



Audit and Standards Advisory Committee

Wednesday 24 July 2024 at 6.00 pm

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

Please note this will be held as a physical meeting which all Committee members will be 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)
Benea
Choudry
Kabir
Long
Molloy
J.Patel

Councillors:

Agha, S Butt, Chohan, Conneely, Ketan Sheth and T.Smith

Councillors:

Kansagra and Maurice

Independent Co-opted Members

Rhys Jarvis and Stephen Ross

For further information contact: James Kinsella, Governance & Scrutiny Manager
Tel: 020 8937 2063; Email: james.kinsella@brent.gov.uk

For electronic copies of minutes and agendas please visit:
[Council meetings and decision making | Brent Council](#)

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 a 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
1 Apologies for absence and clarification of alternate members	
2 Declarations of Interest	
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 Deputations (if any)	
To receive any deputations requested by members of the public in accordance with Standing Order 67.	
4 Minutes of the previous meeting and Action Log	
4.1 To approve the minutes of the previous meeting held on Wednesday 12 June 2024 as a correct record.	To Follow
4.2 To note the updated log of actions arising from previous meetings of the Committee.	1 - 6
5 Matters arising (if any)	
To consider any matters arising from the minutes of the previous meeting.	
Finance Items	
6 DSG High Needs Block - Recovery Action Plan Progress Update	To Follow
This report provides members with an update on progress with delivery of the Dedicated Schools Grant High Needs Block Recovery Action Plan, as requested by the Committee in February 2024.	
7 Treasury Management Outturn Report 2023-24	7 - 42
This report sets out the outturn for the Council's Treasury Management Activities for 2023-24 updating members on both borrowing and	

investment decisions in the context of prevailing economic conditions and the Council's Treasury Management performance.

External Audit Items

8 External Audit Progress Report and Sector Update Verbal Update

To receive a verbal update providing on progress in delivering Grant Thornton's responsibilities as the Council's external auditors.

Standing Items

9 Audit & Standards Advisory Committee Forward Plan and Work Programme 2024-25 43 - 44

To consider the Committee's Work Programme for the 2024-25 Municipal Year.

10 Exclusion of Press & Public

No items have been identified in advance of the meeting that will require the exclusion of the press and public.

11 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Deputy Director Democratic Services or their representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: Wednesday 25 September 2024



- 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 via the live webcast [HERE](#)

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Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
12 June 24	7	Annual Counter Fraud Report 2023-24	Further details to be circulated on completion of mandatory data submission under National Fraud Initiative and outcome of the work supported in relation to Council Tax Single Person Discount.	Darren Armstrong	In progress
	10	Draft Statement of Accounts 2023-24	Final report back to Committee to include further detail on main changes and movements included within Financial Outturn from original budget during 2023-24 along with detail on basis of level of balances held within HRA Reserve (Ben Ainsworth/Minesh Patel)	Ben Ainsworth/Minesh Patel	In progress – update to be provided with final submission of Statement of Accounts – Sept 24 Committee
28 March 24	7	Annual Review of Member Learning & Development (MLD) Programme and Member Expenses	Feedback provided during meeting regarding improvements to hybrid learning and development sessions (re technology, structure and facilitation) to be fed back to MLD Steering Group for consideration.	Amira Nassr	In progress – feedback to be provided for MLD Steering Group – 18 July 24
	8.	Performance & Governance review of i4B Holdings Ltd and First Wave Housing Ltd	Update to be provided on progress in finalising arrangements for a Joint Scrutiny work programme meeting to consider the arrangements and remit of each Scrutiny Committee in terms of their operational review of both i4B & FWH performance.	Amira Nassr	In progress – update to be provided following scrutiny work programme planning sessions (delayed due to General Election) arranged for July 24
		Internal Audit Strategy 2024-2027 & Internal	<ul style="list-style-type: none"> Organisational structure chart to be provided for the Committee and independent co-opted members detailing the Council's senior management 	Minesh Patel	

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		Audit Plan 2024-2025	<p>realignment and inclusion of the newly created Deputy Director Organisational Assurance and Resilience (incorporating the Head of Internal Audit) along with arrangements to maintain independence of the role.</p> <ul style="list-style-type: none"> Further update on progress with development and implementation of Internal Audit Plan to be provided for September & December Committee. 	<ul style="list-style-type: none"> Darren Armstrong 	In progress – update on Internal Audit Plan included on work programme for Sept and Dec 24 committee meetings
	11	Strategic Risk Report	<ul style="list-style-type: none"> To review the potential for developing a risk management dashboard to provide better insight in respect of the categorisation of all Council risks. To include an action tracker within future versions of the Strategic Risk Report to track the implementation of mitigating actions (with effect from next update report in September 24). 	<ul style="list-style-type: none"> Darren Armstrong Darren Armstrong 	<p>In progress – further update to be provided as part of next Strategic Risk Report (Sept 24)</p> <p>In progress – to be incorporated in next Strategic Risk Report (Sept 24)</p>
	12	External Audit Fees	Committee to continue to keep the level of external audit fees and any additional charges incurred or increase in fees under ongoing review.	Minesh Patel/Rav Jassar	In progress – review ongoing.
	13	External Audit Enquiries of Management	Members to feedback comments on Enquiries of Management following meeting with final response on the Enquiries of Management to be reported back to next Committee (June 24) for final approval.	Ben Ainsworth	Completed – Enquiries of Management submission approved 12 June 24.

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					To be removed from Action Log
6 February 2024	4.	Minutes of the previous meeting and Action Log	Update on DSG Recovery Plan to be included on 2024-25 Work Programme.	Minesh Patel/Nigel Chapman	In Progress - Update scheduled July 24
			Committee to continue to monitor trends as part of future updates in terms of complaints and assurance around outcomes.	Debra Norman/Biancia Robinson	In Progress - To be included as part of next Annual Complaints report
	7	CIPFA Financial Management Code & Redmond Review	Alignment of key financial strategies and programmes with the Committee work programme to be reviewed to ensure joined up approach as part of Financial Planning and budget setting process.	Minesh Patel	In Progress – to be reviewed as part of 25-26 budget setting process
			Further update to be provided for Committee during 24-25 on progress in implementing the areas for improvement identified within the report as part of the ongoing development and implementation of FM Code.	Rav Jassar	In Progress – update scheduled to be provided for the Committee in February 2025.
			Redmond Review – Committee to review the summary of financial information section added to the narrative report within the Statement of Accounts for 24-25.	Rav Jassar	In Progress – to be reviewed as part of 24-25 Statement of Accounts
	8	Emergency Planning & Resilience Service Update	Progress update to be provided for Committee in 6 months on implementation of recommendations from external service review. This to include further detail on work planned to test resilience of IT system and cyber security as well as on role of London Resilience Forum in seeking to identify and	Tanveer Ghani/Russell Burnaby/Melissa Buckley	In Progress - Update included on 24-25 Committee work programme (September 24)


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			analyse trends in incidents and associated learning/mitigations on a regional basis.		
	10	Evaluating the Effectiveness of the Audit & Standards Advisory Committee	Additional training needs identified in relation to: <ul style="list-style-type: none"> Treasury Management Strategy; & focus on levels of internal control & defence mechanisms (Minesh Patel/Darren Armstrong) Role of External Audit – added as action following 12 June 24 Committee 	Minesh Patel & Darren Armstrong	In Progress - included as part of the Committee's Training & Development Programme during 24-25
6 December 23			The Treasury Management Strategy to be presented back to the Committee once completed.	Amanda Healy (date tbc)	In progress – the strategy continues to be updated; the Committee will be advised when it is ready to be presented back to the Committee.
	9	Internal Audit Interim Report 2023/24	KPI's around outstanding actions/trends and implementation dates of agreed management response actions to be included in the next iteration of the report.	Darren Armstrong June 2024	Ongoing – to be included when the next Internal Audit Report comes to the Committee in June 2024.
	10	Interim Counter Fraud Report 2023/24	Following provision of a breakdown of time spent on different categories of investigation (outside of Blue Badge fraud) at the February 24 meeting a further update to be provided as part of Counter Fraud Update (June 24).	Darren Armstrong June 2024	Completed - Update provided as part of Counter Fraud Update for the Committee in June 24. To be removed from Action Log

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	12	External Progress and Update	Audit Report Sector	Grant Thornton to update the Committee in relation to the progress in resolving the minor objections received re bud lane cameras.	Sophia Brown/Sheena Phillips (Grant Thornton) March 2024	Completed – final response provided by Grant Thornton dismissing objection with no appeal lodged. To be removed from Action Log
26 September 23		Review the Committee's Forward Plan		Future planning to consider the management of agenda items to allow Members to focus on providing an appropriate level of challenge on the substantive items (Minesh Patel, Darren Armstrong, Debra Norman, Chair & Vice-Chair)	Minesh Patel/Debra Norman/Darren Armstrong/David Ewart (Chair) and Councillor Chan (Vice Chair)	Ongoing – as part of 24-25 Work Programme.

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 Brent	Audit and Standards Advisory Committee 24 July 2024
	Report from the Corporate Director Finance and Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance & Resources (Councillor Mili Patel)
Treasury Management Outturn 2023/34	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	Four: Appendix 1: Economic Commentary Appendix 2: Debt and Investments Portfolio Appendix 3: Average Rate vs Credit Risk Appendix 4: Prudential Indicators
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Nadeem Akhtar, Senior Finance Analyst Capital, Treasury & Commercial Email: nadeem.akhtar@brent.gov.uk Tel: 020 8937 5957 Alex Essilfie-Bondzie Interim Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Email: Alex.Essilfie-Bondzie@brent.gov.uk Tel: 020 8937 1679

1.0 Executive Summary

- 1.1 This report sets out the outturn for the Council’s Treasury Management Activities for 2023/24. The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that

regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.

1.2 This report updates Members on both the borrowing and investment decisions made by the Corporate Director Finance and Resources under delegated authority in the context of prevailing economic conditions and considers the Council's Treasury Management performance. The Council can only borrow for capital investment, it cannot borrow to fund operational, day to day expenditure. The borrowing supports the Council's capital investment programmes for both Council Housing (HRA) and General Fund.

1.3 Key emerging points are as follows:

1. The Council has complied with its Prudential Indicators for 2023/24.
2. Borrowing outstanding at 31 March 2024 was £814.3m and had increased from £774.9m over the course of the financial year, a change of £38.9m. The change in debt was due to raising £130.0m of new loans and repaying £91.1m of maturing debt.
3. Cash Investments outstanding at 31 March 2024 was £95.3m and had decreased from £116.2m over the course of the financial year, a change of £20.9m.
4. The Council's Capital Financing Requirement (CFR- representing the underlying need to borrow) changed from £1,138.8m to £1,236.6m, a change of £97.8m.
5. The Council's average debt pool rate was 3.89% as a 31 March 2024 and had changed from 3.49% (31 March 2023), caused by borrowing in rising interest rate environment.
6. The Council's rate of return on cash investments was 5.31% from 4.08% (31 March 2023) reflecting the numerous Bank of England Bank Rate changes during the financial year (3 times).
7. Minimum Revenue Provision (MRP) charge for 2023/24 for the General Fund was £18.1m in accordance with the Council's approved MRP Policy (date of approval 23/02/2023). The charge comprised of £13.4m that was chargeable on schemes funded by prudential borrowing; and £4.7m on PFI schemes. A further £0.9m was recognised for Service Loans, where no MRP was charged but principal payments reduced the debt liability in accordance with Statutory regulations.

2.0 **Recommendation(s)**

That the Audit and Standards Advisory Committee:

2.1 Note and comment on the overall financial performance for 2023/24.

2.2 Approve the submission of the report to Cabinet for approval in accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its borrowing and investment strategy as approved by Full Council.

3.1.2 The Council's treasury management activity is underpinned by Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity.

3.2 Background

3.2.1 The Council has borrowed money over the long term to support investment in the Council's infrastructure and invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.

3.2.2 The Council has adopted the CIPFA Code which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

3.2.3 The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and Treasury Management Strategy, complying with CIPFA's requirement, was approved by full Council at a Budget and Council Tax Setting Council meeting on 23 February 2023.

3.2.4 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

3.3 Economic Background

3.3.1 Key points emerging for 2023/24:

- UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February.
- The UK economy entered a technical recession in the second half of 2023.
- Bank Rate was maintained at 5.25% through to March 2024 having increased from 4.25% at the start of the financial year.
- Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year.
- Credit conditions improved during the financial year resulting in investment periods increasing from 35 days to 100 days.

3.3.2 Appendix 1 provides a full economic commentary for the financial year.

3.4 Balance Sheet Summary

3.4.1 As at 31 March 2024, the Council had a net borrowing position of £719.0m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual (Original) £m	31.3.23 Actual (Revised) £m	31.3.24 Actual £m
General Fund CFR	851.4	844.6	935.7
HRA CFR	294.9	294.9	300.9
Total CFR	1,146.4	1,139.5	1,236.6
PFI & Lease Liabilities	36.2	36.2	32.5
Total Loan CFR	1,182.6	1,175.72	1,269.11
External borrowing (Excluding accrued interest)*	781.0	774.9	814.3
Internal Borrowing (Loans CFR less external borrowing)		364.6	422.3
Less Usable Reserves	(491.2)	(491.2)	(513.3)
Less Working Capital	(173.6)	10.4	(4.3)
Investments (or new borrowing)	116.2	116.2	95.3

*Original 2022/23 includes £6.1m accrued interest

3.4.2 The treasury management position at 31st March and the change during the year is shown in Table 2 below.

Table 2: Balance sheet summary

	31.3.23 Actual £m	Movement	31.3.24 Actual £m
Short-term Borrowing	91.1	(6.9)	84.2
Long-term Borrowing	683.8	46.2	730.0
Total External Debt	774.9	39.4	814.3
Money Market Funds	116.2	(25.9)	90.3
Local Authority Cash Investments	0.0	5.0	5.0
Total Cash Investments	116.2	(20.9)	95.3
Net Debt	658.7	60.3	719.0

3.4.3 Borrowing has increased in the past year, in order to meet the requirements of the Council's long-term Capital investment programme as internal cash resources were utilised.

3.4.4 Cash investments decreased over the year following the repayment of maturing debt and ongoing investment in the Council's capital programme in lieu of borrowing.

3.4.5 Appendix 2 details the debt and investment portfolio as at 31 March 2024.

3.5 Borrowing

3.5.1 The Council's main objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

3.5.2 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

3.5.3 The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

3.5.4 The Council had a borrowing position of £774.9m as at 1 April 2023. This had increased to £814.3m as at 31 March 2024. Table 3 provides the breakdown of loan balances.

Table 3- breakdown of debt

Loan Type	01-Apr-23	New Loans	Repaid loans	31-Mar-24
	£m	£m	£m	£m
PWLB	538.7	60.0	(8.9)	589.8
LOBO	70.5	0.0	(11.0)	59.5
Private Placement	95.0	0.0	0.0	95.0
Local Authority	70.0	70.0	(70.0)	70.0
Salix	0.7	0.0	(0.7)	0.0
Total Debt Outstanding	774.9	130.0	(90.6)	814.3
Accrued Interest	6.1	10.0	(6.1)	10.0
Total Debt and Accrued Interest Outstanding	781.0	140.0	(96.7)	824.3

3.5.5 The Council raised £130.0m of new loans during the Year. Two long-term loans totalling £60.0m (£40m and £20m) were raised with the PWLB on an Equal Instalment Principal (EIP) structure. A further £70.0m of short-term loans were raised with various local authorities to support the Council's daily cashflow activity as cash balances had depleted. This borrowing requirement was driven by the demands of delivering the capital programme not already funded through grants, contributions, capital receipts or reserves. Local authority loans were raised at an average rate of 5.70% with an average duration of 365 days. The interest rates reflect the current rising interest rate environment.

3.5.6 The two PWLB EIP loans raised in November 2023 were at a rate of 4.60% and 4.41% for a loan duration of 20 and 12 years respectively. The loans were applied for on the behalf of the HRA and the Council took advantage of the PWLB HRA concessionary rate. The PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. This rate will now be available to June 2025. The discounted rate is to support local authorities borrowing for the Housing Revenue Account. The loans have been applied to fund the following HRA capital expenditure that was initially financed by internal borrowing at the respective time:

- i. 2021/22 and 2022/23 capital expenditure that was designated to be financed through borrowing: £25.1m and £26.2m respectively.
- ii. 2023/24 capital expenditure- Out of a total of £16.5m that was financed through internal borrowing, £8.6m has been replaced with the PWLB loans.

3.5.7 During 2023/24 the Council repaid £90.6m of loans that were held with the PWLB (£8.9m); local authorities (£70.0m); LOBO loan (£11.0m) and Salix loans (£0.7m). The PWLB loans consisted of EIP loans whilst the local authority loans were temporary loans held for cashflow purposes. A LOBO loan held with Commerzbank AG was repaid following the Lender exercising the Call Option in accordance with the loan agreement. An alternative rate was offered by the

Lender, which was higher than the current loan rate, but the offer was declined by the Council following an option appraisal of alternative options that were available to the Council at the time that offered better value. The LOBO loan was repaid from existing cash balances.

3.5.8 Overall, the total debt movement was an increase of £39.4m.

3.5.9 Interest rates have risen substantially over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived stickier inflation at times and downward pressure from falling inflation and a struggling economy at other times.

3.5.10 The cost of short-term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2024.

3.5.11 **Loan Restructuring:** No loans were restructured during 2023/24. The Council will continue to monitor and evaluate the opportunity to reschedule existing loans. The Council received a proposal to restructure one of its LOBO loans on the loan review date, but the Council chose not to accept the proposal. Further details are below.

3.5.12 **LOBO Loans:** As at 31 March 2024 the Council was holding £59.5m of LOBO loans. A £11.0m LOBO loan was borrowed from Commerzbank AG on 12th February 2003 with an interest rate of 4.99% and was expected to mature 12th February 2067. The loan was structured with periodic rate review dates, with first one being February 2008 and then every four years thereafter. The loan was due for a rate review on 12th February 2024. The Bank had approached the Council prior to the review date and proposed a new rate of 5.76% for the remainder of the loan duration (subject to further periodic reviews). Upon consideration, the Council had declined the offer as it had sufficient cash balances at the time, as well as that the PWLB loans were trading between 4.67% and 5.35% depending on loan duration and loan structure, with a further expectation of loan rates coming down in the near to medium term future. The expectation being that the Council would defer the need to borrow until such time depleted cash (due to internally borrowing) was to be replaced.

3.5.13 There are no LOBO call reviews in 2024/25 but £35m is expected to be reviewed in 2025/26. Therefore, there is no immediate risk to these loans requiring early repayment or experiencing rate rises in 2024/25. The Council will keep LOBO loans under review in 2024/25 and consider any premature opportunities that arise to prepay or restructure the LOBOs rather than carrying an ongoing substantial interest risk.

3.5.14 **Forward Borrowing:** There were no forward agreed loans as at 31 March 2024.

3.6 Maturity Profile of Debt

3.6.1 As at 31 March 2024 the Council had 72 loans spread over 50 years with the average maturity being 25 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year.

Table 4: Debt maturity profile

Maturity Profile at 31 March 2024 (£m)	2023/24
<1 Year	84.2
1-2 Years	48.7
3-5 years	47.0
5-10 Years	73.4
10-15 Years	75.8
15-20 Years	68.5
20-25 Years	92.9
25-30 Years	29.4
30-35 Years	183.2
35-40 Years	6.1
40-45 Years	0.0
45+ Years	105.0
Debt outstanding	814.3

3.6.2 The Council's average debt pool rate at 31 March 2024 was 3.89%

3.7 Capital Financing Requirement

3.7.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This is the amount of the Capital Programme, past and present, that is funded by borrowing and has not been paid for by revenue or other resources.

3.7.2 The Council's external borrowing was £814.3m and was within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the original estimated gross loan CFR for 2023/24 of £1,389.0m. Actual loan CFR as at 31 March 2024 stood at £1,236.6m. This can be split between the General Fund (£935.7m) and the HRA (£300.9m). The difference between the Loan CFR and external loans is internal borrowing. Internal borrowing occurs due to timing differences when capital expenditure that is meant to be financed through external debt is instead paid for through cash resources that are intended for other purposes. Cash is replenished later. Internal borrowing at 31 March 2024 was £422.3m as shown in Table 5.

3.7.3 During the year there were a number of assets (land and buildings) that moved between the HRA and the General Fund for the purpose of regeneration and development. In total assets with a certified value of £10.8m were transferred from the HRA to the General Fund, and the respective CFRs were adjusted.

3.7.4 The General Fund CFR was reduced by £18.9m following the application of Minimum Revenue Provision (MRP) charges and service loan repayments. MRP is discussed further below.

Table 5: Capital Financing Requirement

Capital Financing Requirement (CFR)	31-Mar-23	31/03/2024 (Draft Accounts)
	£m	£m
General Fund	844.6	935.7
Housing Revenue Account	295.0	300.9
Total CFR	1,139.5	1,236.6
Other Debt Liabilities	36.2	32.5
Loan CFR	1,175.7	1,269.1
External Borrowing	774.9	814.3
Internal Borrowing	364.6	422.3
2023/24 Council Approved Limits (Capital Strategy)		
Approved Operational Boundary Limit	1,200.0	1,500.0
Approved Authorised Limit	1,400.0	1,700.0
Forecasted CFR	1,125.6	1,389.0

3.7.5 The movement in the Loan CFR of £97.0m between 31 March 2023 and 31 March 2024 can be explained in Table 6.

Table 6: Movement in CFR

	£m
Opening Loan CFR April 2023	1,139.6
Closing Loan CFR 31 March 2024	1,236.6
Change in Loan CFR	97.0
Capital expenditure 2023/24	213.0
Capital expenditure Financing	(91.5)
MRP	(18.1)
Service Loans Repaid	(0.9)
I4B Technical Adjustment	(5.8)
Other	0.3
Total Movements in CFR	97.0

3.8 Minimum Revenue Provision

3.8.1 The Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. The statutory guidance provides options for calculating a charge that is considered prudent. The approach for this calculation is approved as part of the budget setting process each February by Full Council in the Minimum Revenue Provision Statement.

- 3.8.2 The 2023/24 MRP charge was reviewed and some amendments were made to the assets where prudential borrowing has been undertaken. The changes include an update to asset lives and the MRP interest rate was aligned with the average annual PWLB Annuity rate for the respective asset life. The charge for the year totalled £18.1m and consisted of £13.4m for capital programme borrowings (historical supported borrowings and unsupported borrowings); and £4.7m for the PFI schemes. A further £0.9m was received by the Council for service loan repayments. Total debt repayments equated to £19.0m. The Council did not make any voluntary MRP during the year.
- 3.8.3 In December 2023 the Department for Levelling Up Housing and Communities (DLUHC) published two consultations: a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February 2024 and a “call for views” on capital measures to improve sector stability and efficiency closing on 31st January 2024. The Council responded to both consultations by putting forward its views.
- 3.8.4 Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to firstly make no MRP on parts of the capital financing requirement (CFR) and secondly to use capital receipts in lieu of a revenue charge for MRP.
- 3.8.5 In its call for views on capital measures, government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage ‘invest-to-save’ activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

3.9 **Cost of Borrowing**

- 3.9.1 Total debt costs for the year were £31.2m, comprising of £30.3 interest costs and £0.9m non-interest costs. Details are provided in Table 7. The average interest rate paid on total external debt in 2023/24 was 3.89% (3.49% in 2022/23). Table 4 shows the Council’s total cost of maintaining its debt portfolio, as well as how the debt cost has been recharged to the HRA. The overall cost to the General Fund was £22.2m, whilst the HRA was recharged £8.9m for its share of debt.

Table 7: Debt costs

Capital Financing Costs at 31 March 2024 (£m)	2023/24
	Actual
Total Gross External Debt Interest	30.3
Other Interest Payments	3.3
Total Interest Payable & Expenses	33.6
Interest Earned on Treasury Cash Investments	(6.4)
Interest Earned on Subsidiary and Service Loans	(18.1)
Total Interest Receivable	(24.5)
Net Interest	9.1
MRP (Excluding PFI)	13.4
Revenue Contributions to Capital Programme	8.5
Total Capital Financing Costs	30.9
Budget	25.0
Revenue Contribution from Service	0.5
Total Budget	25.5
Variance	(5.4)
Drawdown from Capital Reserve	5.4
Net Position at Outturn	0.0
General Fund Share of Capital Financing Cost	22.5
HRA Share of Capital Financing Cost (Net)	7.9
Total Capital Financing Cost	30.4

3.9.2 Other interest payable and expenses relates to the following items:

- i. Barham Park Fund- Interest: £0.02m
- ii. Professional fees £0.1m
- iii. Loan premiums £0.8m

3.9.3 Higher interest rates throughout 2023/24 have increased the cost of short-term loans. The Council pursued its strategy of keeping external borrowing lower than its underlying level by temporarily using cash held for other purposes,

known as internal borrowing, in order to reduce risk and minimise the interest costs incurred from external borrowing.

- 3.9.4 Interest on treasury cash investments has been generated on cash balances held within money market funds, investments with other local authorities and the Debt Management office. The Council has generated a rate of return of 5.31% for 2023/24.
- 3.9.5 Interest on subsidiary loans relate to I4B and First Wave Housing, two wholly owned Council companies. The interest relates to loans advanced to the Companies.
- 3.9.6 Service loan interest relates to loan advances to Brent schools, the West London Waste Authority and Alperton Academy.

3.10 Investment Activity

- 3.10.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 3.10.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year, the Council's investment balances ranged between £86.4m and £192.8m due to timing differences between income and expenditure. The investment position is shown in table 8 below.

Table 8: Treasury investment activity

	31-Mar-23	Movement	31-Mar-24
	£m	£m	£m
Local Authority and DMADF Deposits	0.0	5.0	5.0
Money Market Funds	116.2	(25.9)	90.3
Total Cash Investments (Excluding accrued interest)	116.2	(20.9)	95.3

- 3.10.3 The CIPFA Treasury Management Code requires local authorities to consider their counterparty policies in light of environmental, social and governance (ESG) information. The Council has regard to funds who have signed up to ESG related initiatives, including the UN Principles for responsible investment, the UK Stewardship Code and the Net-Zero Asset Managers Initiative.
- 3.10.4 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.

3.10.5 Increasing interest rates have led to improved returns on our short-dated holdings. At 31st March 2024, the Council achieved circa 5.3% from cash investment holdings, which compares to 4.1% a year earlier. Rates have increased throughout the year in line with the increase in Bank Rate. Appendix 3 details the average rate earned on investments against credit risk exposure.

3.10.6 Given the higher interest rate environment and the Council's need to hold cash for day-to-day requirements, deposits have been held in short term investments, providing the Council with improved liquidity. This has also led to increased investment income given the increased deposit rates that followed from changes in the Bank of England base rate. There was also a focus on holding funds with high credit ratings, providing increased security over the Council's investment portfolio.

3.10.7 The Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of money market funds will be maintained to allow access to cash to fund daily cashflow outgoings.

3.10.8 The progression of risk and return metrics are shown in the extracts from Arlingclose quarterly investment benchmarking in the table 9 below.

Table 9: Investment benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2022	5.06	A+	100%	1	0.52%
31.03.2023	5.03	A+	100%	1	4.08%
31.03.2024	4.91	A+	95%	10	5.31%
Similar Local Authorities*	4.80	A+	70%	24	5.13%
All Local Authorities*	4.82	A+	61%	9	5.03%

*Arlingclose clients only

3.11 Non-Treasury Investment Activity

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

purposes. The non-Treasury investments are classified under shareholdings to subsidiaries and loans to subsidiaries, detailed in the paragraph below.

3.11.1 Investment Guidance issued by DLUHC and the Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

3.11.2 The Council also held £257.0m of such investments in:

- Shareholding in subsidiaries: £103.5m (£103.5m in 2022/23).
- Loans to subsidiaries £153.5m (£152.8m in 2022/24).

3.11.3 I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31st March 2024, the Council had provided funding of £182.1m to i4B (£182.1m in 2022/23) which are secured against the company's properties. The Council received £5.3m (£5.2m in 2022/23) in interest for loans to I4B. The loans are secured against the properties held within the company.

3.11.4 First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was formally known as Brent Housing Partnership (BHP) The Council received £0.7m in interest for loans to FWH (£0.7m in 2022/23). As of 31 March 2024, there were outstanding loans to Brent Council totalling £34.3m (£34.7m in 2022/23) which are secured against the properties held within the company.

3.11.5 These investments generated £6.0m of income for the Council in 2023/24 (£5.9m in 2022/23). This investment income covers the borrowing cost of investing in housing through wholly owned subsidiaries. These borrowing costs would be incurred by the Council regardless of the method through which the Council develops new housing; however, this is the vehicle of choice for such investments.

3.11.6 There were no new loans given to the Council's subsidiaries in 2023/24, and loan repayments (capital and interest) were received in a timely manner.

3.12 Treasury Management Training

3.12.1 The needs of the Council's treasury management staff for training in investment and debt management are kept under review. These are considered as part of the staff appraisal process and additionally when the responsibilities of individual members of staff change.

3.12.2 Training for Members is also kept under review.

3.13 Compliance

3.13.1 The Corporate Director for Finance and Resources reports that all treasury management activities undertaken during the year complied fully with the

CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

3.13.2 Compliance with the approved prudential indicators, and in particular the authorised limit and operational boundary for external debt is demonstrated within Appendix 4 (Prudential Indicators) as required by the 2021 CIPFA Treasury Management Code.

4.0 Stakeholder and Ward Member Consultation and Engagement

4.1.1 Given the nature of this report, there has been no stakeholder and ward member consultation and engagement.

5.0 Financial Considerations

5.1 The financial implications are noted in the report.

6.0 Legal Considerations

6.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee. Brent Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this code and as such, following consideration by Cabinet, a report setting out the Council's Treasury Management activity for the year should be submitted to Full Council for approval.

7.0 Equity, Diversity & Inclusion (EDI) Considerations

7.1 There are no equality, diversity and inclusion considerations arising from this report.

8.0 Climate Change and Environmental Considerations

8.1 As part of the Council's Treasury Management Strategy, the Council will ensure an assessment is made with regards to environmental, social and governance (ESG) matters for the council's long-term investments. There were no new long-term investments made during 2023/24.

9.0 Communication Considerations

9.1 No additional communication strategies are required for this report.

Report sign off:

Minesh Patel

Corporate Director Finance and Resources

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Appendix 1: Economic Commentary 2023/24

Economic Background

UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e., excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e., including bonuses) and 7.8% for regular pay growth (i.e., excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon. Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to

be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets

Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started. Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit review

In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges

from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

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

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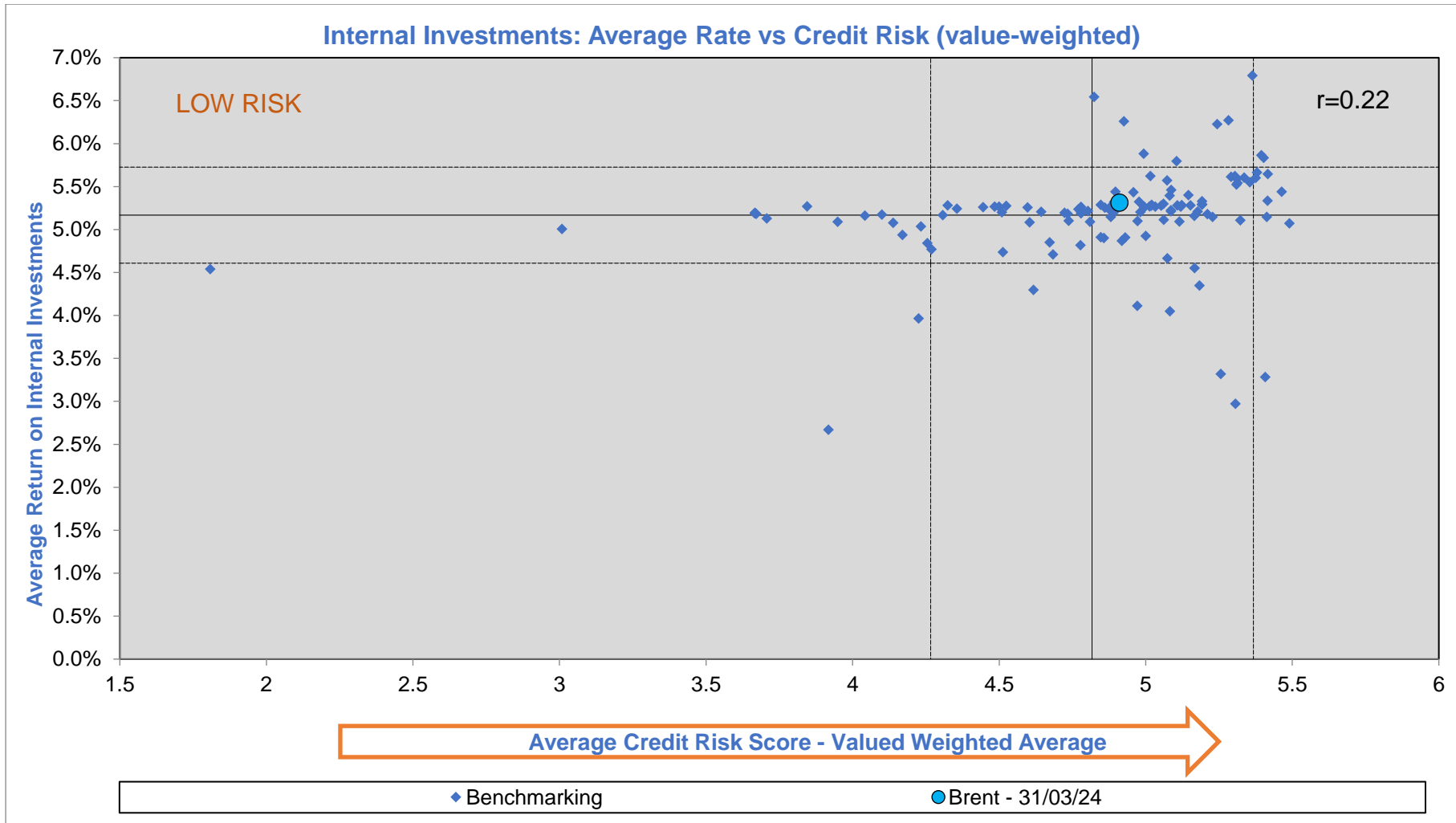
Appendix 2

Debt and Investment Portfolio 31/03/24

	Actual Portfolio as at 31 March 2024 (£m)	Average Rate as at 31 March 2024
External Borrowing:		
PWLB Maturity Loans	378.9	4.6%
PWLB Equal Instalment Principal Loans	210.9	1.7%
Fixed Rate Market Loans	95.0	2.4%
LOBO Loans	59.5	5.0%
Short-term Loans	70.0	2.9%
Total External Debt	814.3	
Accrued Interest	10.0	0
Total External Borrowing and Accrued Interest	824.3	
Other Long-Term Liabilities:		
PFI	22.8	9.5%
Finance Leases	7.7	4.1%
Total Other Long-term Liabilities	30.5	
PFI Short-term Liability	2.0	
Total Gross External Debt and Liabilities	856.8	
Investments:		
Money Market Funds	90.7	4.9%
Fixed Term Deposits – LA	5.0	
Total Investments	95.7	
Net Debt	761.1	

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Appendix 3: Internal Investments: Average Rate vs Credit Risk as at 31/03/2024



The Council measures the financial performance of its treasury management activities against similar Council's through benchmarking provided by its Treasury Management Advisor, Arlingclose limited.

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Appendix 4 – Prudential Indicators

Legislative Update

In December 2021, CIPFA published its revised Prudential Code and Treasury Management Code of Practice following concerns around the commercial activity undertaken by several local authorities and the affordability of borrowing plans.

The Code required authorities to not borrow to invest primarily for financial return and all capital expenditure undertaken must be related to the functions of the authority. The Council has not undertaken any activities to invest for a yield or have any commercial plans within the capital programme.

The Code required the Prudential Indicators (which are approved as part of the Council's Treasury Management Strategy) to be reported quarterly (from semi-annually) as part of the financial updates and will be a recurring addition to the quarterly financial reports.

Prudential Indicators

The Council has a significant borrowing requirement and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

Prudential indicators have been calculated using the capital programme data as at quarter one of 2024/25 (May 2024) and include 2023/24 Outturn data.

Capital Expenditure & Financing at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28	Total 2024/25-2027/28
	Actual	Forecast	Forecast	Forecast	Forecast	
Corporate Landlord	10.0	14.3	19.0	10.8	28.2	72.3
Housing GF	99.4	108.0	48.1	30.7	3.6	190.4
Schools	11.7	25.4	26.3	7.3	3.3	62.2
Regeneration	4.5	62.2	117.4	7.3	0.0	186.9
Public Realm	25.1	25.4	11.7	1.0	1.0	39.2
South Kilburn	18.9	33.4	3.9	3.9	0.0	41.2
St Raphael's	0.6	0.5	3.2	3.9	12.5	20.0
HRA	42.8	53.7	96.5	29.5	9.9	189.7
Total Capital Expenditure	213.0	322.8	326.1	94.4	58.5	801.9
Financed By:						
Grants	57.3	50.3	33.6	7.3	3.3	94.5
Section 106	8.9	28.1	16.7	0.0	0.0	44.8
Capital Receipts	4.9	1.8	28.2	23.3	26.1	79.4
Earmarked Reserves	0.9	2.5	1.3	1.4	0.0	5.1
Major Repairs Reserve	10.4	24.0	21.4	0.0	0.0	45.4
Revenue Contributions	9.0	11.6	1.7	9.0	0.5	22.8
Borrowing	121.5	204.6	223.3	53.5	28.6	510.0
Total Capital Financing	213.0	322.8	326.1	94.4	58.5	801.9

(a) Capital Financing Requirement (CFR)

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. This is the amount of the Capital Programme that is funded by borrowing. The Council's maximum external borrowing requirement for 2024/25 is shown in the table below. The indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and to consider the impact on Council tax and in the case of the HRA, housing rent levels.

CFR Movement at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
Opening CFR	1,139.6	1,236.6	1,419.7	1,619.0	1,646.2
Capital Expenditure	213.0	322.8	326.1	94.4	58.5
External Resources	(66.3)	(78.4)	(50.3)	(7.3)	(3.3)
Internal Resources	(25.3)	(39.9)	(52.5)	(33.6)	(26.6)
MRP	(18.1)	(20.5)	(23.1)	(25.2)	(26.7)
Capital Loans Repaid	(0.9)	(0.9)	(1.0)	(1.1)	(1.2)
I4B Adjustment	(5.8)	0.0	0.0	0.0	0.0
Accounting Adjustments	0.3	0.0	0.0	0.0	0.0
Closing CFR	1,236.6	1,419.7	1,619.0	1,646.2	1,646.9

External resources consist of grants and Developer contributions. Internal resources consist of use of reserves, capital receipts and revenue contributions.

(b) Gross Debt and the Capital Financing Requirement

To ensure that over the medium term, debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows that the Council complied with this recommendation during 2023/34.

Gross Debt & the Capital Financing Requirement at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
External Loans	814.3	930.6	1,098.9	1,120.6	1,116.3
PFI & Leases	32.5	28.5	24.7	22.7	20.4
Total External Debt Liabilities	846.8	959.0	1,123.5	1,143.3	1,136.7
Internal Borrowing	422.3	489.2	520.1	525.6	530.6
Capital Financing Requirement	1,236.6	1,419.7	1,619.0	1,646.2	1,646.9
Borrowing in Excess of CFR ?	No	No	No	No	No

(c) Liability Benchmark

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.

Liability Benchmark at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
Loans CFR	1,236.6	1,419.7	1,619.0	1,646.2	1,646.9
Less Balance Sheet Resources	(470.5)	(470.5)	(470.5)	(470.5)	(470.5)
Net Loan Requirement	766.1	949.3	1,148.5	1,175.8	1,176.4
Plus, Liquidity Allowance	20.0	20.0	20.0	20.0	20.0
Liability Benchmark	786.1	969.3	1,168.5	1,195.8	1,196.4

(d) Authorised limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely i.e., prudent, but not worst-case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

Other long-term liabilities comprise finance leases, Private Finance Initiative contracts and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Operational Boundary and Authorised Limit at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved	Approved	Approved	Approved
Authorised Limit	1,700.0	1,700.0	1,800.0	1,900.0	1,900.0
Operational Boundary	1,500.0	1,500.0	1,600.0	1,700.0	1,700.0
Actual Debt and Other Debt Liabilities	846.8				
Breach in Debt Limits	No				

The Corporate Director for Finance and Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2023/24 financial year.

(e) Upper Limits on one-year revenue impact of a 1% movement in interest rates

This indicator 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 in the current year will be replaced at current rates.

Upper Limits on one-year revenue impact of a 1% movement in interest rates on Maturing 31 March 2024	2023/24	2023/24
	Approved Limit	Actual
Upper limit on one-year revenue impact of a 1% rise in interest rates	5.0	0.9
Compliance with limits:		Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	5.0	(0.9)
Compliance with limits:		Yes

(f) Maturity Structure of Fixed Rate Borrowing

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

Maturity Structure of Fixed Rate Borrowing at 31 March 2023/24	Lower limit	Upper Limit	2023/24	2023/24	2023/24
			Actual Borrowing	Actual Borrowing	Compliance with limits
	%	%	£m	%	
Under 12 months	0.0	40.0	84.2	10.3%	Yes
12 months & within 24 months	0.0	40.0	48.7	6.0%	Yes
24 months and within 5 years	0.0	40.0	47.0	5.8%	Yes
5 years and within 10 years	0.0	60.0	73.4	9.0%	Yes
10 years and within 20 years	0.0	75.0	144.3	17.7%	Yes
20 years and within 30 years	0.0	75.0	122.3	15.0%	Yes
30 years and within 40 years	0.0	75.0	189.3	23.3%	Yes
Over 40 years	0.0	75.0	105.0	12.9%	Yes
Total			814.3	100.0%	

(g) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Financing Costs to Net Revenue Stream at 31 March 2024 and Q1 2024/25 (£m)	Limit	Actual	Forecast	Forecast	Forecast	Forecast
	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
Financing Costs (Interest & MRP) (£m)	57.3	30.4	36.3	43.2	41.8	41.7
Net Revenue Stream (£m)	306.4	358.4	387.0	395.0	407.3	420.1
Proportion of net revenue stream (%)	18.7%	8.5%	9.4%	10.9%	10.3%	9.9%

Financing costs can be further broken down as follows.

Capital Financing Costs at Q1 2024/25 (£m) at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
Total Gross External Debt Interest	30.3	37.2	42.7	47.3	48.1
Other Interest Payments	3.3	2.3	1.9	1.3	1.2
Total Interest Payable & Expenses	33.6	39.5	44.6	48.6	49.3
Interest Earned on Treasury Cash Investments	(6.4)	(4.3)	(3.3)	(2.7)	(2.7)
Interest Earned on Subsidiary and Service Loans	(18.1)	(22.8)	(25.1)	(27.9)	(29.9)
Total Interest Receivable	(24.5)	(27.2)	(28.4)	(30.6)	(32.6)
Net Interest	9.1	12.3	16.2	18.0	16.7
MRP (Excluding PFI & Service Loans)	13.4	15.5	18.0	20.3	21.5
Revenue Contributions to Capital Programme	8.5	9.0	9.5	4.0	4.0
Total Capital Financing Costs	30.9	36.8	43.7	42.3	42.2
Budget	25.0	26.2	27.4	28.6	29.8
Revenue Contribution from Service	0.5	0.5	0.5	0.5	0.5
Total Budget	25.5	26.7	27.9	29.1	30.3
Variance	(5.4)	(10.1)	(15.8)	(13.2)	(11.9)

(h) Upper Limit for Total Principal Sums invested over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for Total Principal Sums invested over 364 Days at 31 March 2024	2023/24	2023/24
	Approved	Actual
Upper Limit for Total Principal Sums Invested Over 364 Days	50.0	0.0

(i) 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 at 31 March 2024	2023/24	2023/24
	Approved	Actual
Portfolio average credit rating	A	A+

(j) 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 at 31 March 2024 (£m)	2023/24	2023/24
	Approved	Actual
Total cash available within 3 months	20.0	95.3

(k) Investment Forecast

This indicator demonstrates the Council's investment exposure broken down by category for Treasury and non-treasury investments. Non-Treasury investments are directed under the Council's Investment Strategy 2024/25, whilst treasury investments are managed under the Treasury Management Strategy 2024/25.

Total Investment Exposure at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
Treasury management cash investments	95.3	20.0	20.0	21.0	21.0
Service investments: Loans	285.6	284.5	283.3	269.1	267.7
Commercial investments: Property	0.0	0.0	0.0	0.0	0.0
Total Investments	380.9	304.5	303.3	290.1	288.7
Commitments to lend	50.0	50.0	50.0	51.0	51.0
Total Exposure	50.0	50.0	50.0	51.0	51.0

Service investments are further broken down in the table below.

Loans & Investments for service purposes: Category of borrower at Q1 2024/25 (£m)	2023/34	2024/25	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Limit	Forecast	Forecast	Forecast	Forecast
I4B Subsidiary Loans	182.1	400.0	182.1	182.1	182.1	182.1
I4B Subsidiary Equity	36.4		36.4	36.4	36.4	36.4
FWH Subsidiary Loans	34.3		33.8	33.4	32.9	32.5
Local Businesses	0.2	10.0	0.2	0.2	0.2	0.2
Schools, Academies and Colleges	17.9	55.0	17.6	17.4	16.7	16.5
West London Waste Authority	14.8	20.0	14.4	13.9	0.8	0.0
Local Charities	0.0	10.0	0.0	0.0	0.0	0.0
Housing Associations	0.0	50.0	0.0	0.0	0.0	0.0
Local Residents	0.0	5.0	0.0	0.0	0.0	0.0
Total	285.6	550.0	284.5	283.3	269.1	267.7

(l) Investment Funding

This indicator demonstrates the amount of exposure to borrowing because of investments made for service purposes. These investments are the loans to the Council's subsidiaries i4B Holdings Ltd and First Wave Housing Ltd.

Investments Funded by Borrowing at at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
I4B Loans	218.4	218.4	218.4	218.4	218.4
First Wave Housing (FWH)	34.3	33.8	33.4	32.9	32.5
Total Service investments: Loans	252.7	252.3	251.8	251.4	250.9
Total Funded by Borrowing	252.7	252.3	251.8	251.4	250.9

(m) Investment Rate of Return

This indicator demonstrates the rate of return obtained from the different investment categories.

Investments net rate of return at 31 March 2024 and Q1 2024/25	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
Treasury management investments	5.31%	4.81%	3.63%	3.00%	3.00%
Service investments: Loans	2.4%	2.4%	2.4%	2.4%	2.4%
Commercial investments: Property	0.0	0.0	0.0	0.0	0.0

(n) Other Investment Indicators

Other investment indicators at 31 March 2024 and Q1 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Forecast
External Debt (Loans)	814.3	903.5	1,097.7	1,119.5	1,115.2
Net Service Expenditure	358.4	387.0	395.0	407.3	420.1
Debt to net service expenditure ratio	2.3	2.3	2.8	2.7	2.7
Commercial income as a % of net service expenditure ratio	0.0	0.0	0.0	0.0	0.0

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	A	E	F	G	H	I	J
1	A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA 2024/25						
2	Topic / Date	12-Jun-24	24-Jul-24	25-Sep-24	04-Dec-24	04-Feb-25	25-Mar-25
3	Internal Audit & Investigations						
4	Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
5	Annual/Interim Counter Fraud Report	X			X		
6	Internal Audit Plan Progress Update			X	X		
7	Internal Audit Strategy & Plan						X
8	External Audit						
9	External Audit progress report		X		X	X	X
10	Audit Findings Report Council & Pension Fund Accounts 23-24			X			
11	Draft External Audit Plan 2024-25 (incl Pension Fund)	X				X	
12	Annual Auditor's Report			X			
13	Financial Reporting						
14	Treasury Management Mid-term Report				X		
15	Treasury Management Strategy				X		
16	Statement of Accounts & Pension Fund Accounts	X		X*			
17	Inquiries of Management and those charged with governance	X					X
18	Treasury Management Outturn Report		X				
19	Progress on implementation of FM Code					X	
20	DSG High Needs Block Recovery Plan- Progress Update		X				
21	Governance						
22	To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X			X
23	Review of the use of RIPA Powers						X
24	Receive and agree the Annual Governance Statement	X*					
25	Risk Management						
26	Strategic Risk Register Update			X			X
27	Emergency Preparedness			X		X	
28	Audit Committee Effectiveness						
29	Review the Committee's Forward Plan	X	X	X	X	X	X
30	Review the performance of the Committee (self-assessment)						X
31	Chair's Annual Report	X					
32	Training Requirements for Audit Committee Members (as required)						
33	Standards Matters						
34	Standards Report (including gifts & hospitality)	X		X	X		X
35	Annual Standards Report						X
36	Complaints & Code of Conduct					X	
37	Review of the Member Development Programme and Members' Expenses (incorporating Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal)						X
38	Committee Development						
39	Treasury Management Training		X				
40	Levels of Control and Lines of Defence Training						
41	Review of Committee performance linked to Global Internal Audit Standards						
42	Role of External Audit						
43							
44	* Requires approval by Audit & Standards Committee						

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