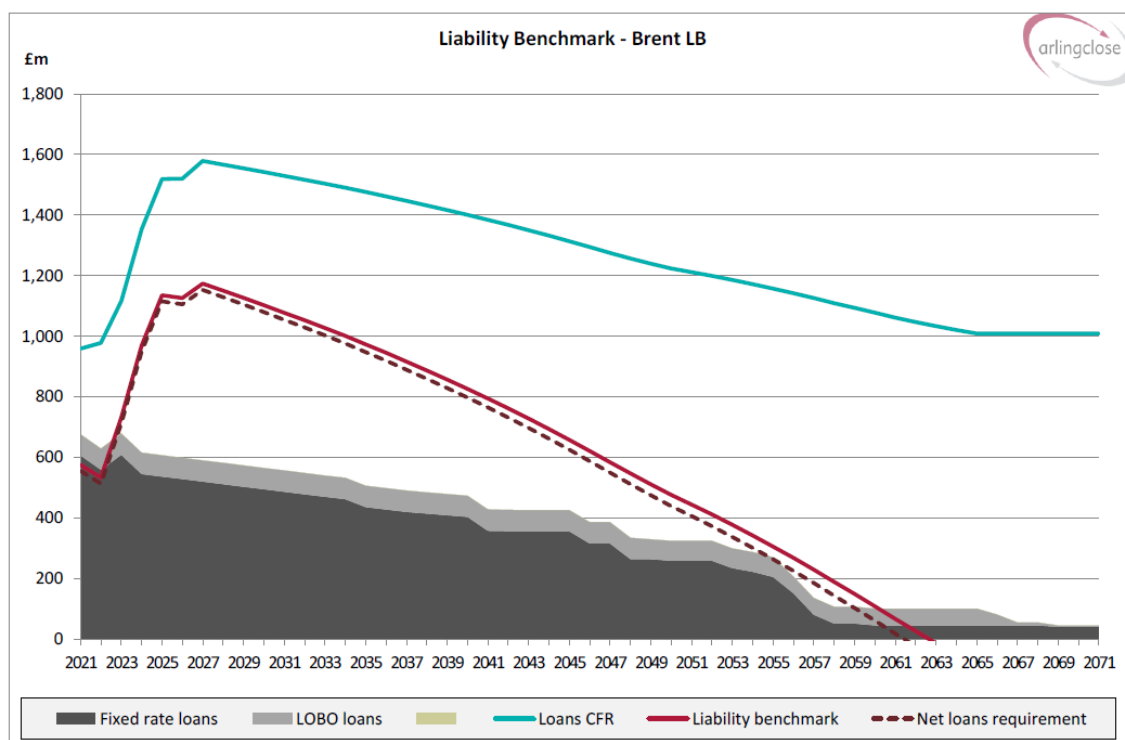
25.0 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.

26.0 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. The liability benchmark itself 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 required to manage day-to-day cash flow.

27.0 Table 2: Prudential Indicator: Liability benchmark

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Loans CFR	1,024.1	1,172.3	1,420.7	1,597.3	1,657.6
Less: Balance sheet resources	(438.2)	(438.2)	(438.2)	(438.2)	(438.2)
<b>Net loans requirement</b>	<b>586.0</b>	<b>734.1</b>	<b>982.5</b>	<b>1,159.1</b>	<b>1,219.4</b>
Plus: Liquidity allowance	20.0	20.0	20.0	20.0	20.0
<b>Liability benchmark</b>	<b>606.0</b>	<b>754.1</b>	<b>1,002.5</b>	<b>1,179.1</b>	<b>1,239.4</b>

28.0 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes minimum revenue provision on new capital expenditure based on a 5 - 60 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:



- 29.0 The Loan CFR (Blue lines) represents the need to fund capital expenditure through borrowing. The Liability benchmark (Red Lines) represents the level of borrowing requirement once reserves and working capital has been taken into account. Where the liability benchmark exceeds the Council's current borrowing levels (Grey area), this indicates the real need to borrow.

### **Borrowing Strategy**

- 30.0 The Council currently holds £684.6m million of loans, an increase of £25.5m (Last year £659.1m) million on the previous year, due to the decrease in internal cash reserves and planned capital expenditure. The balance sheet forecast in Table 1 shows that the Council expects to borrow up to £1,219m by 2025/26 however, this is largely dependent on how the capital programme progresses. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1.5 billion.
- 31.0 **Objectives:** The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 32.0 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the

debt portfolio. Interest rates have increased across the yield curve over the past year. The Council will continue to work closely with our Treasury advisors Arlingclose in order to borrow at optimal points avoiding the worst of the market volatility. Where appropriate, the Council may increase the proportion of it's debt held for short-term maturities.

33.0 In order to ensure long term stability of the debt portfolio, a proportion of the portfolio will be funded by long term borrowing. Where is affordable, this can help provide certainty to ensure the ongoing viability for capital programme schemes in these volatile markets.

34.0 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the local Brent Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

35.0 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

36.0 The Council has previously raised the majority of its long term borrowing from the PWLB and will continue to do so in 2023/24. The Council will also consider the arrangement of forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

37.0 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council has not undertaken such borrowing and has no plans to in future, which ensures continuing access to PWLB borrowing facilities.

38.0 In addition to above, the Council may borrow short-term loans to cover temporary cash flow pressures from other Local Authorities.

- 39.0 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to members.
- 40.0 **LOBOs:** The Council holds £70.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £26m of these LOBOs have options during 2023/24. Due to higher market rates, there is now a significant risk that some existing LOBO's may now require refinancing at higher rates or will require repaying.
- 41.0 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section 69 below).
- 42.0 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

### **Treasury Investment Strategy**

- 43.0 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £37.7m and £124.5m due to capital expenditure utilising the Council's internal cash reserves. These balances are expected to remain low for the remainder of the year with cash available to invest for relatively short periods.
- 44.0 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest 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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

- 45.0 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Council continue to monitor higher yielding asset classes during 2023/24. This represents a continuation of the strategy adopted in 2018/19. However, it is worth noting that this approach will be limited to the extent that the capital investment plans are delivered in line with current expectations. Should this prove to be the case, surplus funds will not be available to invest over longer durations as set out below.
- 46.0 **ESG Policy** - Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 47.0 Currently, the majority of the Council's surplus cash remains invested in short-term money market funds. The average rate of interest received on short-term investments during the year to **December 22** was **X%** with an average duration of **X%**. Due to the authorities borrowing requirement, there is unlikely to be scope to improve the short term investment returns achieved as liquidity of the surplus funds will play a key role.
- 48.0 The Council will maintain a minimum investment balance of £10m to ensure the Council complies with the requirements to be a professional client under MIFID II regulations.
- 49.0 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

- 50.0 **Credit Rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose long-term credit rating is no lower than A-. The Council uses the lowest rating quoted by the main rating agencies, as recommended by CIPFA. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. Within these criteria the Director of Finance will have discretion to accept or reject individual institutions as counterparties on the basis of any information which may become available.
- 51.0 Credit ratings are obtained and monitored by the Council’s treasury advisers, who will notify changes in ratings as they occur. Any institution will be suspended or removed should any factors give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Should an entity’s credit rating be downgraded so that it does not meet the Council’s approved criteria then:
- No new investments will be made;
  - Full consideration will be made to the recall or sale of existing investments with the affected counterparty.
- 52.0 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 53.0 Having an appropriate lending list of counterparties, remains critically important to protecting Brent’s investments. A list of extremely secure counterparties would be very small, and the limits with each would be correspondingly high. This would expose the Council to a risk of an unlikely but potentially large loss. This arises because the arrangements for dealing with banks in difficulty now require a loss to be imposed on various categories of liabilities of the banks to allow the bank to recapitalise itself and continue in business (sometimes referred to as bail in).
- 54.0 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.



- 55.0 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 56.0 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. There is no upper limit to the maximum credit loss that the Council could suffer in the event of a bail-in scenario. See section 54 below for arrangements relating to operational bank accounts. Investments in unsecured deposits will be limited to £20m.
- 57.0 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed. Investments with registered providers will be limited to £20m in 2023/24.
- 58.0 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. The Council and its advisors remain alert for signs of credit or market distress that might adversely affect the Council. Investments in secured deposits will be limited to £20m.
- 59.0 **Money market funds (MMFs):** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure

access to cash at all times. Deposits will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £20m.

- 60.0 The investment strategy will provide flexibility to invest cash for longer periods in order to access higher investment returns. The upper limit for lending beyond a year is £50m. In practice, lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved. Marketable instruments may have longer maturities, though the maturity will be considered in conjunction with the likely liquidity of the market and credit quality of the institution. Other than UK Central Government the Council may invest its surplus funds subject to a maximum duration of 25 years.

**Alternative investment options will include:**

- 61.0 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Although considered as pooled funds, MMF's are discussed separately in paragraph 34. The Council currently has no investments in Pooled Funds (other than MMFs) at present, but may make prudent use of them in the future. Investments in pooled funds will be limited to £20m in 2023/24.
- 62.0 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. The risk with any investments in REITs is that shares cannot be withdrawn but can be sold on the stock market to another investor which leaves the Council open to market risk. Investments in REITs will be limited to £20m in 2023/24.
- 63.0 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
- 64.0 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject

to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The Council banks with National Westminster Bank (NatWest) who meet the Council's minimum credit criteria. Should Natwest's creditworthiness deteriorate below the Council's minimum credit criteria, then as far as is consistent with operational efficiency, no money will be placed with NatWest and credit balances in the various Council accounts will be kept to a minimum level.

**Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £384 million on 31st March 2023. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and Council subsidiaries) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

65.0 Table 3: Investment Limits

	Credit Quality	Cash limit	Time Limit
Any single organisation, except a Government entity	A- Or equivalent	£20m	n/a
UK Government	Any	Unlimited	50 years
Local Authorities & other government entities	Any	Unlimited	25 years
Banks (unsecured)*	A- Or equivalent	£20m	13 months
Building Societies (unsecured)*	A- Or equivalent	£20m	13 months
Registered providers and registered social landlords*	A- Or equivalent	£20m	5 years
Secured investments*	A- Or equivalent	£20m	5 years
Money market funds*	A- Or equivalent	Lower of 5% of total net assets of the fund or £20m	n/a
Strategic pooled funds*	A- Or equivalent	£20m	n/a
Real estate investment trusts*	A- Or equivalent	£20m	n/a
Other Investments*	A- Or equivalent	£50m	5 years

**\* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based

on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £200,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

- 66.0 **Liquidity management:** The Council uses internal purpose-built cash flow modelling tools to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The Council aims to spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

#### **TREASURY MANAGEMENT PRUDENTIAL INDICATORS**

- 67.0 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 68.0 **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 4: Credit risk indicator

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit rating	A

- 69.0 **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.

Table 5: Liquidity risk indicator

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£20m

- 70.0 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 interest rates will be:

Table 6: Interest rate risk indicator

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£5m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£5m

*The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.*

- 71.0 Maturity structure of borrowing:** This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 7: Refinancing rate risk indicator

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	60%	0%
10 years and within 20 years	75%	0%
20 years and within 30 years	75%	0%
30 years and within 40 years	75%	0%
Over 40 years	75%	0%

*Time periods start on the first day of each financial year. LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment.*

- 72.0 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 will be:

Table 8: Price risk indicator

Price risk indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£50m	£50m	£50m

## Related Matters

- 73.0 The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 74.0 **Financial Derivatives:** A Derivative is a contract between two or more parties to hedge against the risk associated with the performance of an underlying asset. Local authorities have previously made use of financial derivatives embedded into its loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk.
- 75.0 The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 76.0 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.
- 77.0 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 78.0 In line with the CIPFA Code, the Council will seek external advice and consult with Members before entering into financial derivatives to ensure that it fully understands the implications. This will include analysis of the impact on interest rate, refinancing, counterparty, market, regulatory and legal risks, together with an assessment on the effectiveness of the derivative.
- 79.0 **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.
- 80.0 **Markets in Financial Instruments Directive:** The MiFID II regulations took effect from January 2018 which saw the council reclassified as a retail client with the opportunity to opt up to professional client status. Retail clients have access increased protection however this would be balanced against potentially higher

fees and access to a more limited range of products. The Council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers. Given the size and range of the Council's treasury management activities, the Director of Finance believes this to be the appropriate status for the Council's treasury management activities.

**81.0 Financial Implications:** The draft capital financing budget of £23.6m for 2023/24 has been calculated based on the reduction in balances available for investment and the increased external borrowing required.

**82.0 Other Options Considered:** The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Council believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Table 9: Alternative Strategies

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Appendix 1 - Arlingclose Economic & Interest Rate Forecast - November 2022**

### **Underlying assumptions:**

- UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.
- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.
- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.
- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.
- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.
- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.
- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

### **Forecast:**

- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.
- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.
- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.



DRAFT – Highlighted entries relating to Q3 balances will be confirmed in updated version in Q4

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>10yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>20yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>50yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

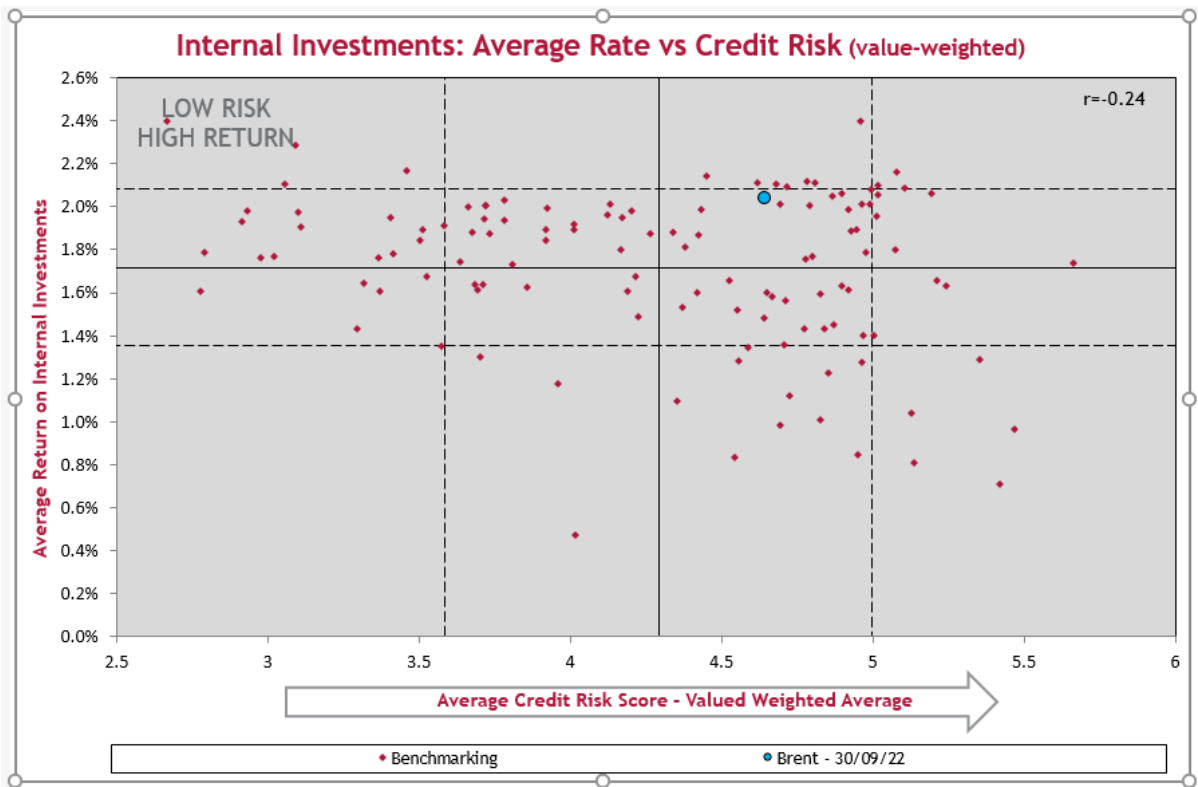
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%




**Appendix 2 - Existing Investment & Debt Portfolio Position**

	31/12/22 Actual Portfolio £m	31/12/22 Average Rate %
<b>External borrowing:</b>		
Public Works Loan Board	X.X	X.X
Local authorities	X.X	X.X
LOBO loans from banks	X.X	X.X
Other loans	X.X	X.X
Short Term Loans		
<b>Total external borrowing</b>	<b>X.X</b>	<b>X.X</b>
<b>Other long-term liabilities:</b>		
Private Finance Initiative	X.X	
Finance Leases	X.X	
<b>Total other long-term liabilities</b>	<b>X.X</b>	
<b>Total gross external debt</b>	<b>X.X</b>	
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	X.X	X.X
Government (incl. local authorities)	X.X	X.X
Money Market Funds	X.X	X.X
<b>Total treasury investments</b>	<b>X.X</b>	<b>X.X</b>
<b>Net debt</b>	<b>X.X</b>	

Appendix 3 - Internal Investments: Average Rate vs Credit Risk



A credit rating of 4 is equivalent to credit score of AA-. The Council has a target rating of A which is a rating of 6. The current portfolio has a credit rating of A+ (Credit score 5) which exceeds our target rating.

	<b>Audit &amp; Standards Advisory Committee</b> 7 <sup>th</sup> December 2022
	<b>Report from the Corporate Director of Finance and Resources</b>
<b>TREASURY MANAGEMENT MID-YEAR REPORT 2022-23</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	One Appendix 1 - Treasury Management Indicators
<b>Background Papers:</b>	Treasury Management Strategy – Report to Full Council as part of the Budget Report (Appendix I) – February 2022.
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## 1.0 Purpose of the Report

- 1.1 This report updates Members on Treasury activity for the first half of the financial year 2022-23.

## 2.0 Recommendation(s)

- 2.1 The Committee is asked to note the 2022-23 Mid-Year Treasury report for reference on to Cabinet and Council, along with the fact that the Council has been fully compliant with the Council's Treasury Management indicators

### **3.0 Detail**

#### **Background**

- 3.1 The Council's Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's Code of Practice (the CIPFA Code) on Treasury Management 2011. This requires the Council to approve Treasury Management mid-year and annual reports. The update report is presented here in-line with CIPFA's recommendations.
- 3.2 CIPFA published its revised Treasury Management Code of Practice (the TM Code) in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 3.3 The principles within the Code took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wished. The Council has elected to fully adopt the revised reporting requirements from 2023/24.
- 3.4 Treasury Management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 3.5 The Council's Treasury Management Strategy for 2022/23 was approved by Full Council on 24<sup>th</sup> February 2022.
- 3.6 In addition to reporting on risk management, the Code requires the Council to report on any financial instruments entered into to manage treasury risks.

#### **Economic Background**

- 3.7 There are ongoing impacts to the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain economic policy and a deteriorating economic outlook.
- 3.8 The Bank of England increased the official Bank Rate to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. This was voted for by a 7-2 majority of the Monetary Policy Committee (MPC).
- 3.9 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast

horizon and the economic outlook remains weak, with unemployment projected to start rising.

- 3.10 CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if the Bank Rate follows the path implied by financial markets with a peak of 5.25%. However the BoE has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.
- 3.11 The labour market remains tight for now, with the most recent statistics showing the unemployment rate fell to 3.5%, driven mostly by a shrinking labour force. Earnings were up strongly in nominal terms by 6% for total pay and 5.4% for regular pay but factoring in inflation means real total pay was -2.4% and regular pay -2.9%. Looking forward, the MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 3.12 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 3.13 Inflation has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 0.2% in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.

### **Financial Markets**

- 3.14 Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.
- 3.15 Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.
- 3.16 Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82%

to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

- 3.17 The movement in standard rates at which local authorities can borrow from the Public Works Loans Board (PWLB) on maturity loans is shown in the table below including the highest and lowest rates during the period.

#### **PWLB Rates %**

Period	Mar 22	Jun 22	Sep 22	YTD Low	YTD High
1-year	2.05	2.91	4.28	2.15	5.31
5-year	2.34	3.12	4.41	2.41	5.63
10-year	2.54	3.42	4.46	2.58	5.67
20-year	2.77	3.68	4.73	2.75	6.08
30-year	2.70	3.59	4.63	2.65	5.98

#### **Debt Management**

- 3.18 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return. Councils that intend to borrow to invest primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. This restriction does not prevent regeneration activities where "debt-for-yield" is not the primary purpose of the investment. The Council is not planning to purchase any investment assets primarily for yield and so is able fully access the PWLB borrowing facilities.
- 3.19 Competitive market alternatives may be available for Councils with or without access to the PWLB. However, the financial strength of the individual Council and the borrowing purpose will be scrutinised by commercial lenders.
- 3.20 The UK Infrastructure Bank (UKIB) which is wholly owned and backed by HM Treasury has earmarked £4bn for lending to local authorities. The Bank is currently operating in interim form, without its full suite of staff and functions. The Treasury has provided £22bn in funding to the Bank over its first 5 years.
- 3.21 To date, the Bank has invested in eight deals worth £760m, including subsidy-free solar farms, gigabit broadband infrastructure and green buses. Loans are available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.
- 3.22 UKIB borrowing proposals must meet a strict set of criteria to be eligible. These include alignment with the government's net zero objectives and the project being an infrastructure asset or network. The UKIB does not support predominantly social infrastructure projects.
- 3.23 The UK Municipal Bonds Agency (UK MBA) is working to deliver loans to UK local authorities to fund capital expenditure. Funding is provided through three



lending programmes; long term pooled loans, standalone loans of over £250m, and short term pooled loans. Any authority wishing to engage in long-term borrowing must accept the UK MBA Framework Agreement.

- 3.24 A summary of the Council's borrowing in the first half of 2022/23 is provided below:

	Balance on 01/04/2022 £m	Debt repaid* £m	New Borrowing £m	Balance on 30/09/2022 £m
Short Term Borrowing	119.4	96.2	15.0	38.2
Long Term Borrowing	565.2	0	60.0	625.2
<b>TOTAL BORROWING</b>	<b>684.6</b>	<b>96.2</b>	<b>75.0</b>	<b>663.4</b>
Average Rate of Borrowing %	3.24%	1.03%	2.64%	3.55%

- 3.25 The Council's main objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 3.26 In keeping with these objectives, new external borrowing was kept to a minimum of £90m to meet cash flow requirements. This has included borrowing to support the viability and affordability of the Capital Programme during this time of market volatility.
- 3.27 Borrowing costs on new borrowing have increased steadily through the year alongside increased market rates (see 3.7). In light of the increased market volatility, we have worked closely with our Treasury advisors in suggesting optimal points at when to enter the market and borrow. The highest borrowing rate that has been agreed YTD was at 4.1%, significantly below the market peaks shown in 3.16. Subsequent borrowing has been achieved at below 4%.
- 3.28 The Council has an increasing Capital Financing Requirement due to the elements of the capital programme funded by borrowing. An estimated borrowing requirement is determined by the liability benchmark, which takes into account the Council's usable reserves, planned capital expenditure and minimum revenue provision. This has shown that further borrowing in excess of £50m will be required during 2022/23.
- 3.29 Whilst PWLB funding margins have increased in 22/23, there has been no evidence that lower rates can be achieved through alternative sources of long-term funding.
- 3.30 The Council has considered and will continue to monitor the possibility of agreeing forward funded deals if these are at advantageous rates. The Council will continue to monitor alternative sources of funding and pursue the lower cost solutions and opportunities as they arise. The Council will evaluate and pursue these lower cost solutions and opportunities as they arise and will look to take

advantage of the low borrowing rates for the HRA to provide certainty for its business plan.

- 3.31 Higher interest rates mean that it would be uneconomic to restructure existing PWLB debt, because interest rates are now higher than those secured on existing borrowing. However this will be kept under review should interest rates be reduced in future.
- 3.32 The Authority continues to hold £70.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No lender exercised their option in the first half of the year. However, due to higher market rates, there is now a significant risk that some existing LOBO's may now require refinancing at higher rates or will require repaying. £15m of LOBO's have break points in the second half of the year and may require repayment and refinancing at higher rates.

### **Treasury Investment Activity**

- 3.33 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £33.3m and £129.0m due to timing differences between income and expenditure.
- 3.34 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.
- 3.35 The Council's investment position is shown in the table below.

	Balance b/f 01/04/2022 £m	Investments Repaid £m	Investments Made £m	Balance c/f 30/09/2022 £m
Debt Management Account Deposit Facility	0.0	43.6	53.1	9.5
Money Market Funds	98.6	386.8	368.5	80.3
<b>TOTAL INVESTMENTS</b>	<b>98.6</b>	<b>430.4</b>	<b>421.6</b>	<b>89.8</b>
Average Rate of Investments	0.52%	0.92%	1.16%	1.99%

- 3.36 The Council holds most of its cash in Money Market Funds. The return on Money Market Funds has increased reflecting the higher interest rate environment. As at 30<sup>th</sup> September our Funds were paying rates between 1.8% - 2.09%. The Council also uses the Debt Management Agency's Deposit Facility (DMA DF) for short-term cash deposits, which pays comparable rates.

- 3.37 The inter-local authority market has also seen higher interest rates. The return on our deposits vary significantly, reflecting the higher rates achieved on our more recent fixed term deposits. As at 30<sup>th</sup> September these funds were paying rates between 0.1% and 3.1%.
- 3.38 There was a modest reduction of £8.8m in short term investments in the first half of the year. Investment balances are expected to remain low over the next 6 months as the Council's internal resources have been utilised however may increase as external borrowing is undertaken. The Council is reviewing its borrowing options which may include short-term local authority borrowing, longer-term PWLB borrowing and forward borrowing (agreement to borrow at an agreed future date and rate in the future).
- 3.39 Security of capital has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2022/23. In accordance with the policy, new investments can be made with the following classes of institutions:
- A+ or above rated banks;
  - AAA rated Money Market Funds;
  - Other Local Authorities;
  - Housing Associations;
  - UK Debt Management Office;
  - Corporate Bonds
  - Collective Investment Schemes (Pooled Funds)
  - Real Estate Investment Trusts

A short summary of the investment products available to the council along with an indication of relative risk is provided below:

- 3.40 The table below shows the different assets classes available to the council for its investment portfolio together with the major driver of the return and a summary of the key risks for each asset class.

<b>Asset Classes (approx. return)</b>	<b>Cash (2.9%)</b>	<b>Bonds (3.9%)</b>	<b>Equities (3.4%)</b>	<b>Property (4.0%)</b>
<b>Income driven by</b>	Short term interest rates	Medium term interest rates	Dividends / share prices	Rental income / vacancies
<b>Key Risk(s)</b>	Bank defaults	Company defaults	Company performance and perception of future performance	Property prices, least liquid asset class

- 3.41 Investments in Equities and Property classes tend to be considered over a longer time frame, which are not currently suitable for the Council given its significant capital spending plans.

## **Risks**

3.42 Regardless of the approach taken, the Council will be required to manage significant risks in relation to its treasury investment portfolio. Some key risks are: -

- Credit risk - the risk that a bank or other institution will not be able to pay back the money invested with it. For longer term investments, the council is more exposed to credit risk. Should a counterparty's credit worthiness change, the council may not be able to get all their money back or may face heavy penalties if it can do so.

Mitigation – see Prudential Indicator 1 – Appendix 1

- Liquidity risk - that is the council having funds tied up in long-term investments when it needs to use that money. Increasing the duration of fixed cash deposits increases liquidity risk, however this can be mitigated through good cash flow management.

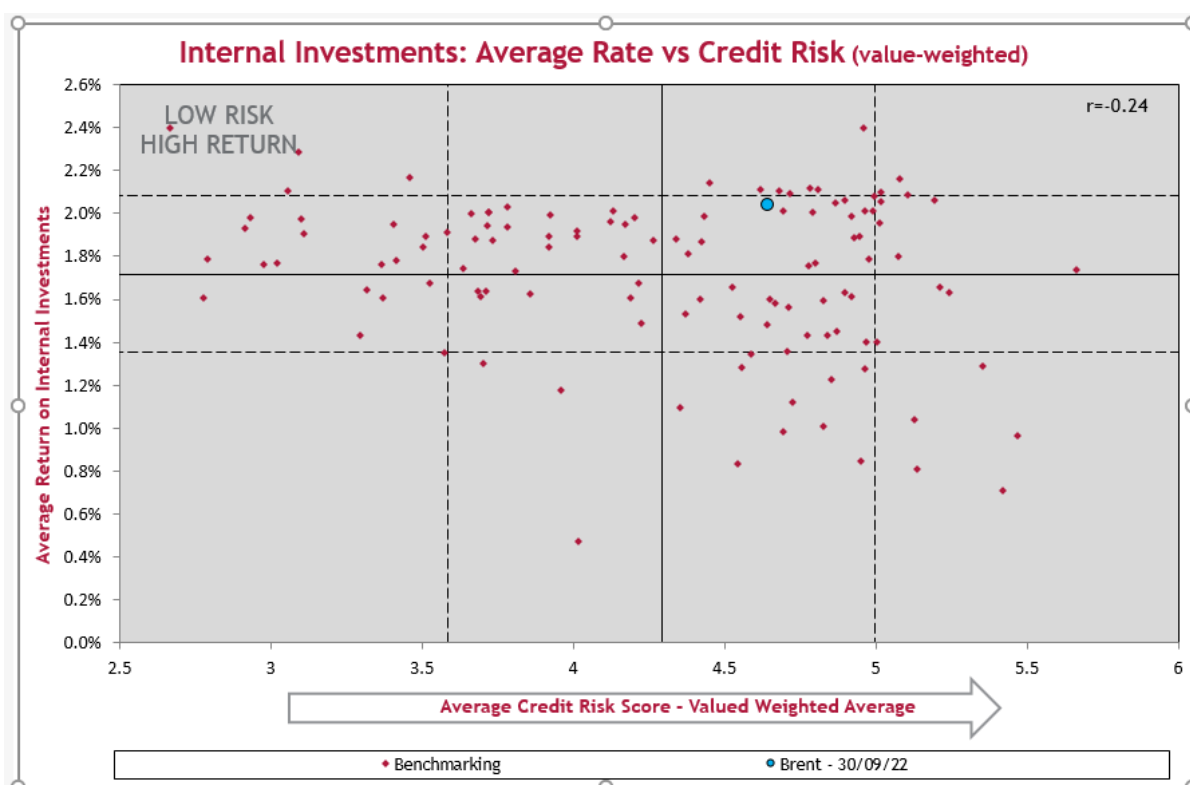
Mitigation – see Prudential Indicator 2 – Appendix 1

- Interest rate risk – the risk of the council's budget being affected by unforeseen changes in interest rates. Longer term cash deposits increase this risk and will negatively affect the council should interest rates rise. On the other hand, the council may benefit should interest rates fall.

Mitigation – see prudential Indicator 3 – Appendix 1

## **Benchmarking to other councils**

3.43 The graph below shows a comparison in performance between Brent's investment portfolio and those of Arlingclose's (the Council's treasury advisor) other Local Authority clients. Brent's portfolio has a low risk profile compared with many of the others and our investments are also shorter dated, which also equates to a lower yield.



- 3.44 Our investment portfolio has a credit rating of A+ (equivalent to a Credit Risk Score of 4.7 in the table above). The credit rating achieved on our investments beats our target rating of A (which equates to a Credit Risk Score of 6 in the table above). The lower the Average Credit Risk score in the table above, the better the credit rating of the counterparties with which we hold investments.
- 3.45 A credit rating of 'A' per the Fitch agency indicates that an organisation has low default risk, but may be vulnerable to adverse economic conditions. A credit rating of 'AA' denotes that an organisation has very low default risk and is not significantly vulnerable to foreseeable events. The '+' and '-' are further delineations for each credit rating.

### Budgeted Income And Outturn

- 3.46 The Council's external interest budget for the year is £18.2m, and for investment income is £4.7m. The average cash balances, representing the Council's reserves and working balances, were £87.8m during the period to 30 September 2022. The Council expects to receive significantly higher income from its cash and short-dated money market investments than it did in 2021/22 and earlier years due to the higher interest rate environment and the immediate cash requirements, which only allow for short-term investments.

### Compliance

- 3.47 Officers confirm that they have complied with its Treasury Management Indicators for 2022/23, which were set in February 2022 as part of the Council's

Treasury Management Strategy Statement (TMSS). Details can be found in Appendix 1.

## **Summary**

- 3.48 In compliance with the requirements of the CIPFA Code of Practice, this report provides Members with a summary report of the treasury management activity during the first half of 2022/23. As indicated in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **4.0 Financial Implications**

- 4.1 These are covered throughout the report.

## **5.0 Legal Implications**

- 5.1 There are no direct legal implications.

## **6.0 Equality Implications**

- 6.1 No direct implications.

## **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 None.

## **8.0 Human Resources/Property Implications**

- 8.1 No direct implications.

### **Report sign off:**

***Minesh Patel***

Corporate Director of  
Finance and Resources

## Appendix 1

### Treasury Management Indicators

#### 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.

Credit Risk Indicator	30/09/2022 Target	30/09/2022 Actual
Portfolio average credit rating	A	A+

#### 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.

Liquidity Risk Indicator	30/09/2022 Target £m	30/09/2022 Actual £m
Total cash available within 3 months	20	76.2

## Interest Rate exposure

This indicators is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

	2022/23 Approved Limits £m	30/09/2022 Actual £m
<b>Upper limit on one-year revenue impact of a 1% rise in interest rates</b> Compliance with limits:	5.0	0.1 Yes
<b>Upper limit on one-year revenue impact of a 1% fall in interest rates</b> Compliance with limits:	5.0	0.1 Yes

## Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replace at times of uncertainty over interest rates. The Council uses the option date as the maturity date for it's LOBO loans.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 30/09/2022	% of Fixed Rate Borrowing at 30/09/2022	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	35.0	5.3%	Yes
12 months and within 24 months	40%	0%	-	0.0%	Yes
24 months and within 5 years	40%	0%	-	0.0%	Yes
5 years and within 10 years	60%	0%	5.0	0.8%	Yes
10 years and within 20 years	75%	0%	197.3	29.7%	Yes
20 years and within 30 years	75%	0%	101.9	15.4%	Yes
30 years and within 40 years	75%	0%	223.7	33.7%	Yes
40 years and within 50 years	75%	0%	100.5	15.2%	Yes
50 years and above	75%	0%	0	0%	Yes
			<b>663.4</b>	<b>100%</b>	



## Prudential Indicator: Capital Financing Requirement

The table below sets out the forecast levels of borrowing expected. As our capital financing requirement grows over the coming years, this is expected to lead to additional external borrowing.

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Capital financing requirement	998.5	1,146.6	1,395.1	1,571.6	1,632.0
Other debt liabilities *	25.6	25.6	25.6	25.6	25.6
<b>Loans CFR</b>	<b>1,024.1</b>	<b>1,172.3</b>	<b>1,420.7</b>	<b>1,597.3</b>	<b>1,657.6</b>
External borrowing **	(684.6)	(681.7)	(618.3)	(609.9)	(601.6)
<b>Internal (over) borrowing</b>	<b>339.6</b>	<b>490.6</b>	<b>802.4</b>	<b>987.4</b>	<b>1,056.0</b>
Less: Balance Sheet resources	(438.2)	(438.2)	(438.2)	(438.2)	(438.2)
<b>Treasury Investments (or New borrowing)</b>	<b>98.6</b>	<b>(52.4)</b>	<b>(364.2)</b>	<b>(549.2)</b>	<b>(617.8)</b>

\* leases and PFI liabilities that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing


## Prudential Indicator: Liability Benchmark

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Loans CFR	1,024.1	1,172.3	1,420.7	1,597.3	1,657.6
Less: Balance sheet resources	(438.2)	(438.2)	(438.2)	(438.2)	(438.2)
<b>Net loans requirement</b>	<b>586.0</b>	<b>734.1</b>	<b>982.5</b>	<b>1,159.1</b>	<b>1,219.4</b>
Plus: Liquidity allowance	20.0	20.0	20.0	20.0	20.0
<b>Liability benchmark</b>	<b>606.0</b>	<b>754.1</b>	<b>1,002.5</b>	<b>1,179.1</b>	<b>1,239.4</b>

**Prudential Indicator: Authorised Limit and Operational Boundary for external debt**

	<b>2022/23 Forecast £m</b>	<b>2023/24 Budget £m</b>	<b>2024/25 Budget £m</b>	<b>2025/26 Budget £m</b>
Authorised Limit	1,500.0	1,500.0	1,500.0	1,500.0
Operational Boundary	1,300.0	1,300.0	1,300.0	1,300.0

The Authorised Limit sets the maximum level of external borrowing that the Council can incur. The Operational Boundary for External Debt is not a limit and actual borrowing can vary around the boundary. The Operational Boundary acts as an early indicator to ensure that the Authorised Limit is not breached.

	<b>Audit and Standards Advisory Committee</b> 7 <sup>th</sup> December 2022
	<b>Report from the Corporate Director Finance and Resources</b>
<b>Counter Fraud Interim Report – 2022/23</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <b>(Name, Title, Contact Details)</b>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

## 1. Purpose of the Report

- 1.1 The report sets out a summary of the counter fraud activity undertaken for the period 1<sup>st</sup> April to 30<sup>th</sup> September 2022.

## 2. Recommendation

- 2.1 CMT is asked to note the contents of the report, prior to this being presented to the Audit and Standards Advisory Committee on 7<sup>th</sup> December 2022.

## 3. 2022/23 Counter Fraud Progress Report to Q2

### Internal Fraud

- 3.1 Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the 'Proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2022/23 to Q2.

Table A – Internal Fraud

Internal Fraud	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)	2020/21 (full year)
Open Cases b/f	18			19	18	21	12
New Referrals	14			8	6	24	38
Closed Cases	13			8	5	27	29
Open Cases c/f	19			19	19	18	21
Fraud / Irregularity identified*	1			1	0	6	4

\* Where closed cases do not identify fraud / irregularity, these are generally recorded as NFA (No Further Action)

3.2 14 new referrals were opened between 1<sup>st</sup> April and 30<sup>th</sup> September from a variety of sources, including whistleblowing. The volume of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council continues to be effective. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. A summary of the main case types received is as follows:

- Breach of financial / other regulations (3);
- Bribery and Corruption (2);
- Fraudulent Claims / Allowances (2),
- External offences/conduct by staff (2), and
- Recruitment irregularities (5).

3.3 There were also 13 cases concluded during the same period, and one of these identified a degree of fraud and/or irregularity. There are currently 19 live investigations at various stages, with four of these categorised under whistleblowing.

3.4 With most cases under this category, the Counter Fraud team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Internal Audit Plan. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit.

3.5 The team arrange regular and targeted fraud awareness workshops across all Council services. This is an on-going commitment and coverage includes services where fraud has occurred or where the team's own fraud risk assessment of a service suggests there is a higher fraud risk.

## Tenancy and Social Housing Fraud

- 3.6 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office ([National Fraud Initiative Reports 2016 - 2020](#)). The counter-fraud activity between 1<sup>st</sup> April and 30<sup>th</sup> September is summarised in the table below.

**Table B – Tenancy and Social Housing Fraud**

Housing Fraud	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)	2020/21 (full year)
Open cases b/f	94			97	94	82	66
New cases	89			50	39	204	202
Closed cases	82			46	36	192	186
Open cases c/f	101			101	97	94	82
Fraud Identified	9			4	5	27	11

*\* Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)*

- 3.7 The total number of fraudulent housing cases concluded in this period was nine. In one case, an investigation commenced following a gas forced entry. Enquiries found the property was abandoned with rent arrears in excess of £5,000, and the property was successfully recovered. In another case, a referral was received alleging a tenant had been living abroad for over six years. Enquiries revealed the tenant was not occupying their tenancy as their main and principal home. Civil litigation ordered outright possession to the Council and full costs were awarded. The total notional value of these nine cases (applying the value of £93k per property, as adopted by the Cabinet Office) is £837,000. In addition, the team has completed nine tenancy verifications where fraud was not identified but mitigates fraudulent Succession and Right to Buy applications.
- 3.8 The number of housing frauds detected during the first six months is consistent when compared to an average of 19 total recoveries over the previous three years (27, 11, and 19). Referrals from Brent Housing Management (BHM) have improved compared over the last two years, and both teams are working together to increase the quality and quantity of referrals. Of the 89 referrals logged up to Q2, 25 were from BHM teams, which represents 28.09% of the new investigations opened and is lower for the same period in the previous year (58.33%). In comparison, of the nine successful fraudulent cases concluded in the same period, six were from direct engagement with BHM and the remaining cases from internal proactive work and other housing related teams. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with Council tenants.

- 3.9 There are currently 86 live housing investigations – of these; 19 cases are involved with legal proceedings to recover the property, and a further nine cases have been concluded by the team with a report issued to BHM and other Registered Social Landlords that recommends recovery action is instigated. The team works closely with the relevant teams to progress these cases.
- 3.10 The team has provided relevant BHM staff with appropriate access to anti-fraud and tracing systems to aid verification of Succession and Right to Buy applications. It continues to assist management with its ongoing tenancy audit and anti-fraud strategy, which has included fraud risk training for staff.

### External Fraud

- 3.11 'External fraud' includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2022/23 is summarised in the table below:

Table C – External Fraud

External Fraud	2022/23 (full year)	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 (full year)	2020/21 (full year)
Open cases b/f	160			163	160	96	37
New Referrals	127			66	61	288	343
Closed Cases	92			34	58	224	284
Open cases c/f	195			195	163	160	96
Fraud / Irregularity identified*	27			8	19	67	19

\* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 3.12 There have been 127 new cases opened in this period, compared to 79 during the same period last year. This increase correlates to the continued increase in Blue Badge and parking permit allegations, which makes up 65% of new referrals. Other referrals mainly relate to benefits, allowances and grants.
- 3.13 There have been 27 successful outcomes in this report (where fraud was detected), which is an increase compared to the previous year, which was 19 during the same period. This includes nine successful prosecutions and 11 cautions/warnings issued for Blue Badge fraud. In addition to these outcomes, the cases where appropriate are filed to the [Cifas National Fraud Database](#), which helps to further prevent and detect fraud. In one case, a child's Blue Badge, which had been reported as lost/stolen, had been fraudulently used on a vehicle on two occasions. The defendant did not attend court and as this was the second hearing, an application was made to proceed in her absence which was granted by the Magistrates. The matter was proven and judgement made against defendant as follows; Fine £500.00, Victim Surcharge £50.00, Costs £2,607.00 – total £3,157.00 to be paid within 28 days with collection order imposed.

- 3.14 Criminal proceedings and cautions have been instigated (at various stages) with a further 18 live cases. The increase in prosecutions does place a resource challenge for the team to balance its overall capacity across all counter fraud activity. In most cases involving Blue Badge fraud, there are additional time-bar considerations that have to be prioritised to successfully prosecute a case. The team has worked closely with Parking Enforcement to efficiently obtain best evidence and reduce investigation time where possible. This fraud type is clearly prevalent within the borough and ultimately affects genuine users of the Blue Badge scheme.
- 3.15 There are currently 107 live cases, which includes; 65 Blue Badge / Parking Permit, ten Council Tax / Benefit, and 20 Business Rates / Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, and grants.

### **Proactive activity**

- 3.16 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team. This will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all service areas. The counter fraud activity for 2022/23 is summarised in the table below:

Table D – Proactive Cases

<b>Proactive Cases</b>	<b>2022/23 (full year)</b>	<b>2022/23 Q4</b>	<b>2022/23 Q3</b>	<b>2022/23 Q2</b>	<b>2022/23 Q1</b>	<b>2021/22 (full year)*</b>
Open cases b/f	49			35	49	35
New Proactive	3			2	1	110
Closed Cases	21			6	15	96
Open cases c/f	31			31	35	49
<i>Fraud / Irregularity / Savings identified</i>	3			1	2	7
<i>Advice / Recommendations</i>	0			0	0	2
<i>Audit / Risk review</i>	20			6	14	96

\* The Proactive Cases summary was previously merged with Table C – External Fraud.

- 3.17 The mandatory data submissions for the new [National Fraud Initiative 2022](#) exercise is underway and expected to be completed during Q3. New data matches will be available from Q4, and before then the team will focus on clearing the older matching reports.
- 3.18 21 proactive cases were concluded up to Q2. This included 19 NFI data matching reviews from the previous exercise and two of these identified £55,578 savings from fraud or error relating to Council Tax Support and Covid-19 support grants.

- 3.19 The team has commenced a **NFI Tenancy Fraud Pilot** in Q2 using new enhanced data matching techniques that includes; mortality screening, existing NFI data, credit/financial, insurance and various other private sector data. The initial review is scheduled to be completed by the end of Q3 and outcomes will be reported in the annual counter fraud report.
- 3.20 The Council has also joined the NFI London **FraudHub**, which will be for an initial period of two years. It is modelled on the existing NFI platform and so far 20+ London councils have joined. The hub allows for more real-time and cross boundary data matching, in addition to bespoke internal data matching. Hub members agreed to start with mortality screening against its Occupational Pension data, seeing immediate results in most cases – up to August, Brent Pensions screening has identified savings with an estimated value of £35,087. Further datasets are currently being added.
- 3.21 As FraudHub members, the council receives unlimited and free access to another application called **AppCheck**, which is also part of the NFI platform. It is primarily a screening tool and the team envisage it being a verification tool for various service teams across the council. The team is currently testing the system and liaising with the Cabinet Office to clarify functionality before it reaches out to appropriate teams, like Housing Needs, to pilot use and monitor effectiveness. Further information on the FraudHub and AppCheck can be found [here](#) and the published Cabinet Office fees can be found [here](#).
- 3.22 In Q1, the team took part in a coordinated London-wide Blue Badge enforcement operation involving 20 other authorities. The team coordinated the operation which included Police and multiple council teams. A total of 127 badges were checked in Willesden Green, Kingsbury and Wembley, which resulted in a total of 21 Penalty Charge Notices (PCNs). Six PCNs were issued against vehicles illegally displaying a Blue Badge, of which three vehicles were removed and three Blue Badges were confiscated.
- 3.23 The team provided **fraud awareness training** to new Benefits and Customer Service staff during Q1, and additional sessions are planned for December to specifically cover benefit fraud, identity and verification. In Q4, the team will be arranging refresher training for Parking Enforcement and related teams to cover Blue Badge fraud and related matters.
- The team has also worked with the Learning and Development team to introduce refreshed e-learning training courses covering Fraud Prevention and Bribery. These are generic in nature and went live in Q1. It is currently located in the Essential category within the Learning Hub, and forms part of the mandatory courses for new staff.
- 3.24 The team identifies notional and actual savings from its investigations and reviews. These are summarised in the table below.



**Table E – Savings Summary**

Savings Summary (£)	Year to date	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1
** Blue Badge	15,525.00			4,025.00	11,500.00
Council Tax Reduction Scheme	4,745.11			2,047.87	2,697.24
Grant Funding - Covid-19	52,881.03			52,881.03	
** Housing Tenancy	837,000.00			372,000.00	465,000.00
** Parking Permits	575.00				575.00
Parking Permits/Fines (actual)	2,128.00			2,128.00	
Litigation Fines/Costs	17,401.00			11,016.00	6,385.00
	930,255.14	0.00	0.00	444,097.90	486,157.24

\* Summary covers concluded cases / reviews, and does not include values recorded against live cases.

\*\* Notional savings (other categories are actual / cashable savings)

## Other Activity

3.25 The service has proposed that the Council obtain full membership access to an [Enhanced Internal Fraud Database](#) (EIFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT in August 2022, and the membership agreement has been reviewed and approved by the Corporate Director Governance.

- The EIFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.
- The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.
- Both main unions have been engaged and received a formal briefing note on the proposal in August 2022. Both are satisfied with no objections.
- The team and Cifas are currently working with HR and Recruitment to prepare for a go-live date in 2022/23.

## 4.0 Alternative Options Considered

4.1 N/A

## 5.0 Financial Implications

5.1 There are no specific financial implications associated with noting this report.

## 6.0 Legal Implications

6.1 There are no specific legal implications associated with noting this report.

## 7.0 Equality Implications

7.1 None

**8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)**


8.1 None

**9.0 Proposed Consultation with Ward Members and Stakeholders**

9.1 None

**Report sign off:**

**Minesh Patel, Corporate Director Finance and Resources**

	<b>Audit and Standards Advisory Committee</b> 7 <sup>th</sup> December 2022
	<b>Report from the Corporate Director Finance and Resources</b>
<b>Internal Audit Interim Report 2022-23</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Three: Appendix 1 – Status and Delivery of 2022/23 Plan Appendix 2 – Summary of Audit Findings Appendix 3 – Summary of Follow Up Activity
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <b>(Name, Title, Contact Details)</b>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

## 1. Purpose of Report

- 1.1 This report outlines the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan.
- 1.2 The report is intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the 2022-23 Internal Audit plan to date, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

## 2. Recommendation

- 2.1. The Committee is asked to note the contents of the report.

### **3. Background**

- 3.1 The Council's Internal Audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. The delivery of the service is also underpinned by the Internal Audit Charter, which defines the purpose, authority, responsibility and position of Internal Audit within Brent Council.
- 3.2 A professional, independent and objective internal audit function is a key element of good governance. The PSIAS defines internal auditing as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'.
- 3.3 The Internal Audit function operates a co-sourced service delivery model, where internal audit services are provided by in-house staff, with a small portion of work delivered by a co-sourced provider, PwC.

### **4. Delivery of the 2022-23 Plan**

- 4.1 The service complies with the requirements of the Public Sector Internal Audit Standards by ensuring that an annual and risk-based audit plan is delivered. The 2022-23 Internal Audit Plan was agreed by the Audit and Standards Advisory Committee in March 2022, and was developed to provide assurance against key risk areas that may threaten the achievement of the Council's corporate objectives and priorities.
- 4.2 The plan was drafted from a number of sources including the Council's latest strategic risk register, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from previous audits, and CIPFA good governance guidelines. The plan also seeks to provide rolling assurance over the Council's key systems and processes, including key financial systems, and areas where senior management has requested independent assurance.
- 4.3 While Internal Audit delivers a risk based annual audit plan, the service remains available to provide ad hoc consultancy and advice work in addition to the agreed plan. This approach allows Internal Audit to flex its resources and to proactively support control enhancements across a number of areas.
- 4.4 A summary of the performance against the 2022-23 Internal Audit Plan is shown in the table below.

<b>Summary of Internal Audit Activity</b> (as at 25 <sup>th</sup> November 2022)	<b>Number</b>
<i>Audits carried forward from 2021-22</i>	13
<i>Audits per the 2022-23 Plan</i>	28
<i>Additional reviews requested</i>	6
<b>Total audits planned for 2022-23</b>	<b>47</b>
- Audits not yet commenced	15
- Audits in progress	15
- Audits at draft report stage	4
- Audits completed (final report issued)	13
<b>Follow-up reviews completed</b>	<b>9</b>

4.5 A detailed summary of the status and number and level of risk issues raised against each audit included within the 2022-23 plan can be seen at **Appendix 1**.

4.6 For audits completed in Q1/2 2022-23, a summary of issues relating to audits completed since the last update in July 2022 can be seen at **Appendix 2**.

#### Risk ratings

4.7 For each review undertaken, where gaps or weaknesses in the design and operation of controls are highlighted, or where areas for the further improvement/enhancement of controls are identified, recommendations are raised and agreed with management.

4.8 Findings and issues raised by Internal Audit (and therefore the resulting recommendations) are graded in terms of the associated level of risk. An indication of the level of assurance and confidence provided from an audit review is therefore gained by examining the number and level of issues identified.

4.9 The following definitions are used to inform these ratings:

<b>Critical</b>	A finding that could have a: critical impact on operational performance; critical monetary or financial statement impact; critical breach in laws and regulations that could result in material fines or consequences; and/or a critical impact on the reputation or brand of the organisation which could threaten its future viability.
<b>High</b>	A finding that could have a: significant impact on operational performance; significant monetary or financial statement impact; significant breach in laws and regulations resulting in significant fines and consequences; and/or a significant impact on the reputation or brand of the organisation.
<b>Medium</b>	A finding that could have a: moderate impact on operational performance; moderate monetary or financial statement impact; moderate breach in laws and regulations resulting in fines and consequences; and/or a moderate impact on the reputation or brand of the organisation.
<b>Low</b>	A finding that could have a: minor impact on the organisation's operational performance; Minor monetary or financial statement impact; minor breach

in laws and regulations with limited consequences; and/or a minor impact on the reputation of the organisation.

- 4.10 The below table summarises the number of issues raised in-year in respect of the delivery of the 2022-23 plan to date:

	Number	%
<b>Total number of issues raised in 2022-23 to date:</b>	<b>39</b>	
<b>Critical risk</b>	0	0%
<b>High risk</b>	7	18%
<b>Medium risk</b>	20	51%
<b>Low risk</b>	12	31%

- 4.11 A detailed summary of the number and level of risk issues raised against each audit included within the 2022-23 plan can be seen at **Appendix 1**.

#### Additional Reviews

- 4.12 Internal Audit continued to carry out consultancy and advice work during the year, where required and/or requested. To date, six additional pieces of work have been undertaken:

- Housing voids management;
- Building Control Finance;
- Annual certificate of expenditure – Brent River College; and
- Funeral Services payment arrangements;
- You Decide / Participatory Budgeting;
- Income Management Strategy.

- 4.13 Internal Audit have continued to complete the periodic reviews of payment claims for the Supporting Families Programme and carried out grant determinations.

#### School Reviews

- 4.14 A programme of school audits is undertaken to provide assurance over the key governance arrangements and financial management controls in place within individual schools. Seven school audit reviews are scheduled to be carried-out as part of the 2022-23 plan, in addition to a follow-up review relating to an audit completed in 2021-22. To date:

- *Four* school audits have been completed;
- *Three* school audits are scheduled to be undertaken in Q4;
- *One* follow-up review is scheduled to be undertaken in Q4.

## 5. Follow-up Activity

- 5.1 Internal Audit recommendations emanating from all planned audit work is subject to follow-up to ensure that agreed actions have been implemented.
- 5.2 So far during 2022-23, 9 follow-up reviews have been completed relating to audit work completed in 2021-22. The result of which is summarised in the below table:

Action Status	High	Medium	Low
<b>Total Actions</b>	<b>10</b>	<b>52</b>	<b>16</b>
Implemented	6 (60%)	38 (73%)	6 (38%)
Partially Implemented	4 (40%)	10 (19%)	9 (56%)
Not Implemented	0	0	1 (6%)
No longer relevant or superseded	0	4 (8%)	0

- 5.3 Details of follow-up activity relating to 2022-23 can be seen at **Appendix 3**.
- 5.4 Where actions were found to remain partially or not implemented, Internal Audit have agreed revised implementation dates.

## 6. Internal Audit Performance

- 6.1 One of the core principles of the PSIAS is quality assurance and continuous improvement. To this end, the PSIAS require the HIA to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity.
- 6.2 Internal Audit has developed a QAIP that is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:
- performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics) and the CIPFA Statement on the role of the Head of Internal Audit;
  - operates in an effective and efficient manner;
  - is perceived by stakeholders as adding value and continually improving its operations; and
  - undertakes both periodic and on-going internal assessments, and commissions an external assessment at least once every five years.

### Internal Assessments

- 6.3 In accordance with the PSIAS, internal quality and performance assessments are undertaken through both on-going and periodic reviews. On-going assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include: management supervision of audit activity, the application of a consistent audit methodology across audits, regular 1:2:1s between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and HIA.
- 6.4 Regular periodic assessments are also undertaken during the year to monitor and measure the impact of, and value added by the delivery of the annual audit plan. A key aspect of these assessments comprises of the quarterly progress reports presented to the Audit and Standards Advisory Committee, which summarise progress against the annual plan and key outcomes of audit activity. Furthermore, an annual assessment is undertaken in drafting the annual audit plan, which is aligned to the Council's Strategic Risk Register to ensure that the work of internal audit centres around the key risks that threaten the achievement of corporate objectives.
- 6.5 Other periodic assessments include (but are not limited to):
- annual self-assessments to ensure conformance with the PSIAS;
  - regular feedback from senior management and Council Management Team
  - benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

### External Assessments

- 6.6 The PSIAS require that an External Quality Assessment (EQA) of Internal Audit is undertaken at least every five years. As reported in our previous update, review of Brent's internal audit function is being led by Caroline Glitre, the Head of Internal Audit for the London Borough of Barnet, and is due to begin during November 2022.
- 6.7 On conclusion of the assessment, the assessor will present the outcomes to the Audit and Standards Advisory Committee (anticipated to be the February 2023 meeting).

### Key Performance Indicators

- 6.8 To complement and inform the ongoing and periodic assessments detailed above, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of



these KPIs will be reported as part of the 2022-23 annual report. An interim update has been provided below:

KPI	Status
<b>KPI1 - 90%</b> of the Annual Internal Audit Plan completed by 31 March (conclusion of fieldwork)	<i>Internal Audit carried a vacancy for part of Q2, which has had some impact on the delivery of the plan. However, it is anticipated that the KPI is on track to be achieved.</i>
<b>KPI2 - 100%</b> of the Annual Internal Audit Plan completed by 30 April (conclusion of fieldwork)	<i>Internal Audit carried a vacancy for part of Q2, which has had some impact on the delivery of the plan. However, it is anticipated that the KPI is on track to be achieved.</i>
<b>KPI3 - 100%</b> acceptance of all Critical and High risk recommendations	<b>100%</b> acceptance of all High risk recommendations (no Critical recommendations).
<b>KPI4 – Follow-up</b> of all Critical and High risk recommendations within (at least) 12 months of the final report being issued.	<b>100%</b> followed up within 12 months.
<b>KPI5 - 90%</b> of client satisfaction surveys rated the service as good or better.	No forms returned to date.

## 7. Financial Implications

The report is for noting and so there are no direct financial implications.

## 8. Legal Implications

All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards 2017, also require proper planning of audit work.

## 9. Equality Implications

None.

## 10. Consultation with Ward Members and Stakeholders

None.

**Report sign off:**

**Minesh Patel, Corporate Director Finance and Resources**

## Appendix 1 - Status and delivery of 2022-23 Plan (including carry overs from 2021-22)

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>ASC Budget Monitoring</b> <i>A risk based review to provide assurance over the effectiveness of the controls in place in Adult Social Care to ensure the effective monitoring and managing of budgetary spend including the governance and monitoring controls in place regarding the Savings Programme.</i>	Completed		2	1	Outcomes reported to the Committee in August.
<b>Flexible Working</b> <i>A risk based review to provide assurance provide assurance over the design of the controls and the processes in place to manage and monitor the objectives of the flexible working strategy.</i>	Completed		1	3	Outcomes reported to the Committee in August.
<b>Council Companies and Governance Review</b> <i>A risk based review to provide assurance on the governance and monitoring arrangements the Council has in place, including review of the companies' financial information, performance reports and KPI reporting.</i>	Completed		5		Outcomes reported to the Committee in August.
<b>Equality Strategy</b> <i>A risk based review to provide assurance on the robustness and adequacy of the controls and governance arrangements in place surrounding the delivery and development of the Equalities Strategy and Action Plan.</i>	Completed		3		Outcomes reported to the Committee in August.
<b>Key Financial Controls</b> <i>The audit was designed to identify, review, and assess the control design and test the operating effectiveness of key financial controls operating within the Council for five sub-processes: General Ledger (GL); Purchase-to-Payment (P2P); Accounts Receivable (AR); Payroll; and Fixed Assets.</i>	Completed		2	8	Outcomes reported to the Committee in August.

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>I4b Health and Safety Compliance</b> <i>The objective of this audit was to review the effectiveness of the controls in place in relation to health and safety and compliance.</i>	Completed	Summary outcomes reported to the Committee in September (as part of the i4b and FWH performance report).			
<b>FWH Health and Safety Compliance</b> <i>The objective of this audit was to review the effectiveness of the controls in place in relation to health and safety and compliance.</i>	Completed				
<b>Brent Housing Management Housing Compliance</b> <i>The objective of this audit was to review the effectiveness of the controls in place in relation to health and safety and compliance.</i>	Completed	6	1		See summary of findings at Appendix 2.
<b>Debt Management</b> <i>A risk based review to provide assurance on the effectiveness and robustness of the control environment relating to the Council's arrangements for Debt Management.</i>	Completed	1	2		See summary of findings at Appendix 2.
<b>Fostering</b> <i>A risk based review to provide assurance on the effectiveness and robustness of the control environment relating to the arrangements in place around the strategic administration of providing a local authority fostering service..</i>	Completed		4		See summary of findings at Appendix 2.
<b>Annual Certificate of Expenditure - Brent River College (Additional Request)</b> <i>Internal Audit acted as an independent examiner and reviewed Annual Certification of Expenditure for Brent River College for 2021-22.</i>	Completed	n/a	n/a	n/a	n/a
<b>Barham Park Accounts</b> <i>To provide an Independent examination and review the Barham Park Trust ("the Trust") 2021-22 accounts.</i>	Completed	n/a	n/a	n/a	n/a

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>Funeral Service (Additional Request)</b> Risk/control advice and support provided.	Completed	n/a	n/a	n/a	n/a
<b>Purchasing Cards</b> <i>Advisory review in relation to the use of purchasing cards. The objective of the review is to provide assurance that purchasing cards are used only in accordance with Council policy and that the control framework is efficient and effective in ensuring the risk of inappropriate spend, fraud or loss is mitigated.</i>	Draft Report Stage	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Housing Voids (Additional Request)</b> <i>Advisory review. The objective of the review was to provide assurance that the voids management process and control framework is operating efficiently and effectively in ensuring the risk of inappropriate spend, fraud or loss is mitigated.</i>	Draft Report Stage	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Building Control Finance (Additional Request)</b> <i>A risk based review to provide assurance on the design and operating effectiveness of key controls in place around building controls income management arrangements.</i>	Draft Report Stage	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Contract Management</b> <i>A risk based review to provide assurance that the Council's contract management arrangements are operating robustly and effectively to ensure that major and operational contracts are delivered in accordance with agreed definitions.</i>	Draft Report Stage	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>Demand For Services</b> <i>A risk based review to provide assurance over strategies in place to mitigate the departmental risk of the level of demand for services growing beyond the services' ability to manage effectively. This is specifically in respect of the effectiveness of the control framework and arrangements in place around the delivery of Brent Family Front Door CYP services.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Grant Management</b> <i>A risk based review is to provide assurance on the effectiveness and robustness of the control framework around the Council's arrangements for grant management.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Large Event Day Management</b> <i>A risk based review of Large Event Day Management. The scope to consider governance arrangements, planning, communications and licensing/enforcement.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Cyber Security – Council's Website</b> <i>A risk based review to evaluate the capability that exists to recover the Council's website in the event of an outage. The approach will focus on business continuity planning, disaster recovery and back up procedures and in place technical controls that facilitate resilience and redundancy of key systems.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Financial Management Code</b> <i>A risk-based review to assess compliance with CIPFA's Financial Management Code. Scope to include progress against implementation of the code, strategy, communication, benefits realisation, monitoring and reporting.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>You Decide / Participatory Budgeting (Additional Request)</b> <i>Advisory review to provide consultancy and advice support to management to assist with the identification and management of risks associated with the You Decide Participatory Budgeting programme.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>IT Service Management Maturity Workshop</b> <i>To assess the current capacity and maturity of IT Service Management components.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Property Valuations</b> <i>A risk based review of the key controls in place to provide assurance over processes and risks associated with property valuations.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Capital Programme</b> <i>A risk based review of the Council's Capital Programme. The scope to consider governance arrangements, strategy, planned savings, budgeting, approvals, risk management, monitoring and reporting.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Digital Strategy</b> <i>Programme assurance regarding the design and delivery of the Council's Digital Strategy.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Information Governance – Data Breaches</b> <i>A risk based review of the arrangements in place to prevent, identify and report data breaches. Scope includes: policies and procedures, ICO reporting arrangements, training and awareness, and lessons learned.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Housing Compliance – Extended Follow-up</b> <i>Extended follow-up review of the recommendations raised in the review carried out in 2021-22.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>Family Wellbeing Centres</b> <i>A risk based review of Family Wellbeing Centres. Scope to include governance arrangements, performance management and reporting.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Financial Strategy/Savings Programme</b> <i>A risk based review of Financial Strategy/Savings Programme. The scope to consider governance arrangements, planning, targets, monitoring and reporting.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Oracle Programme - Phase 2</b> <i>Ongoing risk-control support.</i>	<i>In progress</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Private Sector Property Licensing</b> <i>A risk based review of Private Sector Property Licensing. Scope to include applications, processing, approvals, income management and performance monitoring arrangements.</i>	<i>Review at planning stages.</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Tenancy Management Organisation (Establishment Review)</b> <i>A risk based and deep-dive review into a tenancy management organisation (TMO).</i>	<i>Review at planning stages.</i>				Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Licensing</b> <i>A risk based review of Licensing. The scope to consider governance arrangements, licence applications and decisions, fees, inspections, breach of licence conditions, and management/performance information.</i>	<i>Review at planning stages</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Recruitment and Retention</b> <i>A risk based review of the Council's recruitment and retention strategy and policies/procedures. Scope to provide assurance over the mitigating actions in place surrounding this area of strategic risk.</i>	<i>Review at planning stages.</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.



Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>Climate Change and Sustainability</b> <i>Programme assurance regarding the delivery of the Council's climate change strategies and action plan.</i>	<i>Review at planning stages.</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Income Management Strategy (Additional Request)</b> <i>Advisory review to provide consultancy and advice support to management to assist with the identification and management of risks associated with the Income Management Strategy.</i>	<i>Review at planning stages.</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Extended Follow-up Review - Use of Agency Workers</b> <i>Extended follow-up review of recommendations previously raised in this area.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Procurement</b> <i>A risk based review of Procurement to focus on areas of key risk.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Mental Health Disabilities</b> <i>A risk-based review of governance arrangements in place for mental health disabilities care. The scope will include a review of controls related to approval, funding and monitoring of care plans/packages.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Public Health</b> <i>A risk based review of Public Health to focus on areas of key risk.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Redefining Local Services Project (Integrated Street Cleansing, Waste Collections &amp; Winter Maintenance Contract)</b> <i>To provide internal audit risk/control support, where required.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.

Audit / Indicative Scope (as per 2022-23 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
<b>Key Financial Controls – Northgate</b> <i>A risk based review of key financial controls.</i>	<i>Review at planning stages</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Key Financial Controls – Payroll</b> <i>A risk based review of key financial controls.</i>	<i>Review at planning stages</i>				Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>Better Care Fund</b> <i>A risk based review of the governance arrangements in place for the Better Care Fund. Scope to include financial reporting and performance management.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.
<b>No Recourse to Public Funds (NRPF) and Intentionally Homeless</b> <i>A risk based review of the NRPF process. Scope to include governance arrangements, acceptance process, screening, financial support and property procurement.</i>	<i>Not yet commenced</i>	-	-	-	Outcomes to be reported to Committee in Quarter 4 2022-23.

## Appendix 2 - Summary of Audit Findings

Audit Title	Summary of Key Findings
<p><b>Housing Compliance</b></p> <p>I4b and FWH commissioned an internal audit review into its health and safety compliance controls, The audit resulted in six <b>High Risk</b> issues and one <b>Medium Risk</b> issue. As i4b and FWH properties are primarily managed through its Service Level Agreement with Brent Housing Management (BHM), it was acknowledged that the findings identified within this review may be equally attributable to the Council's housing stock, also managed by BHM. As a result, a supplementary report was issued recommending that BHM consider the application and implementation of all recommendations across all housing stock managed by BHM.</p>	<p>The six <b>High Risk</b> issues related to the following areas:</p> <ol style="list-style-type: none"> <li>1) <i>Health and safety compliance status:</i> Implementing a central system for monitoring health and safety compliance for properties.</li> <li>2) <i>Oversight of compliance status: ensuring that health and safety compliance obligations, managed by third-parties, feed into a central system overseen by Brent Housing Management.</i></li> <li>3) <i>Management Reporting:</i> the regular reporting of all elements of health and safety compliance to respective boards.</li> <li>4) <i>Monitoring of remedial works: the evidencing of the completion of remedial works</i></li> <li>5) <i>Health and safety compliance status in communal areas for leasehold properties: evidencing assurance of health and safety compliance for communal areas in leasehold properties.</i></li> <li>6) <i>Information recorded on property/asset listings:</i> evidencing reconciliations between health and safety compliance obligations and property/asset databases.</li> </ol> <p>The <b>Medium Risk</b> issue raised was in relation to the completeness of health and safety policies.</p> <p>A follow-up review is currently underway, and outcomes will be reported as part of the Annual Internal Audit Report.</p>
<p><b>Fostering</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness and robustness of the control environment relating to the</p>	<p>Four <b>Medium Risk</b> issues were raised:</p> <ol style="list-style-type: none"> <li>1) A number of the Connected Person/Foster Carers case notes reviewed were incomplete, including the absence of a signed agreements; panel minutes or decision letters; and evidence of training undertaken.</li> </ol> <p><i>Management Response:</i></p>

Audit Title	Summary of Key Findings
<p>arrangements in place around the strategic administration of providing a local authority fostering service.</p> <p>The audit focused on the following sub-processes :</p> <ul style="list-style-type: none"> <li>• Payments;</li> <li>• Training, Support and monitoring;</li> <li>• Vetting;</li> <li>• Reporting.</li> </ul>	<p><i>Case file audits in Fostering have been commenced and will be on-going monthly to ensure all recordings are up to date and uploaded onto Mosaic.</i></p> <p>2) We noted a lack of oversight and reporting of Connected Person/Foster Carer overpaid payment packages;</p> <p><i>Management Response:</i>  <i>Monthly reports will be shared with the Operational Director, Safeguarding, Partnerships and Strategy on current overpayment position and recovery strategy. Consultation with foster carers will return to a pre-pandemic payment approach of one week in advance and one week in arrears.</i></p> <p>3) We noted an absence of local and documented procedures to support the Fostering Team in completing their daily tasks.</p> <p><i>Management Response:</i>  <i>We will draft and implement local procedures that support all of the key processes that are required to manage the Fostering Service</i></p> <p>4) A formal succession plan is not in place to address the potential shortfall of carers due to the high number of mature Council registered Connected Person/Foster Carers.</p> <p><i>Management Response:</i>  <i>The Marketing and Recruitment Strategy to take into account the findings of this internal audit around succession planning.</i></p>
<p><b>Debt Management</b></p> <p><i>Indicative Scope:</i> a risk based review to provide assurance on the effectiveness and robustness of the control environment relating to the</p>	<p>One <b>High Risk</b> and two <b>Medium Risk</b> issues were raised:</p> <p><b>High Risk</b></p> <p>1) It was identified that no write offs have been processed on Oracle Cloud since the introduction of the new system in September 2021.</p> <p><i>Management Response:</i></p>

Audit Title	Summary of Key Findings
<p>Council's arrangements for Debt Management.</p> <p>The review focused on assessing the effectiveness of controls across a number of key areas, including Policies and Procedures; Write Offs; Approvals and Management Information and Reporting.</p>	<p>Write offs are now being processed by Accounts Receivable. Adjustments are used to do writes offs at present and are being processed in Oracle. Write off functionality needs to be set up with the correct GL coding.</p> <p><b>Medium Risk</b></p> <p>2) The Service Level Agreement (SLA) between the Debt and Income team and Accounts Receivable (AR) team has not been approved and signed off.</p> <p><i>Management Response:</i> The SLA between Accounts Receivable &amp; Debt Recovery remains unsigned post migration to Cloud and needs to be signed off. AR &amp; DR to agree timescales for resolution of escalated Hornbill tickets followed by approval signatures.</p> <p>3) Debt Write Offs are not on the agenda for the Debt Board.</p> <p><i>Management Response:</i> Debt Write Offs to be included in the agenda for the Income and Debt Management Board. KPIs relating to the SLA and the Debt and Income team will be reported on.</p>

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## Appendix 3 - Summary of Follow-up Activity

\* Follow-up outcomes reported in the table below are as at the time of concluding our follow-up review. As a result, and owing to the time that may have elapsed since, the status of implementation may have since changed. Internal Audit continue to review implementation of recommendations with Management, and in line with usual practice, will report any instances of persistent non-implementation of recommendations to the Committee.

\*\* The numbers in brackets are high risk actions that are partially or not implemented. All outstanding recommendations will continue to be monitored and reported via Departmental Management Teams.

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
IT Asset Management in Shared Service	Completed	1	11 (4)	0	0	<p>The 4 High Risk actions related to the following areas:</p> <ol style="list-style-type: none"> <li>1. Develop and document a formal Shared Technology Services (STS) IT Asset Management Policy</li> <li>2. Document the ownership of the policy including the relevant approval and review date.</li> <li>3. Communicate the policy to the Councils with the option to opt in or out depending on the provisions they have locally. This should be documented and retained.</li> <li>4. Provide relevant training to key stakeholders as required including their responsibility for the management and use of IT assets.</li> </ol> <p>A revised target date of 31 January 2023 has been agreed.</p>
IT Disaster Recovery	Completed	14	0	0	0	

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
Council Tax	Completed	6	0	0	0	
i4B Service Level Agreement	Completed	4	7	0	2	A revised target date of 30 September 2022 has been agreed for outstanding actions.
FWH Service Level Agreement	Completed	4	4	0	2	A revised target date of 30 September 2022 has been agreed for outstanding actions.
Temporary Workers	Completed	3	1	1	0	A revised target date of 30 September 2022 has been agreed for outstanding actions.
Planning	Completed	4	0	0	0	
Homecare	Completed	5	0	0	0	
Oracle Cloud Post Implementation Review	Completed	9	0	0	0	
Residential and Nursing Care	In Progress					
GLA Affordable Housing Programme	In Progress					



Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
Accounts Payable	<i>In Progress</i>					
Gifts and Hospitality	<i>In Progress</i>					
Early Years	<i>In Progress</i>					
Cyber Remote Working	<i>In Progress</i>					
Flexible Working	<i>In Progress</i>					
Leaseholder Repairs	<i>Scheduled for Q3</i>					
Workforce and Succession Planning	<i>Scheduled for Q4</i>					
Key Financial Controls	<i>Scheduled for Q3</i>					
Council Companies and Governance	<i>Scheduled for Q4</i>					

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
<b>I4b Health and Safety Compliance</b>	<i>Scheduled for Q4</i>					
<b>FWH Health and Safety Compliance</b>	<i>Scheduled for Q4</i>					
<b>ASC Budget Monitoring</b>	<i>Scheduled for Q3</i>					
<b>Equality Strategy</b>	<i>Scheduled for Q4</i>					
<b>Debt Management</b>	<i>Scheduled for Q4</i>					
<b>Fostering</b>	<i>Scheduled for Q4</i>					

<b>A&amp;SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA</b>						
Topic / Date	07-Jun-22	01-Aug-22	29-Sep-22	07-Dec-22	07-Feb-23	21-Mar-23
<b>Internal Audit &amp; Investigations</b>						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Review Internal Audit External Quality Assessment Outcomes						X
Internal Audit Progress Reports		X			X	
Annual/Interim Counter Fraud Report	X			X		
Internal Audit and Investigations Plan				X		X
<b>External Audit</b>						
External Audit progress report		X	X	X	X	X
External Audit plan	X					
Draft Statement of Accounts & External Auditor's Report		X				
External Audit Appointment Report					X	
Annual Auditor's Report			X			
<b>Financial Reporting</b>						
Treasury Management Mid-term Report				X		
Treasury Management Strategy				X		
Statement of Accounts		X	X*			
The Brent Pension Fund Accounts & External Auditor's Report			X			
Treasury Management Outturn Report	X					
<b>Governance</b>						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X			X
Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal						X
Review of the use of RIPA Powers						X
Planning Code of Practice Review			X			
Receive and agree the Annual Governance Statement	X*					
<b>Risk Management</b>						
Strategic Risk Register Update	X				X	
Emergency Preparedness			X			
<b>Audit Committee Effectiveness</b>						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						
Training Requirements for Audit Committee Members as required						
<b>Standards Matters</b>						
Standards Report (including gifts & hospitality)	X	X	X		X	X
Annual Standards Report						X
Complaints & Code of Conduct			X			
Review of the Member Development Programme and Members' Expenses						X

\* Requires approval by Audit & Standards Committee

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