



## 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

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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
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
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.	
<b>3 Deputations (if any)</b>	
To receive any deputations requested by members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting and Action Log</b>	
4.1 To approve the minutes of the previous meeting held on Wednesday 12 June 2024 as a correct record.	1 - 16
(Agenda republished to include the attached minutes on 22 July 2024)	
4.2 To note the updated log of actions arising from previous meetings of the Committee.	17 - 22
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	
<b>Finance Items</b>	
<b>6 Dedicated Schools Grant (DSG) Deficit Management Plan Update</b>	23 - 32
This report informs the committee of the Dedicated Schools Grant (DSG) deficit which has arisen mainly from overspend against the High Needs Block (HNB) of the DSG that is used to support children and young people with Special Educational Needs and Disabilities (SEND).	
The report provides the historical context to the deficit and an update (as requested by the Committee) on the progress that has been made against the DSG Deficit Management Plan to address the deficit along with an	

update on Brent's participation in the Department for Education's (DfE) Delivering Better Value (DBV) in SEND programme, aimed at supporting a reduction in expenditure against the High Needs Block of the DSG.

(Agenda republished to include the update report on 18 July 2024)

## **7 Treasury Management Outturn Report 2023-24**

33 - 68

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**

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**

69 - 70

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](#)



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Wednesday 12 June 2024**  
**at 6.00 pm**

**PRESENT:** Councillor David Ewart (Chair), Councillor Chan (Vice-Chair) and Councillors Benea, Choudry, Kabir, Long, Molloy and J.Patel.

**Independent co-opted Members:** Rhys Jarvis.

**Also present:** Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources & Reform), Sophia Brown (External Auditors – Grant Thornton) and Julie Byrom (Independent Person – attended online).

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

Apologies for absence were received from Stephen Ross (Independent co-opted member).

David Ewart (as Chair) also took the opportunity to welcome Councillors Benea and Molloy as newly appointed members of the Committee for 2024-25.

**2. Declarations of Interest**

David Ewart (Chair) declared a personal interest as a member of CIPFA.

No other declarations of interest was made by members during the meeting.

**3. Deputations (if any)**

There were no deputations considered at the meeting.

**4. Minutes of the previous meeting & Action Log**

**RESOLVED** that the minutes of the previous meeting held on Thursday 28 March 2024 be approved as a correct record, subject to:

- Correction of the spelling “organisation” in bullet point two under the comments section within Minute.8: Review of Member Development Programme & Member Expenses.

Members noted the updates provided in relation to the following items listed on the Action Log:

- Performance & Governance i4B & FWH – Members were advised that as a result of the General Election consideration of the scrutiny & audit role in relation to i4B & FWH Housing Ltd had been delayed with the arrangements and need for a Joint Scrutiny meeting to be reviewed following completion of the scrutiny work programme planning sessions schedule in July 2024. It was

noted that a further update on progress would be provided at the July 2024 Committee meeting. (Minesh Patel)

- External Audit Progress and Plan 23-24: Members noted the update provided by Sophia Brown (External Auditor - Grant Thornton) on the final response to the regional Bus Lane camera objection to the Statement of Accounts, which had now been issued with no further appeal received. As a result, it was agreed that the issue be removed from the Committee Action Log.
- Evaluating Effectiveness of ASAC – Members were advised that Grant Thornton had agreed to provide an additional briefing session on the role External Audit, which would be included within the Committee Development Programme for 2024-25 (Sophia Brown – Grant Thornton)

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

None.

6. **Standards Report (including quarterly (Q4) update on gifts and hospitality)**

Debra Norman, Corporate Director of Law & Governance, introduced a report updating the Audit and Standards Advisory Committee on gifts and hospitality registered by Members during Q4 2023-24 and Member Learning & Development activity.

The Committee noted the following key points:

- The update on Gifts and Hospitality registered by members in the fourth quarter of 2023-24, as detailed in Appendix A of the report.
- In relation to member attendance at mandatory training sessions, the Committee was advised that all members had completed their core mandatory refresher training.

The Committee was then invited to raise any comments/issues on the update provided, which are summarised below:

- Confirmation was provided that the cycle of mandatory training had commenced again for the 2024-25 Municipal Year, on which further updates would continue to be provided for the Committee.
- In relation to Gifts & Hospitality, the Committee was advised no limit had been set for the maximum amount of any gift or hospitality that individual members were permitted to receive. It would therefore be a matter of judgement for each member to consider, with the formal requirement to register any gifts or hospitality received in an official capacity being for an estimated value of at least £50 (including any series of individual gifts and hospitality received from the same person totalling £50 or above over the course of a Municipal Year).

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

## 7. **Annual Counter Fraud Report 2023-24**

Darren Armstrong, Deputy Director Organisational Assurance & Resilience, introduced a report presenting the Council's Annual Counter Fraud Report for 2023-24, which summarised the counter fraud activity undertaken across multiple fraud types (including internal fraud, housing tenancy fraud, external fraud and proactive work) and had been designed to support the Committee in obtaining assurance on the robustness of the Council's counter fraud arrangements.

In considering the report the following key issues were noted:

- The high priority identified in terms of counter fraud activity given the inherent and significant level of risk posed by fraud to the Council, with the Council having established a well developed approach towards tackling fraud and corruption based on a combination of reactive and proactive prevention and detection activities in line with best practice.
- The Annual Counter Fraud Plan had been designed to ensure that resources were being effectively targeted and deployed to prevent and detect fraud, underpinned by the Council's Anti-Fraud and Bribery & Whistleblowing policies. A summary of all reactive and proactive counter fraud activity undertaken in 2023-24 had been detailed within the Annual Counter Fraud Report attached as Appendix 1 to the report.
- The amended format introduction as part of the Annual Counter Fraud Report, which included the following specific sections:
  - Internal Fraud Activity & Outcomes – including a breakdown of the main types and volume of referrals (including whistleblowing). Members were advised that of the 20 cases concluded during the reporting period 10 had resulted in a degree of fraud and/or irregularity being identified involving either theft, misappropriation of funds; conflicts of interest; recruitment; external offences/breaches and/or conduct of staff.
  - Tenancy & Housing Fraud – with the total number of fraudulent housing cases concluded over the reporting period being 16 and total notional value (based on an estimate of £42k per property recovered or Housing application stopped) being £672k.
  - External Fraud – including (but not limited to) cases involving Blue Badges, Direct Payments, Council Tax and Business Rates, Insurance, Finance, Concessionary Travel and grant applications with 300 cases opened during the reporting period compared to 224 for the previous year. Members were advised this included 213 successful outcomes where fraud was detected relating to Blue Badge, representing a significant increase compared to the previous year with 38 prosecutions and 126 cautions/warnings issued, again representing an increase over the previous year.
  - Proactive and other activity – including a broad range of work including National Fraud Initiative (NFI) data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews which had resulted in significant cost savings being generated for example, through the NFI Council Tax Single Person Discount (SPD) review and participation in the NFI London FraudHub.
- The outline of the Counter Fraud Plan, which had also been included as Appendix 2 of the report, which summarised how resources would be

deployed and targeted to achieve the aims and objectives within the Council's anti-fraud policies developed based on previous outcomes, stakeholder engagement, known and emerging risks. Members were advised this also included development of a Fraud Awareness Plan.

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

- Confirmation was provided that any costs awarded as a result of counter fraud activity would be to the relevant authorities, including the Council.
- In response to a query regarding the vetting process for officers involved in commercially sensitive procurement negotiations, members were assured that, whilst not falling directly within the scope of counter fraud activity, the Council had well established and robust arrangements in place relating to recruitment and employment checks for staff and whistleblowing/referral arrangements should any concerns be identified in relation to staff conduct.
- In noting the summary of numbers and types of internal and external fraud referrals for 2023-24, members sought further details on trends identified. In response, Darren Armstrong advised that whilst the volume and type of internal fraud related referrals remain consistent with previous years the trend in terms of external fraud cases had increased (with blue badge fraud accounting for 75% of new referrals) and resources being allocated and prioritised based on the fraud types detailed within the Counter Fraud Plan.
- In recognising the broad range of proactive counter fraud activity being undertaken, further details were sought on the mandatory data matching process under the National Fraud Initiative (NFI). In response, members were advised this had included 88 data matching reviews and three Blue Badge related proactive exercises with the scheme running over a two-year period and involving a wide range of data sets. In response to a further query relating to the outcome of the NFI review on Council Tax Single Person Discount (SPD) members were advised this had involved a cross match of SPD caseload data with that held by the Revenues Service. Whilst not felt to reflect an issue regarding the accuracy of source data, the matching review had resulted in the removal of 6.3% of SPD cases from the borough caseload, on which members requested further details following the meeting.
- In terms of a query on the notional value identified in relation Tenancy and Housing counter fraud activity, members were advised this remained a high priority for the Council given the positive impact on the temporary accommodation budget and housing supply. Whilst the team had previously utilised and reported an average notional saving value of £93,000 per property recovered (consistent with the formulae used by the Cabinet Office) it had been agreed, following review, to adopt a lower notional figure of £42,000 from 2023 -24 onwards which was better felt to reflect the notional savings generated from tenancy recovery and had followed extensive national research by the Tenancy Fraud Forum (TFF) in partnership with the London Boroughs' Fraud Investigators' Group (LBFIG), supported by the Cabinet



Office's National Fraud Initiative, CIPFA, CIFAS, the Chartered Institute of Housing and the G15 group of housing associations.

- In recognising the robust nature of both reactive and proactive counter fraud activity members advised they were keen to explore the breakdown in allocation of resources between both types of activity with an outline provided in response on the way resources were being allocated across key fraud types within the Counter Fraud Plan. For 2024-25 members were advised these included priorities in relation to Housing, internal/whistleblowing, external as well as proactive counter fraud activity with a dedicated and intelligence led resource having been provided to focus on more proactive activity.
- Noting the continued high level of referrals relating to Blue Badge Fraud, the Committee queried the impact this continued to have in relation to the allocation of resources and focus in being able to tackle other type of fraud risk. In recognising the significant level of resource and time allocated to this activity, members were advised this remained a priority given the negative impact associated with the theft, fraudulent supply and use of blue badges and increasing nature of the problem being experienced across London, with a majority of prosecutions relating to badges issued by other local authorities. As a result, the Council continued to work in collaboration with a range of internal and external partners in maintaining a zero-tolerance approach to all types of blue badge fraud supported by changes introduced to streamline the referral and triage process in order to mitigate the impact on resources. Councillor Chan (as Vice Chair) also took the opportunity to update members on a Member Enquiry submitted to the Healthy Streets and Parking Team regarding the possible introduction of a virtual blue badge scheme which it was felt would make the badges less vulnerable to theft and fraudulent use. Members were advised that these proposals continued to be developed in collaboration with other partners, with details on a final scheme and timescale currently awaited and which would be provided for the Committee, once available.
- In response to a further query regarding Housing and Tenancy Fraud, confirmation was provided that the counter fraud activity did not include i4B or FWH Ltd tenancies.
- In recognising the benefits associated with the proactive activity being undertaken in relation to data matching, members also felt there was a need to consider what more they could do individually to address the financial pressures and risks under which the Council was continuing to operate which included the use of local knowledge to identify potential underutilised or empty properties and support counter fraud activity in relation to Housing and Tenancy, Business Rates and Council Tax fraud supported by provision of the relevant data sets, which members were advised would be fed back to the relevant teams in Housing, Property and Revenues.

As no further comments were raised the Chair thanked Darren Armstrong and his team for their hard work in relation to the ongoing delivery of Brent's Counter Fraud Activity and it was **RESOLVED** to note the report, including the annual opinion from the Head of Internal Audit.

## 8. Internal Audit Annual Report 2023-24

Darren Armstrong (Deputy Director Organisational Assurance and Resilience) introduced the report which outlined the activity undertaken by Internal Audit during 2023-24 (and work undertaken since the previous update in December 2023) and included the Annual Audit opinion provided by the Deputy Director Organisational Assurance and Resilience (as Head of Internal Audit) on the adequacy and effectiveness of the Council's framework for governance, risk management and internal control used to support the Annual Governance Statement.

Members were advised the report also presented the revised Internal Audit Charter, which had been amended to reflect the change in role of the Head of Internal Audit, with the Chair advising he would therefore consider each section of the report as separate items, prior to summarising the overall outcome.

In considering the Internal Audit Annual Report (as detailed within Appendix 1 of the report) the Committee noted the following key points:

- There had been no actual or perceived threats to the independence and objectivity of the Internal Audit function in relation to the work carried out to deliver the 2023-24 internal audit plan. The Head of Internal Audit and all internal auditors had continued to receive unrestricted access to senior management, officers and all information and records necessary to undertake their work. This was supported by the internal audit function having also received an External Quality Assessment (EQA) during 2022-23, which identified no concerns regarding to the independence or objectivity of the function.
- The summary relating to delivery of the internal audit plan during 2023-24 contained within section 3 and Appendix A of the Annual Report;
- The flexible and risk-based approach adopted towards development and delivery of the Annual Internal Audit Plan, with the summary of risk issues identified during 2023-24 and comparison with 2021-22 and 2022-23 provided in section 4 and Appendix B of the Annual Report.
- The outline of Follow Up activity undertaken during 2023-24 in relation to previous audit reviews as detailed within section 5 and Appendix C of the Annual Report. The Annual Report also included an outline of actions partially or still to be implemented along with the process of management engagement on these, as detailed within Appendix D of the Annual Report.
- As detailed within section 6 of the Annual Report, the Head of Internal Audit had been satisfied that the work undertaken by Internal Audit during 2023-24, as well as wider governance arrangements, had enabled a "reasonable assurance" audit opinion to be provided on the Council's control framework, risk management and governance arrangements. In determining the annual opinion, the Head of Internal Audit had considered which key themes from audit work undertaken in 2023-24 could be enhanced in the future to better support the Council's governance, risk management and internal control frameworks. The areas of improvement identified as a result had been detailed within section 6.17 – 6.24 of the Annual Report and included:
  - The rate of implementation of audit recommendations/actions within original timescales; and

- The need to continue addressing “second line” gaps in control identified at departmental and operational level.
- The continued compliance of the Internal Audit function with the Public Sector Internal Audit Standards and quality assurance improvement programme along with outline of key performance indicators, as detailed within section 7 of the Annual Report.

The Chair then invited comments on the outline provided of the Internal Audit Annual Report, with the following issues raised by the Committee:

- In response to a query raised on the movement identified in terms of delivery of the original Internal Audit Plan, agreed by Committee in March 2023, over the course of 2023-24 members were advised that the Plan had been developed on a risk based approach with the intention of being fluid and adaptable enabling adjusted to be made in-year (in consultation with senior management) to ensure it was able to remain responsive and continue providing assurance against high risk areas as well as being able to response to any new or emerging risks/issues. As a result, it was recognised that delivery of the Plan had involved eight of the original audits included either being cancelled or deferred and carried forward for inclusion within the 2024-25 planning process with an additional six audits having been added. Detail on the status and outcome of each audit review had been provided within Appendix A of the Annual Report.

In response to a further query regarding the Committee’s role in approval and monitoring delivery of the Plan, the Chair reminded members of the balance needing to be achieved in terms of maintaining and supporting the independence of the Head of Internal Audit in being able to provide the necessary flexibility within the Plan. The Plan was presented to members in March to seek the necessary assurance on its development against the key risk areas identified, audit plans and good governance guidelines. Delivery of the Plan was then subject to mid-year monitoring by the Committee with members reminded that the initial 2024-25 Internal Audit Plan had been presented for review and comment in March 2024.

- Following the details provided in relation to follow up audit activity and action being taken to address actions arising from audits that remained partially or not implemented (particularly in relation to second line gaps in control) further details were sought on how performance in this area could be enhanced moving forward. In response, whilst it was acknowledged that some slippage may occur as a result of issues arising which impacted on actions being implemented within original timescales officers had felt it was important to highlight the slippage in rate of implementation of all audit actions (high, medium and low risk combined) within originally agreed timescales in the Annual Report, given these had fallen from 68% to 46% during 2023-24. The level of audit actions not implemented within original timescales had also increased in terms of both the number and percentage of total actions, with 43 (26%) actions not implemented in-year compared to 7 (4%) in 2022-23 and 15 remaining as outstanding. As a result, measures were in place to remind departments of the importance that needed to be placed at an operational level on the implementation of audit actions based on realistic achievable target dates and enhanced engagement and monitoring at departmental level

to ensure issues with non-implementation of actions were highlighted and addressed prior to escalation (should it be identified as required) utilising the powers available to the Audit & Standards Advisory Committee.

- In response to further details being sought on deferment and carry forward of the planned audit on the Redefining Local Services (RLS) programme members were advised this reflected the in-year redirection of audit resources tacking account of the alternative review activity being undertaken in relation to the RLS programme, which Internal Audit would continue to support as required. In terms of the carry forward of the other audits to 2024-25 identified within section 3.5 of the Internal Audit Annual Report, members were advised these also reflected the reprioritisation of resources during the year and level of alternative assurance identified in relation to other review activity focussed around those areas as part of the process in maintaining the flexible approach within the Plan and seeking to maximise the use of available resources.

In terms of details sought on the proposed S106/Community Infrastructure Levy audit carried forward for consideration in 2024-25, members were advised that the scoping for that audit was still underway with members keen to ensure that consideration was given to the inclusion of invoices and use of funding for its intended purpose. Darren Armstrong advised he would ensure these views were fed back as part the scoping process.

The Committee then moved on to consider the Internal Audit Charter, which had been included as Appendix 2 of the report with the following key points noted:

- The requirement to maintain an Internal Audit Charter in accordance with the Public Sector Internal Audit Standards and pending Global Internal Audit Standards due to come into effect on January 2025. The Charter included an outline of the purpose, standards, organisation, scope and mandate for the Internal Audit function along with expectations regarding management support of the function.
- As a result of the recent senior management re-alignment within the Council, the Charter had needed to be updated to reflect a change in the Head of Internal Audit's role (now the Deputy Director Organisational Assurance and Resilience) and additional areas of responsibility, including details on how the organisational independence of the Internal Audit function would continue to be preserved and safeguarded in light of the changes outlined with a structure chart also included to demonstrate how the functional and administrative reporting lines of the Head of Internal Audit had been established to preserve independence.
- In accordance with the internal audit standards, the charter had been presented to the Committee in order to confirm it accurately reflected the understanding and expectations of the internal audit function.

In response to a comment raised in relation to the Charter, clarification was provided on the membership and role of the Assurance Board included within the functional reporting lines for the Deputy Director Organisational Assurance and Resilience (as Head of Internal Audit) which members were advised was an internal officer Board chaired by the Chief Executive responsible for providing corporate oversight of the Council's governance arrangements, including risk and assurance activity.

As Members had no further questions, the Chair thanked Darren Armstrong for the report and it was **RESOLVED**:

- (1) To note the outcomes of the Internal Audit work completed during 2023-24.
- (2) To note the Annual Internal Audit opinion on the adequacy and effectiveness of the Council's framework for governance, risk management & control.
- (3) To note the revised Internal Audit Charter and to confirm this accurately reflected the Committee's understanding and expectation of the Internal Audit function.

## 9. **External Audit Enquiries of Management**

Ben Ainsworth (Head of Finance) introduced a report providing the Audit & Standards Advisory Committee with an update and final opportunity to review the responses provided by management to the External Auditors Enquiries of Management 2023-24, in order to comply with the expectations of the Financial Reporting Council (FRC). Members were advised that the Enquiries of Management related to those charged with governance for both the Council and also Council's Pension Fund with the management responses detailed in Appendix 1 (Brent Council Enquiries of Management) and Appendix 2 (Pensions Fund Enquiries of Management) and having previously been presented to the Committee for initial comment in March 2024.

The Committee were advised that no significant changes had needed to be made to the management responses following their initial consideration in March 2024 with the response under the General Enquiries of Management in relation to use of solicitors by the Council currently listed as "To be confirmed" currently being finalised.

As no further issues or comments were made in relation to the responses outlined, the Committee **RESOLVED** to note and approve the Brent Council Enquiries of Management (as detailed within Appendix A of the report) and Pension Fund Enquiries of Management (as detailed within Appendix 2 of the report) for submission (once finalised) to the External Auditor.

## 10. **Draft Statement of Accounts 2023-24 Update**

Ahead of the report being presented to the Committee, the Chair clarified that in accordance with good practice the draft Statement of Accounts 2023-24 were being presented to members for initial consideration and feedback in advance of their main audit which was scheduled to commence on 24 June 2024.

Ben Ainsworth, Head of Finance was then invited to introduce the report presenting the Council's draft Statement of Accounts 2023-24 following their initial publication. In considering the report the Committee noted the following key points:

- The accounts had been published a month earlier than 2022-23 to reflect the earlier statutory deadline for publication on 31 May 2024. Whilst publication had been slightly delayed beyond the statutory deadline due to additional

- general fund valuations which had needed to be undertaken compared to recent years, the finance team was commended for their efforts given the shortened timescale for production of the accounts, which had created challenges across the sector.
- There remained a small amount of work to be completed connected with the valuations, but this was not expected to have a material impact on the final accounts and principally involved the movement of funds between unusable reserves. It was not anticipated this would have an impact on the planned audit schedule.
  - The inclusion within the Draft Statement of Accounts of a detailed narrative outlining the background, financial context, Medium Term Financial Strategy, Council's strategic vision and summary of financial performance as an introduction to the core Accounting Statements which set out the Council's income and expenditure for the year as well as its financial position at 31 March 2024 in compliance with the requirements of the CIPFA Code of Practice on Local Authority Accounting.
  - In focussing on the summary of financial performance, attention was drawn to:
    - The Revenue General Fund Outturn position 2023-24 which whilst reporting a breakeven position had included a transfer from corporate contingency to cover overspends in Resident Services (£11.2m mainly relating to additional pressure in terms of homelessness) and demand led pressures in both the Children and Young People and Care, Health and Wellbeing services with other services showing small underspends;
    - The Core Accounting Statements, with an outline provided of the current position in relation to the Balance Sheet, Movement in Reserves Statement and Earmarked Reserve statements.
    - The Council's Reserves Strategy which provided the operational framework within which the Council's reserves were managed and monitored by the Corporate Director of Finance & Resources and Chief Executive including an assessment of the optimum level of general reserves to be held and which recognised the importance of holding adequate reserves to meet the net financial impact of risks facing the Council to ensure the authority was able to continue operating in a financially resilient and sustainable manner.

In response to the update provided the Committee highlighted comments on a number of issues, with the following responses provided:

- Whilst noting the robust nature of the Balance Sheet further details were sought on the main changes and movements included within the General Fund Financial Outturn position for 2023-24 compared to the original budget along with the use and adequacy of contingences to fund the variances, which officers advised would be clarified as part of the final report on the Statement of Accounts.
- In response to a query in relation to the funding sources used to support capital projects, Amanda Healy, Deputy Director Investment & Infrastructure, advised that most capital projects were housing schemes where there would be a contract in place based on viability assessments that would be funded by an element of borrowing. Schemes for affordable housing would also be supported by GLA grants and Section 106 or Community Infrastructure Levy

funding could also be used (subject to meeting the necessary criteria for infrastructure) to support the borough's Capital commitments. Given issues highlighted in relation to viability and reassessment of some capital schemes due to the current economic climate, members were advised that the potential impact in terms of related grant funding was subject to regular review and (where required) renegotiation in order to avoid any potential claw back of funding.

- Given the ongoing pressures identified on the Council's budget relating to homelessness and the cost and supply of temporary accommodation details were sought on the measures in place to mitigate and manage demand and the ongoing associated significant budgetary pressures. In recognising this as a national and london-wide challenge, members were advised of the specific measures introduced by the Council which had included renegotiation of prices and identification of alternative arrangements for the provision of temporary accommodation as well as the continued efforts to acquire additional properties and increase the supply of new build homes at affordable and social rents in order to increase available supply.
- In response to a Committee query in relation to the sufficiency of the General Fund Reserves, Minesh Patel, Corporate Director of Finance and Resources (and Section 151 Officer) advised that the amount held (5% of the General Fund Balance) for unrestricted reserves was felt to be sufficient. However, it was noted that given the financial pressures arising through the cost-of-living crisis, inflation and demand for services, the situation would continue to be closely monitored and if necessary, further consideration would be given to how the Council could increase its reserve funds although the challenges in achieving this were recognised given the need to reduce spend in order to accrue the necessary in-year surplus and overall reduction in funding provided by the Government through the Local Government Fund Settlement.
- In terms of ongoing financial monitoring, members were advised of the quarterly financial forecast updates provided for Cabinet and role of the Budget Assurance Panel with the delivery of individual schemes subject to oversight by the relevant Programme Boards and (for Capital schemes) the Capital Programme Board. Members were also advised of the reports due to be presented to Cabinet in July 2024 on the Councils 2023-24 Outturn Position; Q1 2024-25 Financial Forecast and Medium Term Financial Strategy which it was noted would also be made available for the Committee to access, as further reference.
- Following a Committee query in relation to the impact of any slippage in the Capital Programme as a result of the current economic climate and associated impact in terms of the reassessment (where required) of individual scheme viability, members were advised of the affordability review mechanisms established which included not only available funding sources, cost of delivery but also procurement of individual schemes with regular updates also provided for Cabinet including the New Council Homes Programme.
- In response to a query regarding the basis on which the level of balances held within the Housing Revenue Account (HRA) Reserve had been based

compared to the size of housing stock, officer advised they would seek to clarify this as part of the final report on the Statement of Accounts.

- In noting the difficulties and challenges created by the provision of one-year Local Government funding settlements (with the Government settlement for 2024-25 being the sixth consecutive one year settlement for local government) members supported the ongoing lobbying for the reinstatement of a 2-3 year settlement process, which it was recognised would provide more stability in terms of being able to forward plan as part of the Medium Term Financial Strategy.

The Chair thanked the Finance Team on behalf of the Committee for their continued efforts in finalising the draft accounts ahead of their submission to the external auditors and for what the Committee felt was a particularly useful narrative section to the report. As no further issues were raised the Committee **RESOLVED** to note the draft Statement of Accounts for 2023-24 in advance of the final version and accompanying External Audit Findings report being presented back to the Committee for formal approval, currently scheduled (subject to completion of the External Audit process) in September 2024.

#### 11. **Annual Report of the Chairs of the Audit and Standards Committee and Audit and Standards Advisory Committee**

David Ewart, as Chair, introduced the Annual report produced by the Chairs of both Committee's providing a summary of the work undertaken by the Audit & Standards Advisory Committee and the Audit & Standards Committee during the 2023-24 Municipal Year, in line with the requirements and principles set out within CIPFA's Position Statement regarding Audit Committees.

The Committee welcomed the report which was felt to provide a good summary of the activity undertaken and in thanking all members and officers involved for their ongoing support in the work across both Committees it was **RESOLVED** to note the contents of the Annual Report ahead of it being presented to Full Council on 8 July 2024.

#### 12. **Annual Governance Statement 2023-24**

Debra Norman, Corporate Director Law & Governance, introduced a report that set out the draft Annual Governance Statement (AGS) for 2023-24 as required by the Accounts and Audit Regulations 2015.

In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.5 of the report.
- That no significant governance issues had been identified relating to 2023-24, however some areas of improvement had been identified, as detailed in section 3.10 of the report. Details were also provided in relation to progress made in delivery of the Improvement Plan from 2022-23, as set out in section 3.11 of the report.



- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, with the review of effectiveness in relation to governance related issues and ongoing process.

Members were advised that they were being invited to comment on the draft AGS in advance of its formal consideration and approval by the Audit and Standards Committee. As a result, the following issues were highlighted:

- In noting the assurance included relating to the role of the Audit & Standards Advisory Committee, the Committee were pleased to note that no significant governance issues had been identified within the AGS.
- Given the focus identified during consideration of the Internal Audit Plan Annual Report (item 8 above refers) on action to improve the level and rate of audit actions being implemented within original timescales, members felt it would also be appropriate to reflect and recommend this as an additional improvement area within the AGS, on which members advised they would also be keen to keep progress under review.

As there were no further comments raised, the Chair thanked officers for the report and it was **RESOLVED** to recommend the Annual Governance Statement to the Audit & Standards Committee for formal approval, subject to inclusion of the following additional improvement action for 2023-24 within Table 1 of the Annual Governance Statement:

"To improve the level and rate of audit actions implemented within original timescales."

### 13. **External Audit Progress Report and Sector Update**

Sophia Brown (Key Audit Partner, Grant Thornton) introduced a report updating the Committee on the progress being made by Grant Thornton in delivering their responsibilities as the Council's external auditor.

In presenting the report the Committee noted:

- The progress with completion of the initial planning for the 2023-24 audit of the Council's financial statements with the detailed audit plan having been issued in February 2024 and no subsequent additional risks having been identified as part of the planning and risk assessment procedures undertaken in finalising the audit plan. Work was now due to commence on the audit in the week commencing 24 June 2024 with the aim to provide the opinion on the Statement of Accounts by 20 September 2024 to coincide with the deadline for publication of the audited accounts.
- Value for Money planning work was due to commence in late June with the outcome to be included as part of the final External Audit Annual Report.
- The outline and schedule of audit deliverables planned for 2023-24, with work on the grants element already in progress.
- The sector updates provided in relation to emerging national issues and developments which included:

- Progress and plans for the introduction of a series of statutory audit backstops and related updates to the National Code of Audit Practice along with progress in sign-off of delayed local authority audits. Members were pleased to note that Brent's audited Statement of Accounts remained up to date with all previous accounts having achieved sign-off and the Committee assured that the backstop arrangements were not anticipated to impact on the Auditor's capacity to achieve sign off for the 2023-24 Statement of Accounts;
- The production of a "Must Know" guide by the Local Government Association for local authorities working with new external auditors along with a guide for members to consider in relation to the ongoing effectiveness of Audit Committees and their relationship with the external auditors, which the Chair encouraged all members to consider as part of the Audit & Standard Advisory Committees ongoing review of its own effectiveness. As part of this process members welcomed the intention to include a member briefing session as part of the Committee's Development Programme on the role of External Audit;
- An update on the LGA Improvement and Assurance Framework;
- Details of a report "The State of the Locals" published by the Local Government Information Unit on public trust in government, including at a local level along with details on additional guidance provided in relation to the preparation of Local Authority productivity plans; publication of a report by the Levelling Up, Housing and Communities Committee on the funding and sustainability of the social housing sector along with supporting data; publication of an analysis relating to local regeneration policy and details on the introduction of new and simpler recycling rules.

In response to a query raised on the scope of external audit activity relating to revenue generating opportunities members were advised whilst not specifically included as core audit activity there may be potential for these type of issues to be included as part of the wider Value for Money assessment being undertaken by External Audit, where identified as appropriate and necessary.

The Chair thanked Sophie Brown for the report and with no further issues raised, it was **RESOLVED** to note the update provided.

#### 14. **Audit & Standards Advisory Committee Forward Plan and Work Programme 2024-25**

It was **RESOLVED** to note the Committee's Forward Plan and Work Programme for the 2024-25 Municipal Year subject to the following updates:

- The update on Emergency Preparedness being rescheduled from July to the meeting on 25 September 2024.
- Presentation of the final 2023-24 Statement of Accounts and External Audit Findings Report being scheduled for the meeting on 25 September 2024.

#### 15. **Exclusion of Press & Public**

There were no items of business considered at the meeting which required the exclusion of the press and public.

16. **Any other urgent business**

None.

The meeting closed at 8.02 pm

DAVID EWART  
Chair

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London Borough of Brent  
Audit & Standards Advisory Committee – Action Log July 2024

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"> <li>Organisational structure chart to be provided for the Committee and independent co-opted members detailing the Council's senior management</li> </ul>	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"> <li>Further update on progress with development and implementation of Internal Audit Plan to be provided for September &amp; December Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Darren Armstrong</li> </ul>	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"> <li>To review the potential for developing a risk management dashboard to provide better insight in respect of the categorisation of all Council risks.</li> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>Darren Armstrong</li> <li>Darren Armstrong</li> </ul>	<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"> <li>Treasury Management Strategy; &amp;</li> <li>focus on levels of internal control &amp; defence mechanisms (Minesh Patel/Darren Armstrong)</li> <li>Role of External Audit – <b>added as action following 12 June 24 Committee</b></li> </ul>	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 Report 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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	<b>Audit and Standards Advisory Committee</b> 24 July 2024
	<b>Report from the Corporate Director Children, Young People</b>
	<b>Lead Member - Cabinet Member for Children &amp; Young People &amp; Schools</b> <b>(Councillor Gwen Grahl)</b>
<b>Dedicated Schools Grant (DSG) Deficit Management Plan Update</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<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>List of Appendices:</b>	None
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Shirley Parks Director Education Partnerships and Strategy Tel: 0208 937 4529 Email: <a href="mailto:Shirley.Parks@brent.gov.uk">Shirley.Parks@brent.gov.uk</a>  Folake Olufeko Head of Finance Tel: 0208 937 2491 Email: <a href="mailto:Folake.Olufeko@brent.gov.uk">Folake.Olufeko@brent.gov.uk</a>

## 1. Executive Summary

- 1.1. This report informs the committee of the Dedicated Schools Grant (DSG) deficit which has arisen mainly from overspend against the High Needs Block (HNB) of the DSG that is used to support children and young people with Special Educational Needs and Disabilities (SEND).
- 1.2. The report provides the historical context to the deficit and an update on the progress that has been made against the DSG Deficit Management Plan to address the deficit. The report also provides an update on Brent's participation in the Department for Education's (DfE) Delivering Better Value (DBV) in SEND

programme, aimed at supporting a reduction in expenditure against the HN Block of the DSG.

## 2. Recommendations

- 2.1. That the Audit and Standards Advisory Committee notes the historical context to the deficit of the High Needs Block and the actions in place to reduce the deficit, including the DSG deficit management plan and the Delivering Better Value in SEND programme which commenced in August 2022.

## 3. Contribution to Borough Priorities and Strategic Context

- 3.1 This report is linked to the Council's Borough Plan priority Best Start in Life, which aims to support all children and young people through access to education and opportunity by working in partnership with schools and other partners. The High Needs Block of the DSG supports children and young people with SEND in early years settings, schools and post-16 institutions.

## 4. Background

**Table 1: DSG deficit position**

DSG Block Type	DSG Balance as at 31/03/23 £'000	2023/24 Movement £'000	DSG Balance as at 31/03/24 £'000
School Block	209	(643)	(433)
High Needs Block	14,882	1,365	16,246
Early Years Block	(1,000)	(1,015)	(2,015)
Central School Services Block	(263)	(278)	(541)
<b>Total</b>	<b>13,828</b>	<b>(572)</b>	<b>13,257</b>

- 4.1. The overall DSG deficit has been accumulating since 2019/20 and the balance at the end of March 2024 was £13.2m, with an in-year surplus of £0.6m. The HN budget overspent by £1.4m in 2023/24 and under-spends against the other Blocks of the DSG resulted in the in-year surplus. The Quarter 1 forecast for the 2024/25 financial year reported a break-even position. However, this is subject to change based on activities in the new academic year that commences in September 2024.
- 4.2. The DSG deficit has arisen mainly due to spend against the HNB of the DSG since the introduction of a new SEND Code of Practice in 2015. The legal duties introduced in The Children and Families Act 2014 place responsibilities on the local area partnership (the local authority, health partners, settings, schools and colleges) to identify and meet the needs of children aged 0-25 who have SEND, defined in the Act as:
- **Special Educational Needs:** A child or young person has special educational needs if he/she has a learning difficulty or a disability which calls for special educational provision to be made or them.

- **Learning Difficulty:** A child or a young person of compulsory school age has a learning difficulty or disability if they:
    - Have a significantly greater difficulty in learning than the majority of others the same age, or
    - Have a disability which prevents or hinders them from making use of facilities of a kind generally provided for others of the same age in mainstream schools or mainstream post-16 institutions or in employment without support.
- 4.3. How the Act should be interpreted is set out in the SEND Code of Practice 2015. The duties and reforms to the SEND system introduced in 2014 aspired to achieve an integrated 0-25 system spanning education, health and care, driven by high ambition and preparation for adulthood. The Brent SEND Strategy 2021-25 sets out how the partnership is implementing the Code of Practice 2015.
- 4.4. In terms of the prevalence of children and young people with SEND, in January 2024 there were 3500 children and young people aged 0-25 with an Education, Health and Care Plan (EHCP), which as a proportion of the local population is similar nationally. 11.2% of pupils were identified with additional needs that can be met at SEN support where a need is identified but does not meet threshold for an EHCP (compared to 13.4% nationally). 63.9% of children and young people with an EHCP are identified with communication and interaction needs (autistic spectrum disorder and speech, language and communication).
- 4.5. The HNB of the DSG is a demand-led budget that supports pupils with SEND in specialist provisions and mainstream settings. It also covers specialist support services and costs in relation to Post-16 provision. A key driver for overspend against the HNB budget is the increasing number of children and young people with an Education Health and Care Plan. Funding is allocated to meet the needs of children and young people as identified in their EHCP. Table 2 below shows the year-on-year increase in EHCPs over the past 5 years. Between January 2020 and January 2024, the number of children with an EHCPs increased by over 1000 (44%). This growth has placed significant pressures on the HNB budget that has not increased at the same pace.

**Table 2: Growth in EHCPs (SEN2 annual return to DfE)**

	January	January	January	January	January
Financial Year	2020	2021	2022	2023	2024
<b>Number of EHCP</b>	2,426	2,784	2,938	3,251	3,500
<b>Brent Year on Year % Increase</b>	12%	15%	6%	11%	8%
<b>National Year on Year % Increase</b>	10%	10%	10%	9%	11.4%

- 4.6 The pressure against the HNB of the DSG is a national challenge affecting approximately half of England's local authorities. In response, the DfE set up

three programmes offering support to local authorities to tackle the pressures in the HN system and to place the HNB on a sustainable footing: a) The Safety Valve Programme for the 20 local authorities with the highest DSG deficits; b) the Delivering Better Value Programme (DBV) for 55 local authorities (including Brent) with less severe but substantial deficits and c) individual support from the Education and Skills Funding Agency (ESFA) for LAs at risk of a deficit.

- 4.7 The initial delivery partners for the DBV programme were Newton Europe and the Chartered Institute of Public Finance and Accountancy (CIPFA) who worked with Brent to identify a number of projects to support efficiencies. Brent is currently working with the DfE on the delivering actions against the opportunities identified as part of the DBV programme as well as delivering actions as part of the previously existing Management Plan. The DBV programme awarded grant funding of £1m to Brent to support delivery of a number of identified actions as part of the overall Management Plan over two financial years ending in March 2025. £0.421m of this funding was spent in 2023/24.

## **5. DSG Deficit Management Plan**

- 5.1. The key actions in the Management Plan are grouped into three workstreams: a) managing demand; b) increasing the sufficiency of local places and c) financial management adjustments. The total cost avoidance to be achieved from the delivery of the Management Plan and the DBV programme workstreams is £2.5m.
- 5.2. New KPIs have been approved against the workstreams for 2024/25 as follows and the Q1 update will be presented to the strategic board that has been set up by the council to coordinate and monitor these actions:

### **5.2.1. Managing demand (£0.4m cost avoidance target)**

This involves ceasing EHC Plans following appropriate assessment and cost avoidance through the introduction of the Graduated Approach to SEND across schools and settings, aimed at the early identification of children's needs and delivery of appropriate support without the need for children and young people to have an EHCP. Training is being provided to improve the capacity of schools to meet pupils needs at an earlier stage.

### **5.2.2. Improving sufficiency of local places (£1.558 cost avoidance target).**

This theme is focused on cost avoidance by reducing the number of children and young people who are placed out of borough or in independent special schools that are at a significantly higher cost more than local provision, at an average cost of £34k more. A £1.558m cost avoidance target for this workstream has been set for the 2024/25 academic year to be derived from establishing new Additionally Resourced Provisions (ARPs) increasing places by 53 and delivering 49 additional Special School places. This includes the establishment of a new Special Secondary School (Wembley Manor) which will move into a new build accommodation in September 2025. Further work is

underway to develop more local places through special school satellites and ARPs.

#### 5.2.3. **Financial management workstream** (£0.227 cost avoidance target).

This has involved a deep dive into each area of spend to identify efficiencies, including administrative charges to other local authorities for out of borough pupils in Brent and a review of commissioning arrangements that would achieve projected cost avoidance of £0.227m in 2024/25.

### 6. **DBV in SEND Programme update**

- 6.1. Brent's participation in the DfE's Delivering Better Value (DBV) programme has been utilised to identify areas to further expand activities under the existing Management Plan workstreams. The main objective of Brent's participation in the DBV programme is to identify local opportunities to improve the outcomes for children and young people with SEND within the available budget.

#### 6.1.1. **Intervention First**

The focus of this workstream is to enable improved outcomes by meeting needs and improving outcomes earlier, avoiding the need for some children to have EHCPs. The underlying evidence showed a post pandemic increase in mental health and wellbeing issues, including diagnosis for ASD/ADHD and CAMHs referrals in 2–10-year-olds. The DBV funding has enabled a new early intervention model to be piloted working with the Harlesden cluster of schools. Schools have referred 52 children aged 4-7 to date to a specialist multi-disciplinary team that includes a Clinical Psychologist, 2 Child and Family Specialists, an Assistant Education Psychologist and Team Manager. 51 children have been accepted onto a targeted programme over 12 weeks that is underpinned by a Social Communication, Emotional Regulation, and Transactional Support (SCERTS) model. The programme includes a school and home plan to strengthen working memory. Early feedback has indicated parents engaging well and welcome the support, seeing the difference in children's behaviour and improved academic results.

#### 6.1.2. **SEND Assurance**

Under this workstream an audit has been undertaken of EHCPs and accompanying records of plans for children aged under 7 that have high levels of support identified (26 hours and above) and post-16 plans that have high levels of support (19.5 hours and above) to assess if this level of support is needed. This has resulted in the identification of children and young people whose allocated support funding could be reduced. Several actions are being driven forward based on this analysis. A programme of using the audit work to inform annual reviews is being implemented, with the first cohort of young people in Year 12 in mainstream schools to consider if a reduction in support would be appropriate as they progress into Year 13 to help with their preparation for adulthood. The SEND Support Team has developed an approach to reviewing how needs are met where schools have a high number of EHCPs with significant support

needs. Working with two primary schools the aim is to develop a model of support for efficiently supporting these children that can be cascaded to the other schools.

### 6.1.3. **Workforce and inclusive environments**

As the number of EHCPs has increased, the number of children with an EHCP placed in mainstream schools has increased by over £40% between 2020 and 2024 and schools are supporting children with increasing complexity. This workstream focuses on ensuring schools have access to relevant training and workforce experience to support the wide range of needs of children and young people with SEND, both those with EHCPs and those at SEN Support. A range of training is being delivered, including SCERTS, Makaton and SEMH/Attachment based support. In addition, one of Brent's special school multi-academy trusts is supporting training.

To enable schools to support a wide range of children at SEN support, £750,000 capital funding has been set aside to support environmental adaptations that would make school environments more inclusive. To date funding has been allocated to 31 schools and the opportunity to apply for this funding will be rolled out to early years settings in September.

### 6.1.4. **Commissioning** - A number of projects sit under this workstream:

- A review of funding from the High Needs Block contribution to the Early Years Inclusion fund (EYIF) aims to ensure that the funding is used in an effective manner to contribute to cost avoidance against the HNB.
- A review of funding for children with EHCPs in mainstream schools and post-16 has led to a proposed new needs-led, provision-based approach to funding to move away from an hours-led approach. This would apply to early years settings, mainstream schools, Additionally Resourced Provisions (ARPs) and at post-16.
- A speech, language and communication needs (SLCN) review is driving new ways of working across system partners to support children and families, from universal support to targeted support identified in EHCPs. Service changes will be implemented through a procurement process for a reshaped SLCN commissioned service, to commence delivery from March 2025. This will drive efficiencies, for example reducing spot-purchasing costs.
- A review of the commissioning of places in Pupil Referral Units and Education Otherwise Than at School (e.g., home tuition) has been initiated as there is significant overspend in this area. A market testing exercise of commissioned services will be used to identify efficiencies, for example more cost-effective home tuition services.

### 6.2. Brent was awarded a grant of £1m to support the reform of the HN system whilst achieving efficiencies. £0.421m of the grant was utilised in 2023/24 to cover the costs of a number of new staff positions including a Programme Manager, Finance Analyst, SEND Assurance Officer, SEN Commissioner, an Intervention First Team comprising Manager, Senior Assistant Educational Psychologist.



£0.340m of the first tranche of the grant has been brought forward into 2024/25 and the remaining £0.579m will go towards costs for the IF team for the test and learn pilot which will run until the end of the following academic year in September 2025.

**Table 3: DBV Financial KPIs**

Description of DBV diagnostic initiatives	Brief outline of what it involves	Potential in-year financial impact		
		2024-25 £000	2025-26 £000	2026-27 £000
Opportunity 1 – Targeted Support (Stretched)	Supporting the goals and aspirations of the child can be achieved without the need for an EHCP.	47	332	877
Opportunity 2 – Shorter Duration New EHCPs (Stretched)	Achieving the goals and aspirations of the child through the right duration in mainstream support (time limited EHCPs)	3	24	66
Opportunity 3 – Fewer Hours New EHCPs (Stretched)	Ensuring the right level of support for the child's goals and aspirations at the start of provision in Mainstream	5	37	96
<b>Subtotal</b>		<b>55</b>	<b>393</b>	<b>1,039</b>
Opportunity 2 – Shorter Duration existing EHCPs (Proposed by Brent)	Achieving the goals and aspirations of the child through the right duration in mainstream support (time limited EHCPs)	110	361	571
Opportunity 3 – Fewer Hours existing EHCPs (Proposed by Brent)	Ensuring the right level of support for the child's goals and aspirations at the start of provision in Mainstream	149	299	448
<b>Subtotal</b>		<b>259</b>	<b>660</b>	<b>1,019</b>
<b>Total cost avoidance linked to DBV benefits</b>		<b>314</b>	<b>1,053</b>	<b>2,058</b>

## 7. Financial considerations

- 7.1. The financial considerations are included in the body of the report. There remains a risk that the number of children and young people with EHCPs continues to grow but the HN Block funding from DfE does not increase in line with this growth. Over the years, this has created financial pressures on a national level resulting in many authorities holding deficit DSG balances.

- 7.2. The government has announced that the regulations that are in place to carry forward a deficit balance against the DSG are due to end in 2025/26 (known as the statutory override). This poses a significant risk for the council, as the expectation is that the accumulated deficit at the end of that period will be covered by General Fund reserves.

## **8. Legal considerations**

- 8.1 The Department for Education (DfE) leads the SEND system for England and defines the legislative, policy and funding arrangements. The DfE's vision is of "children and young people with SEND achieving well in their early years, at school and in college; finding employment; leading happy and fulfilled lives; and having choice and control over their support." (DfE 2015b). The current arrangements for the education and care of children and young people with SEND are largely governed by the Children and Families Act (2014). Part 3 of this requires local authorities, schools and academies, early years providers and NHS bodies to pay regard to the regulations and to the statutory Code of Practice for SEND (DfE 2015a). Duties in the Children and Families Act (2014) include:

- To work across the local authority and health to jointly commission services that deliver integrated support for children and young people with SEND aged 0-25, including arrangements that support personalisation and personal budgets.
- For the local authority to work with local partners, parents and young people to co-produce and publish a Local Offer of SEND services and to assist young people in finding employment, obtaining accommodation and participating in society.
- For the local authority to provide co-ordinated education, health and care needs assessments for children and young people aged 0 - 25 and issue education, health and care (EHC) plans.
- For NHS clinical commissioning groups (CCGs) to put in place mechanisms to ensure practitioners and clinicians can support the integrated EHC needs assessment process.

- 8.2. The Care Act (2014) sets out duties local authorities and CCGs must fulfil for children and young people with disabilities and their families, including direct payments and supporting transitions to adult care services. The Government holds the local SEND system to account through Ofsted and the Care Quality Commission (CQC) who have been tasked to carry out evaluations of local areas in England and their support for children and young people with SEND. Inspection teams assess the effectiveness of the local organisations in identifying and meeting the needs of all children and young people with SEND from ages 0 to 25 (Ofsted 2016).

## **9. Equity, Diversity & Inclusion considerations**

- 9.1. This report focused on funding to support children and young people with SEND aged 0-25 in Brent. The Council is committed to inclusive education for all children and young people with SEND in mainstream schools, additionally resourced provision in mainstream schools and within special schools to ensure they have equal access to a good education that meets their needs.

## **10. Stakeholder and ward member consultation and engagement**

- 10.1. The Lead Member for Children, Young People and Schools is regularly updated on SEND. Members are kept abreast of the DSG forecast deficit position as part of the quarterly finance reports submitted to Cabinet and Scrutiny Committee receive an annual report on SEND.
- 10.2 The Schools Forum is responsible for agreeing the allocation of the DSG and receives regular updates on the HNB.

## **11. Additional considerations**


- 11.1. There are no additional considerations in relation to the following areas arising from the report:
- a) Climate Change and Environmental considerations
  - b) Human Resources/Property considerations (if appropriate)
  - c) Communication considerations

### **Report sign off:**

**Nigel Chapman**

Corporate Director Children and Young People

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	<b>Audit and Standards Advisory Committee</b> 24 July 2024
	<b>Report from the Corporate Director Finance and Resources</b>
	<b>Lead Member – Deputy Leader &amp; Cabinet Member for Finance &amp; Resources</b> <b>(Councillor Mili Patel)</b>
<b>Treasury Management Outturn 2023/34</b>	
<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<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>List of Appendices:</b>	Four: Appendix 1: Economic Commentary Appendix 2: Debt and Investments Portfolio Appendix 3: Average Rate vs Credit Risk Appendix 4: Prudential Indicators
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Nadeem Akhtar, Senior Finance Analyst Capital, Treasury & Commercial Email: <a href="mailto:nadeem.akhtar@brent.gov.uk">nadeem.akhtar@brent.gov.uk</a> Tel: 020 8937 5957  Alex Essilfie-Bondzie Interim Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Email: <a href="mailto:Alex.Essilfie-Bondzie@brent.gov.uk">Alex.Essilfie-Bondzie@brent.gov.uk</a> 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

	<b>31.3.23 Actual (Original) £m</b>	<b>31.3.23 Actual (Revised) £m</b>	<b>31.3.24 Actual £m</b>
General Fund CFR	851.4	844.6	935.7
HRA CFR	294.9	294.9	300.9
<b>Total CFR</b>	<b>1,146.4</b>	<b>1,139.5</b>	<b>1,236.6</b>
PFI & Lease Liabilities	36.2	36.2	32.5
<b>Total Loan CFR</b>	<b>1,182.6</b>	<b>1,175.72</b>	<b>1,269.11</b>
External borrowing (Excluding accrued interest)*	781.0	774.9	814.3
Internal Borrowing (Loans CFR less external borrowing)		<b>364.6</b>	<b>422.3</b>
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**

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

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
<b>Total Debt Outstanding</b>	<b>774.9</b>	<b>130.0</b>	<b>(90.6)</b>	<b>814.3</b>
Accrued Interest	6.1	10.0	(6.1)	10.0
<b>Total Debt and Accrued Interest Outstanding</b>	<b>781.0</b>	<b>140.0</b>	<b>(96.7)</b>	<b>824.3</b>

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**

<b>Maturity Profile at 31 March 2024 (£m)</b>	<b>2023/24</b>
<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
<b>Debt outstanding</b>	<b>814.3</b>

- 3.6.2 The Councils 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
<b>Total CFR</b>	<b>1,139.5</b>	<b>1,236.6</b>
Other Debt Liabilities	36.2	32.5
<b>Loan CFR</b>	<b>1,175.7</b>	<b>1,269.1</b>
External Borrowing	774.9	814.3
Internal Borrowing	364.6	422.3
<b>2023/24 Council Approved Limits (Capital Strategy)</b>		
Approved Operational Boundary Limit	1,200.0	1,500.0
Approved Authorised Limit	1,400.0	1,700.0
Forecasted CFR	<b>1,125.6</b>	<b>1,389.0</b>

- 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
<b>Change in Loan CFR</b>	<b>97.0</b>
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
<b>Total Movements in CFR</b>	<b>97.0</b>

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

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
<b>Total Cash Investments (Excluding accrued interest)</b>	<b>116.2</b>	<b>(20.9)</b>	<b>95.3</b>

- 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**

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return</b>
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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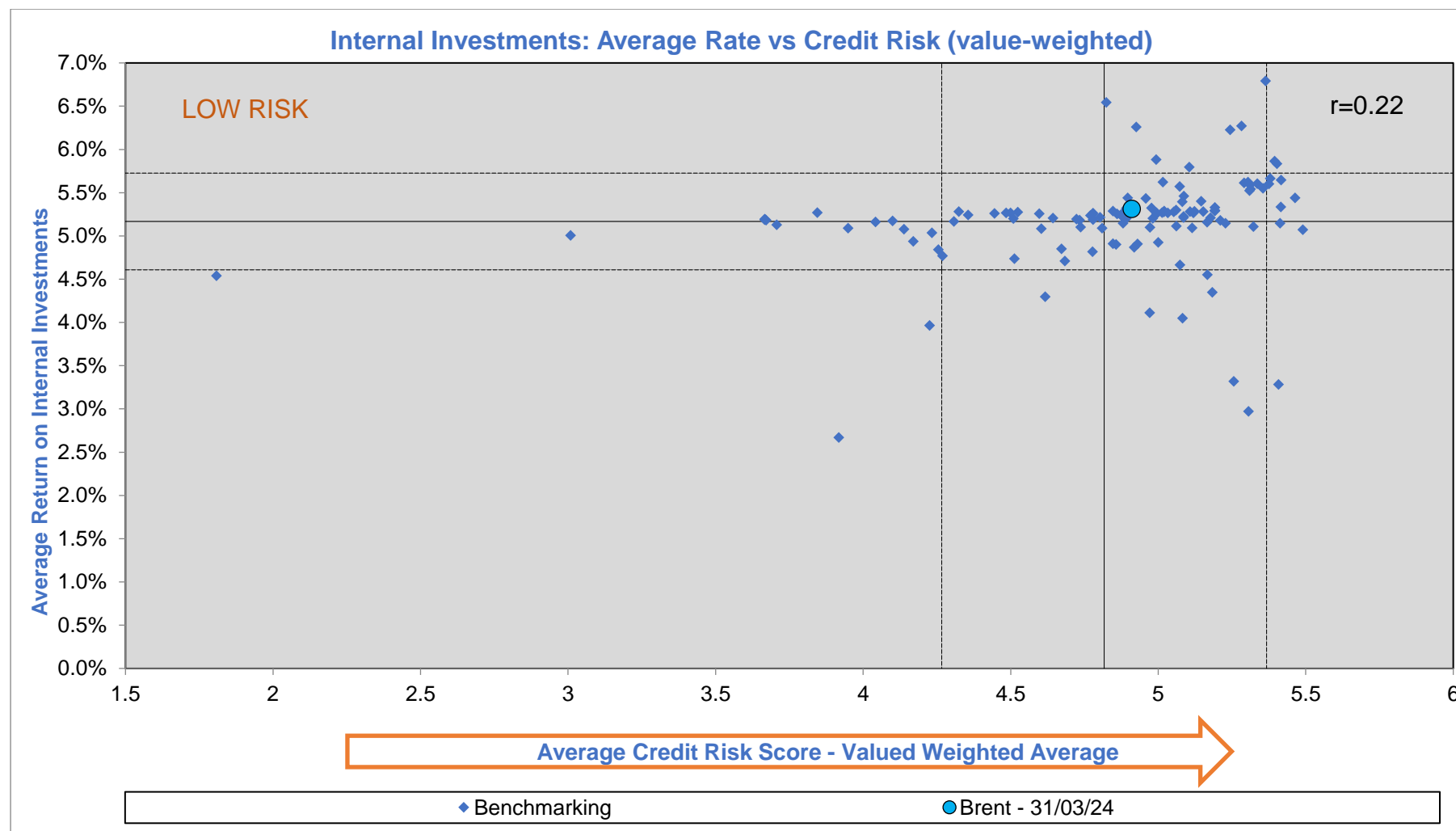
## Appendix 2

### Debt and Investment Portfolio 31/03/24

	Actual Portfolio as at 31 March 2024 (£m)	Average Rate as at 31 March 2024
<b>External Borrowing:</b>		
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%
<b>Total External Debt</b>	<b>814.3</b>	
Accrued Interest	<b>10.0</b>	0
<b>Total External Borrowing and Accrued Interest</b>	<b>824.3</b>	
<b>Other Long-Term Liabilities:</b>		
PFI	<b>22.8</b>	9.5%
Finance Leases	<b>7.7</b>	4.1%
<b>Total Other Long-term Liabilities</b>	<b>30.5</b>	
PFI Short-term Liability	2.0	
<b>Total Gross External Debt and Liabilities</b>	<b>856.8</b>	
<b>Investments:</b>		
Money Market Funds	90.7	4.9%
Fixed Term Deposits – LA	5.0	
<b>Total Investments</b>	<b>95.7</b>	
<b>Net Debt</b>	<b>761.1</b>	

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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.

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

### **(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
<b>Opening CFR</b>	<b>1,139.6</b>	<b>1,236.6</b>	<b>1,419.7</b>	<b>1,619.0</b>	<b>1,646.2</b>
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
<b>Closing CFR</b>	<b>1,236.6</b>	<b>1,419.7</b>	<b>1,619.0</b>	<b>1,646.2</b>	<b>1,646.9</b>

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
<b>Total External Debt Liabilities</b>	<b>846.8</b>	<b>959.0</b>	<b>1,123.5</b>	<b>1,143.3</b>	<b>1,136.7</b>
<b>Internal Borrowing</b>	<b>422.3</b>	<b>489.2</b>	<b>520.1</b>	<b>525.6</b>	<b>530.6</b>
<b>Capital Financing Requirement</b>	<b>1,236.6</b>	<b>1,419.7</b>	<b>1,619.0</b>	<b>1,646.2</b>	<b>1,646.9</b>
<b>Borrowing in Excess of CFR ?</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

#### **(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.

<b>Liability Benchmark at 31 March 2024 and Q1 2024/25 (£m)</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
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)
<b>Net Loan Requirement</b>	<b>766.1</b>	<b>949.3</b>	<b>1,148.5</b>	<b>1,175.8</b>	<b>1,176.4</b>
Plus, Liquidity Allowance	20.0	20.0	20.0	20.0	20.0
<b>Liability Benchmark</b>	<b>786.1</b>	<b>969.3</b>	<b>1,168.5</b>	<b>1,195.8</b>	<b>1,196.4</b>

#### **(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.



<b>Operational Boundary and Authorised Limit at 31 March 2024 and Q1 2024/25 (£m)</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Approved</b>	<b>Approved</b>	<b>Approved</b>	<b>Approved</b>
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
<b>Actual Debt and Other Debt Liabilities</b>	<b>846.8</b>				
<b>Breach in Debt Limits</b>	<b>No</b>				

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.

<b>Upper Limits on one-year revenue impact of a 1% movement in interest rates on Maturing 31 March 2024</b>	<b>2023/24</b>	<b>2023/24</b>
	<b>Approved Limit</b>	<b>Actual</b>
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.

<b>Maturity Structure of Fixed Rate Borrowing at 31 March 2023/24</b>	<b>Lower limit</b>	<b>Upper Limit</b>	<b>2023/24</b>	<b>2023/24</b>	<b>2023/24</b>
			<b>Actual Borrowing</b>	<b>Actual Borrowing</b>	<b>Compliance with limits</b>
	<b>%</b>	<b>%</b>	<b>£m</b>	<b>%</b>	
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
<b>Total</b>			<b>814.3</b>	<b>100.0%</b>	

#### **(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.

<b>Financing Costs to Net Revenue Stream at 31 March 2024 and Q1 2024/25 (£m)</b>	<b>Limit</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>2023/24</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
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
<b>Proportion of net revenue stream (%)</b>	<b>18.7%</b>	<b>8.5%</b>	<b>9.4%</b>	<b>10.9%</b>	<b>10.3%</b>	<b>9.9%</b>

Financing costs can be further broken down as follows.

<b>Capital Financing Costs at Q1 2024/25 (£m) at 31 March 2024 and Q1 2024/25 (£m)</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
<b>Total Gross External Debt Interest</b>	<b>30.3</b>	<b>37.2</b>	<b>42.7</b>	<b>47.3</b>	<b>48.1</b>
Other Interest Payments	3.3	2.3	1.9	1.3	1.2
<b>Total Interest Payable &amp; Expenses</b>	<b>33.6</b>	<b>39.5</b>	<b>44.6</b>	<b>48.6</b>	<b>49.3</b>
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)
<b>Total Interest Receivable</b>	<b>(24.5)</b>	<b>(27.2)</b>	<b>(28.4)</b>	<b>(30.6)</b>	<b>(32.6)</b>
<b>Net Interest</b>	<b>9.1</b>	<b>12.3</b>	<b>16.2</b>	<b>18.0</b>	<b>16.7</b>
<b>MRP (Excluding PFI &amp; Service Loans)</b>	<b>13.4</b>	<b>15.5</b>	<b>18.0</b>	<b>20.3</b>	<b>21.5</b>
<b>Revenue Contributions to Capital Programme</b>	<b>8.5</b>	<b>9.0</b>	<b>9.5</b>	<b>4.0</b>	<b>4.0</b>
<b>Total Capital Financing Costs</b>	<b>30.9</b>	<b>36.8</b>	<b>43.7</b>	<b>42.3</b>	<b>42.2</b>
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
<b>Total Budget</b>	<b>25.5</b>	<b>26.7</b>	<b>27.9</b>	<b>29.1</b>	<b>30.3</b>
<b>Variance</b>	<b>(5.4)</b>	<b>(10.1)</b>	<b>(15.8)</b>	<b>(13.2)</b>	<b>(11.9)</b>

#### **(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.

<b>Total Investment Exposure at 31 March 2024 and Q1 2024/25 (£m)</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
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
<b>Total Investments</b>	<b>380.9</b>	<b>304.5</b>	<b>303.3</b>	<b>290.1</b>	<b>288.7</b>
Commitments to lend	50.0	50.0	50.0	51.0	51.0
<b>Total Exposure</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>51.0</b>	<b>51.0</b>

Service investments are further broken down in the table below.

<b>Loans &amp; Investments for service purposes: Category of borrower at Q1 2024/25 (£m)</b>	<b>2023/34</b>	<b>2024/25</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Approved Limit</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
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
<b>Total</b>	<b>285.6</b>	<b>550.0</b>	<b>284.5</b>	<b>283.3</b>	<b>269.1</b>	<b>267.7</b>

## (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.

<b>Investments Funded by Borrowing at at 31 March 2024 and Q1 2024/25 (£m)</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
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
<b>Total Service investments: Loans</b>	<b>252.7</b>	<b>252.3</b>	<b>251.8</b>	<b>251.4</b>	<b>250.9</b>
<b>Total Funded by Borrowing</b>	<b>252.7</b>	<b>252.3</b>	<b>251.8</b>	<b>251.4</b>	<b>250.9</b>

## (m) Investment Rate of Return

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

<b>Investments net rate of return at 31 March 2024 and Q1 2024/25</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
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
<b>Debt to net service expenditure ratio</b>	<b>2.3</b>	<b>2.3</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>
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	<b>A&amp;SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA 2024/25</b>						
2	Topic / Date	12-Jun-24	24-Jul-24	25-Sep-24	04-Dec-24	04-Feb-25	25-Mar-25
3	<b>Internal Audit &amp; Investigations</b>						
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	<b>External Audit</b>						
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	<b>Financial Reporting</b>						
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	<b>Governance</b>						
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	<b>Risk Management</b>						
26	Strategic Risk Register Update			X			X
27	Emergency Preparedness			X		X	
28	<b>Audit Committee Effectiveness</b>						
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	<b>Standards Matters</b>						
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	<b>Committee Development</b>						
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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