



# Audit and Standards Advisory Committee

**Wednesday 4 December 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)  
Choudry  
Kabir  
Long  
Molloy  
J.Patel  
L.Smith

### Councillors:

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

### Councillors:

Kansagra and Maurice

### Independent Co-opted Members

Rhys Jarvis and Stephen Ross

**For further information contact:** Harry Ellis, Governance Officer Tel: 020 8937 3287; Email: [harry.ellis@brent.gov.uk](mailto:harry.ellis@brent.gov.uk)

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

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

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

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

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

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

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

The business relates to or affects:

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

or

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

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

# Agenda

Introductions, if appropriate.

Item	Page
<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 &amp; Action Log</b>	
4.1 To approve the minutes of the meeting held on Wednesday 25 September 2024 as a correct record.	1 - 16
4.2 To approve the minutes of the meeting held on Thursday 31 October 2024 as a correct record.	17 - 30
4.3 To note the updated log of actions arising from previous meetings of the Committee.	31 - 36
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting(s).	
<b>Standards Items</b>	
<b>6 Standards Report (including Q2 update on gifts &amp; hospitality)</b>	37 - 42
The purpose of this report is to update the Audit and Standards Advisory Committee on (a) gifts and hospitality registered by Members and (b) member training.	

## Finance Items

**7 Treasury Management Strategy Report 2025-26** 43 - 68

This report presents the draft Treasury Management Strategy for 2025/26 for consideration by the Committee. The final version of the TMS incorporating the views of this Committee will be included in the annual Budget Setting Report to be presented to Cabinet and Full Council in February 2025.

**8 Treasury Management Mid-Year Report 2024-25** 69 - 102

This report updates Members on Treasury activity for the first half of the financial year 2024/25 (Q 1 & 2) in accordance with the Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 which require that regular reports are submitted to the relevant Council Committee detailing the Council's treasury management activities.

**Audit Items**

**9 Internal Audit Interim Report - 2024-25** 103 - 146

This report outlines the work undertaken by Internal Audit as at end of October 2024.

**10 Interim Counter Fraud Report 2024-25** 147 - 156

This report presents the Council's Interim Counter Fraud Report for the financial year 2024-25.

**11 London Borough of Brent Auditor's Annual Report 2023-24** 157 - 194

To receive the External Auditor Annual Report for the year ended 31 March 24.

**12 Audit & Standards Advisory Committee Forward Plan and Work Programme 2024 - 25** 195 - 196

To consider the Audit & Standards Advisory Committee future work programme 2024 – 25.

**13 Exclusion of the Press and Public**

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



## 14 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: Tuesday 4 February 2025**



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

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**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Wednesday 25 September**  
**2024 at 6.00 pm**

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

**Independent co-opted Members:** Rhys Jarvis and Steven Ross (attended online).

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

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

No apologies for absence were received.

2. **Declarations of Interest**

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

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 Wednesday 24 July 2024 be approved as a correct record, subject to the following amendments:

- Removal of reference within the list of those present at the meeting to David Ewart as a Councillor.
- Correction of reference to “evaluations” under Min.8: External Audit Progress Report & Sector Update to read “reevaluations” on Page 10 of the minutes

Members noted the updates provided in relation to the Action Log of issues identified at previous meetings. In response to an update requested in relation to the Dedicated Schools Grant – Deficit Management Plan (considered at the meeting on 24 July 2024) members were advised that no further details had currently been made available on the VAT arrangements within the SEND private school initiative.

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

None.

6. **Report on i4B Holdings Ltd and First Wave Housing Ltd**

Ahead of the formal introduction of the item, the Chair reminded members of the change in reporting arrangements for i4B Holdings Ltd (i4B) and First Wave Housing Ltd (FWH) with the role of the Audit & Standards Advisory Committee now focussed around assurance relating to the arrangements the Council, as Shareholder (in the case of i4B) and Guarantor (in the case of WFH), had in place to oversee the governance and performance of both companies rather than on their detailed operational management & performance, which would be monitored through the Council's scrutiny function. Members were advised that this would involve operational performance being scrutinised by the Community & Wellbeing Scrutiny Committee with performance of the companies in contributing to the Council's strategic priorities by the Resources & Public Realm Scrutiny Committee, who had undertaken an initial review on 4 September 2024.

Minesh Patel, Corporate Director of Finance & Resources then introduced the reports which updated the Committee on the governance arrangements of both i4B and FWH, including updates on issues considered at the most recent Shareholder and Guarantor meetings in relation to delivery against each respective Business Plan, financial and operational performance along with outline of key risks and the reports provided for the most recent Shareholder and Guarantor meetings (held on 12 September 24) attached as appendices to the update report.

Key issues highlighted were as follows:

- The Committee's attention was drawn to the updates provided in section 3.4 of the update report which outlined the key issues covered at the most recent Shareholder meeting between the Council and i4B and Guarantor meeting between the Council and FWH relating to operational performance and financial performance as well as progress against each respective Business Plan.
- The overarching focus of the Shareholder and Guarantor in terms of the performance of i4B and FWH Ltd on their ability to support the Council's strategic priorities through their core business activity which involved increasing the supply of good quality affordable housing in the borough and reducing the use of Temporary Accommodation.
- In terms of acquisitions, confirmation was provided that i4B remained on track to exceed its target in acquiring 25 properties during 2025-25 with the company expected to acquire circa 40 properties during the year that would help to mitigate pressures caused by temporary accommodation costs. This was due to a combination of favourable loan rates, property market conditions, and an increase in Local Housing Allowance. Members were advised that the Shareholder had confirmed their continued support for i4B in seeking to move forward with further acquisitions, subject to loan rates and market conditions continuing to combine positively to make acquisitions viable within i4B's financial criteria.
- The i4B 2023-24 outturn position had shown a higher operational surplus for the company than in 2022-23, though this was partly due to large increases in the asset revaluation. Whilst officers and the Shareholder therefore regarded i4Bs operational performance as stable key areas of ongoing focus for both

the Board and Shareholder included performance in relation to voids, addressing outstanding gaps in health and safety compliance and in relation to tenant satisfaction with metrics noted as being below the Council's benchmark.

- Similarly, the Council as Guarantor and FWH Board had confirmed the company also remained available to take advantage of any opportunity available to it as a Registered Provider, for example government grants issued via the Greater London Authority to acquire affordable housing. Members noted that both the Council and company were awaiting further information on potential grant funding from central government with both keen to explore options that would enable FWH to contribute to increasing housing supply across the borough.

Having thanked Minesh Patel for the initial update provided, the Chair welcomed Andrew Hudson to the meeting (as Chair of the Boards for both i4B Holdings Ltd and FWH Ltd) and then invited the Committee to comment on the updates in relation to both i4B and FWH, with the following issues discussed:

- Further details were sought on the value of assets held by both companies, which, whilst not able to provide exact details at the meeting, officers advised would consist of the valuation of stock assets held by each company as well as the value of loans secured to support their operation. The Business Plans for both companies had been designed to ensure they were operating on a financially viable basis, although it was noted that whilst also having achieved an increased surplus in 2023-24 FWHs revaluation had shown a decrease in asset values.
- In terms of sources and limits placed on i4B's borrowing, the Committee were advised this was determined by an assessment of what the company could afford and would also need to reflect current loan rates and market conditions to ensure any loan arrangements remained viable within i4B's financial criteria.
- Moving on, further details were sought on the action being undertaken to address concerns relating to performance in terms of health and safety compliance by both companies with a focus on outstanding electrical certificates. In response, Andrew Hudson (Independent Chair of i4B and First Wave Housing) advised that this had also been recognised as an issue by the Boards of both companies and was subject to ongoing monitoring and review. Whilst highlighting the difference in powers available to enter premises in order to undertake electrical as opposed to gas safety inspections the Boards were continuing to explore the options available including, as an example, the potential to ask electrical contractors to attend at the same time as gas contractors, who were legally able to force entry to inaccessible properties in order to carry out works and benchmarking also undertaken through House mark. In noting that the trend in terms of performance was currently flat the Committee was assured this remained a key focus for the Board of both companies with action also being monitored at both the Shareholder and Guarantor meetings.

- In considering the update on financial performance provided in relation to i4B further details were sought on the changes identified in relation to the Income & Expenditure Statement in terms of expenditure on Service Level Agreements (SLA) and the provision of supplies and services being higher than budget. In recognising the concerns raised, Andrew Hudson advised of the Board's continued focus regarding accuracy of the budget monitoring and forecast process with issues, as an example, highlighted in relation to delays in submission and processing of invoices from third parties and due to the demand led nature of costs associated with repairs and maintenance of the stock and in seeking to avoid disrepair claims with preventative measures seen as the best way to prevent overspending in these areas.

As a follow up issue, details were also sought on the forecast void rent loss which it was noted had been calculated at £443k for the year based on Brent Housing data over the first 4 months. Highlighting reference to the availability of data from those properties managed by Mears, members were advised that whilst awaited the current assumption remained that losses would equate to 4%.

- As a further issue, details were sought on the impact of delays in processing of Universal Credit claims and associated challenges and in relation to rent collection and how each of the companies were seeking to support tenants in this process, given the wider benefits identified. In response, Andrew Hudson advised that whilst not currently subject to a specific workstream the relationship had been recognised, with the Board keen to review what support could be made available to tenants in seeking to apply for Universal Credit.
- In response to a query regarding the management of a void commercial property held by i4B, the Committee was advised that an update on the current position was due to be reviewed at the next Board meeting.
- Returning to the action being taken to improve management and turnaround of void properties, which had been recognised as a significant challenge by both Boards as well as the Shareholder and Guarantor, the Committee were provided with further detail on the work being undertaken to address the issues including a deep dive review planned in order to identify ways of improving the efficiency of the voids management process. This would have a particular focus on turning round more simple voids as quickly as possible with it acknowledged that more complex cases would take longer e.g. due to the state of repair of individual properties, pest control issues etc. In response, the Committee advised they would also be keen to review the progress being made in addressing void performance as part of the next update on delivery of the i4B and FWH Business Plan.
- Referring to details provided on the operational performance of i4B further details were sought on the reasons why data relating to a number of key performance indicators for properties within the Home Counties, managed through an SLA with Mears as opposed to Brent's Housing Service, were shown as unavailable. In response Andrew Hudson assured the Committee of the action being undertaken through the Board to ensure performance was being monitored in relation to the management of these properties with the

existing management contract also in the process of being relet and awarded to Greystoke who would be taking over as the new management company. In terms of the potential to further expand the portfolio of properties held within the Home Counties Andrew Hudson informed the Committee that this option was not current subject to active consideration recognising the wider policy considerations that would need to be considered and assessed in relation to the associated costs and ability to manage and let the properties and any change in approach needing to be agreed following discussions with the Council.

- As a final issue, technical clarification was provided in relation to the accrual process relating to the i4B accounts with members advised of the work being undertaken to ensure this was subject to ongoing monitoring throughout the year

As there were no further questions the Chair thanked officers along with Andrew Hudson for presenting the report and responding to the Committee queries. The Committee **RESOLVED** to note the update on progress being made by i4B Holdings Ltd and First Wave Housing (FWH) to deliver against their 2024-25 Business Plans as detailed in the reports provided for the Council as Shareholder of i4B and Guarantor of FWH.

## 7. **Emergency Planning and Resilience Update - September 2024**

Darren Armstrong (Deputy Director for Assurance and Resilience) introduced a report, which he advised provided an update on the priorities and work being undertaken by the Emergency Planning Team since the last update provided to the Committee in February 2024 as well as focussing on the programme of continuous improvement being delivered across the service.

He then introduced Melissa Brackley (Emergency Planning and Resilience Manager) who provided the Committee with a summary of key progress and work undertaken, with the following issues noted:

- The continued progress being made in relation to delivery of the recommendations made as part of the external review of the Council's Emergency Planning and Resilience arrangements in October 2023 with a particular focus on the increased capacity of the Emergency Planning and Resilience (EPR) Team and provision of training and exercise opportunities for those with response roles. Areas of improvement had also been influenced by the Resilience Standards for London, incidents and public inquiry recommendations.
- In terms of the detailed external service review recommendations the Committee were advised that nine of the 22 recommendations had now been implemented including five out of the six rated as high priority and 11 remaining in progress. Members noted that two of the recommended actions were no longer being taken forward in terms of the delivery of on call arrangements, which were already broadly in line with the London standardised approach, and recruitment of an additional Business Continuity Manager which had been addressed through the increased capacity already provided within the team. Members attention was drawn to the summary

Action Plan included as Appendix 1 to the report with the recommendations being progressed alongside actions identified as part of a self-assessment completed against the Resilience Standards for London.

- The review of internal plans and procedures being undertaken in response to the revised London Humanitarian Assistance Framework and feedback from Humanitarian Assistance Lead Officers (HALO) with training also arranged for staff from the Council and local partner agencies likely to be involved in supporting a Humanitarian Assistance Centre or Community Assistance Centre in the event of an incident. Once the review of internal plans and training programme had been completed the team would also be looking to run a Humanitarian Assistance exercise.
- The outline provided in section 3.5 of the report on the training and exercises delivered by the Emergency Planning and Resilience Service. This had not only involved the Strategic (Gold) and Tactical (Silver) teams but also a planned multi agency exercise and two cyber-attack exercises in partnership with the Shared Technology Service across housing services and children and young people and community health and wellbeing with a focus on business continuity arrangements. In addition, the team had been working with the housing service to explore the Council's response to a large-scale evacuation involving a Council owned housing block with a focus on not only the initial but also longer-term response. Members were advised that in order to ensure training was refreshed regularly and exercises planned in alignment with plan reviews, the EP&R team were also developing an annual Training and Exercise Programme, as detailed within Appendix 2 of the report.
- The update on incidents logged since the previous report to the Committee, as detailed in section 3.6 of the report. These had included a range of local incidents relating to flooding, evacuations of the Civic Centre and a fire in a housing block which had all been subject to review in terms of the response and support provided (including relevant partners and key stakeholders) along with any follow up learning or training requirements identified as a result along with national incidents relating to a global cyber issue and focus on community relations in response to events following the Southport attack in July 24. In addition, the Committee were advised that the final report from the Grenfell Tower Fire Enquiry had also been published in September 24 which had included ten recommendations related to Local Authority emergency planning and response arrangements. Each of the recommendations had been allocated to a Local Authority Resilience Board or Professional Network to consider in terms of identifying any actions necessary to support the way in which London Boroughs collectively addressed them, where necessary with the London Resilience Forum also considering those issue on which it was felt collective action would be required from the wider London Resilience Partnership. The EP&R team had already identified improvements in some of the areas identified (including the need to recognise the importance of resilience and emergency planning as core responsibilities for staff involved in delivering any response) and would continue to consider the outcomes, while awaiting feedback from the resilience boards.

The Chair thanked Melissa Brackley for her update and then invited the Committee to raise any comments/questions, which are summarised below:



- Referring to a recent incident involving a gas leak in the Kilburn area, members were keen to ensure that the arrangements for buildings identified as community assistance centres were as up to date as possible and subject to ongoing review given the issues experienced with access to the building during that incident due to building works. In response, the Committee were assured that this issue had now been addressed with work ongoing to ensure the list of buildings identified for use as part of any emergency or community assistance response were as up to date as possible.
- In highlighting the increasing number of incidents being experienced linked to climate change and more extreme weather the Committee highlighted what they felt to be the benefits in seeking a more proactive approach towards the way these impacts were being addressed with a focus on the preventative measures available in addition to any emergency response provided and learning as a result. In recognising the range of issues involved, members were advised that the main focus in terms of wider delivery of the Council's approach towards tackling climate change was through the Councils Climate Emergency Strategy rather than EPR service. Members were reminded that the impacts highlighted (along with measures being developed to plan for and address the impact of climate change) had also been included on the Council's Strategic Risk Register with members advised of the opportunity to consider these in more detail as part of the next scheduled update on the Risk Register in October 24.
- In response to a query, the Committee were provided with further details on the recent evacuations of the Civic Centre which it was noted had prompted further consideration in relation to co-ordination of decision making and potential business continuity implications with further training being planned as a result on the Council's command and control arrangements to ensure roles and responsibilities in terms of the decision-making structure were clearly understood.
- Members were keen to ensure that local councillors were also included within the EPR training programme being developed, recognising the value of their role as local community leaders and extent of local knowledge possessed, which it was felt could also be utilised as a resource. In response, the Committee were advised this had already been recognised with a package of training involving elected members also in the process of being developed. alongside the potential for their involvement in upcoming exercises.
- As a final issue clarification was sought on the arrangements to cover weekend rotas for staff on duty. In response, officers assured members of the arrangements in place in ensure the necessary staff were available to respond to incidents out of hours in the same way they would be within normal working hours.

As no further issues were raise the Chair thanked officers for the report and the Committee **RESOLVED** to note the Emergency Planning and Resilience Update along with the work and priorities being delivered through the Emergency Planning Team.

## 8. Standards Report (including Q1 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 Q1 2024-25, Member Learning & Development activity and also on the outcome of a recent complaint in relation to breaches of the Members Code of Conduct, which had been upheld against Councillor Collymore as a serving member of the Council.

Prior to detailed consideration of the report David Ewart (as Chair) felt it important to remind members in focussing consideration on the members code of conduct issue that whilst the remit of the Audit & Standards Advisory Committee included oversight of Member standards issues it was the Audit & Standards Committee that had formal responsibility for consideration of complaints referred for formal investigation.

Having noted the advice provided the following key updates were highlighted for the Committee:

- The update on Gifts and Hospitality registered by members in the first quarter of 2024-25, as detailed in Appendix A of the report.
- In relation to member attendance at mandatory training sessions, the Committee was advised that with the exception of Data Protection, all members had completed their core mandatory refresher training. Those members still to complete their DP training had been given a deadline with a further update to be provided for the Committee in December 24.
- The background to the complaint which had been upheld in relation to breaches of the Member Code of Conduct against Councillor Collymore, as detailed within section 3.9 – 3.21, which members were advised (based on the evidence available) the Monitoring Officer had been able to determine without the need for a more detailed investigation by the Audit & Standards Committee. In noting the basis of the Monitoring Officer's findings in relation to each aspect of the complaint, as detailed in section 3.16 of the report, the Committee were advised that following consultation with the Independent Person Councillor Collymore's conduct had been found to have been in breach of sections 4, 5, 6, 8, 12 and 15 of the Members Code of Conduct which had resulted in the following sanctions having been imposed:
  - (i) censure or reprimand by way of a report for information to the Audit and Standards Advisory Committee;
  - (ii) a request that Councillor Collymore undertook refresher Code of Conduct and equalities training.
  - (iii) Provision of a copy of the transcript of the recording of the incident which had led to the complaint to the Leader of the Labour Group to enable the group to consider its relevance to council positions.

- (iv) The provision of information to Councillor Collymore concerning the appropriate use of a blue badge.

Members were advised that the sanctions imposed had taken account of the actions taken in response by Councillor Collymore in seeking to remedy the breaches identified in the form or both a written and personal apology with the training identified having also been undertaken. It was, however, noted that Councillor Collymore had subsequently exercised her right to request a review of the outcome. Following consideration and consultation with the Independent Member, it had been felt that the information submitted as the basis for the review had not mitigated the conduct on which the original outcome had been based and as a result the decision regarding the breach of the Code and sanctions imposed had been upheld with no further right of appeal.

As a final update, the Committee were advised of the decision recently made by Councillor Collymore to resign from her position as Deputy Mayor and other Council membership appointments with the matter now being presented to the Committee in order to fulfil the sanction in relation to her censure.

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

- In response to confirmation being sought regarding application of all relevant procedures under the Members Code of Conduct complaints process having been followed in relation to the handling of the complaint against Councillor Collymore, Debra Norman assured members of the compliance with all relevant procedures. As a follow up, clarification was also provided on the circumstances under which the finding of a breach of the Code could be applied without an investigation under the complaints process and the threshold under which a matter would normally be referred to the Audit & Standards Committee for consideration.
- As a further issue relating to investigation of the complaint against Councillor Collymore, members queried why they had not also been provided with a copy of the transcript from the recording of the incident to assist in consideration of the matter. In response, Debra Norman reminded the Committee that their role was one of censure with the investigation having been completed. It was not, therefore, felt to have been necessary to release the transcript itself to the Committee with the detailed information provided in the report felt to be sufficient to enable them to complete the censure process. A copy had been provided to the Labour Group in order for them to consider any further action or sanctions necessary under their own internal procedures.

It was noted that details on the wider levels of abuse experienced by the Council's Civil Enforcement Officers would be held by Environmental Services with the Monitoring Officer only involved in matters relating to complaints made in relation to members.

As no further issues were raised the Chair thanked Debra Norman for the report and it was **RESOLVED** to note the updates provided in relation to:

- (1) gifts and hospitality registered by Members
- (2) member training
- (3) the outcome of a recent complaint concerning a breach of the Member's Code of Conduct which had been upheld against Councillor Collymore and censure undertaken as a result of the information provided within the report.

## 9. Internal Audit Activity Update for Quarters 1 and 2 2024-25

Darren Armstrong (Deputy Director Organisational Assurance and Resilience) introduced a report providing and update on the activity of Internal Audit for Q1 and Q2 2024-25 based on the Internal Audit Plan 2024-25 which had been agreed by the Audit and Standards Advisory Committee in March 2024. Members noted the report had been prepared as a light-touch update for information purposes, with a more comprehensive 2024-25 Interim Report due to be presented to the Committee for consideration December 2024.

In presenting the report the following key areas were highlighted:

- The 2024-25 Internal Audit Plan had been the first prepared under the new Internal Audit Strategy for 2024-2027 (also approved in March 2024), which had introduced a new method for determining the activity of internal audit in-year and moved away from the more traditional 'annual plan' approach. This new approach was designed to enable the Internal Audit function to work more flexibly and to ensure it was more responsive to the Council's changing risks, priorities and assurance needs. In view of the nature of challenges and risks faced by the Council, and increasing demand and stakeholder expectations, the Strategy had identified the need to ensure the Internal Audit service remained agile, responsive and closely aligned with the strategic objectives, risks and needs of the Council and was able to provide a programme of robust assurance in the highest risk areas with the Plan developed therefore focussed around the following four areas core assurance work; a list of audit areas identified under an agile risk based approach designed to provide enhanced flexibility in order to respond to changing risks and priorities; consultancy & advice work and finally follow up activity to track agreed actions arising from internal audit activity to ensure improvements in the Council's governance, risk management and control arrangements.
- In terms of Internal Audit activity during Q1 & Q2 service had continued to deliver a broad range of work in the first half of 2024-25 including a focus on the scoping and planning of audits that would take place later during the year. This included core assurance work, in particular key financial system reviews, which members were advised was intentionally undertaken during Q3 & Q4 to ensure that assurance was provided across as much of the financial year as possible to help underpin the Head of Internal Audit's annual opinion.
- Details of the audit work undertaken during Q1 & Q2 had been included within Appendix 1 of the report with members advised that seven reviews had been completed, five high risk/high assurance need audits were at draft report stage, awaiting management responses with five in progress and fieldwork

underway. Ten core assurance reviews were in progress, with fieldwork due to commence in Q3 and Q4 with six follow-up reviews having been concluded, and a further twelve in progress. A summary of the risks/issues identified in audits completed during Q1 & Q2 had also been included as Appendix 2 of the report with comprehensive management responses provided for each action and Internal Audit due to undertake follow-up reviews based on relevant implementation dates. This activity had been delivered with the team operating at reduced capacity due to an auditor currently being on maternity leave.

- The progress made, as detailed within Appendix 1 of the report, by the Internal Audit team towards delivery of the Core Assurance plan, with fieldwork for a number of audits due to commence during Q3 and Q4. It was anticipated that at least 90% of the plan would be completed by 31<sup>st</sup> March 2024 (draft report stage), which would enable the Head of Internal Audit to provide an informed and evidence based opinion as to the effectiveness of the Council's governance, risk management and control framework.
- The Agile Risk-Based plan, detailed within Appendix 1 of the report, had also outlined the potential high risk and high assurance audit areas that would be prioritised for delivery in Q3 and Q4. Members were advised this remained a fluid plan and would be subject to change in response to new/emerging risks and/or changes in priorities. Whilst not designed as a rigid list of audits for delivery (given the resources required to deliver all of the work identified significantly exceeded available resources), the plan had been included to provide assurance in respect of how the work of Internal Audit would be determined and directed for the remainder of the year with a further update on progress and projected activity to be provided as part of the interim Internal Audit report in December 24.

The Chair thanked Darren Armstrong for presenting the report and then invited the Committee to ask any questions or clarifying points they had in relation to the Internal Audit Update. In response to Committee questions, the following responses were provided:

- In response to clarification being sought around the way assurance was being delivered in relation to the Council's budgetary controls as part of the core focus on key financial systems, members were advised that whilst not subject to specific review evaluation of key budgetary controls would be undertaken as part of the wider financial system reviews being undertaken, including the General Ledger. It was noted this approach had been designed to avoid cross over and duplication with other key control assurance testing and the next interim update providing further detail on the activity being undertaken to provide assurance in relation to the Council's overall financial sustainability and key budgetary controls. In response to a further query, members were advised that whilst the annual programme of core key financial system assurance work was not directly aligned with the timetable for the Council's budget setting process the outcomes of specific audit activity and assurance work was still designed to feed into ongoing development and review of the Council's financial position and would support the annual internal audit opinion.

- In commending the nature of the report, members advised they would also be keen to review performance in relation to the implementation of audit findings, given previous concerns highlighted in relation to delays and slippage identified. In recognising the issues raised, the Committee was advised that the interim update scheduled for presentation in December 24 would include further details on performance in this respect along with the action being undertaken to address any delays and slippage in implementation of key audit recommendations involving the relevant departments.
- Focussing on specific audit activity further clarification was sought on the findings identified as part of the audit undertaken to provide assurance around the effectiveness and robustness of arrangements relating to management of the Brent Music Service given the issues highlighted in relation to safeguarding, IT and data. In response, officers advised that concerns regarding the gaps identified had been shared with the service with a further update due to be included as part of the interim Audit Plan report in December 24 on the work being undertaken in response to address and mitigate against the risks identified and deliver the accompanying audit recommendations.
- Following on, support was expressed by the Committee identified in relation to the automation and integration of data under the True Compliance (Housing) system as a measure designed to mitigate against the risk identified (following internal audit review) in relation to data integrity, which Darren Armstrong advised would be passed on to Housing Team for further consideration.
- As a general comment on development of the Audit Plan, members queried the work being undertaken to provide assurance around the securing and delivery of social value through the Council's procurement arrangements. Whilst recognising the issues raised, Darren Armstrong advised members of the agile risk based approach undertaken towards the identified and inclusion of audit activity on the Plan which had been designed to not only match available capacity and resources but also provide maximum flexibility in order to respond to changing risks and priorities. Based on an assessment of current risk and wider priorities in relation to core assurance activity social value had not currently been identified as a high priority on the Plan, although based on the comments and gaps in assurance identified members were advised the level of risk would continue to be kept under review with assurance continuing to be sought through alternative sources.
- In response to additional clarification being sought on the outcome of an audit carried forward from 2023-24 in relation to i4B and FWH SLA billing arrangements (given the length of time the SLA arrangements had been in place) officers advised that the risks identified had been based around a wider focus on second line of defence control issues.
- As a final issue, details were sought on the systems in place to manage the flow of requests for audit assurance activity through to the service. Officers advised that the process for identifying potential audit areas involved a number of methods including risk assessment, assurance mapping and consultation with senior management with the service well positioned in terms of access and relationships with senior officers to facilitate this approach in an

open and proactive manner which encouraged services to work with the team. Whilst recognising the capacity available to respond to requests for support, the service continued to receive multiple requests with the plan flexible enough to adapt and respond to emerging risks and priorities throughout the year and subject to ongoing review in relation to the work identified for Q3 and Q4.

As there were no further comments raised, the Chair thanked Darren Armstrong for the update provided, and it was **RESOLVED** to note:

- (1) the progress made towards delivering the planned core assurance work.
- (2) the Internal Audit Activity for Quarters 1 and 2 of 2024-25.
- (3) the potential audit areas for Quarters 3 and 4, with members encouraged to feedback any further comments on potential audit areas identified to Darren Armstrong
- (4) As a result of the discussion at the meeting that the interim update on delivery of Internal Audit Plan 24-25 scheduled for consideration by Committee in December 24 would also include:
  - (a) Further detail on the way in which core assurance is being provided in relation to Council's budget and financial control measures.
  - (b) The measures in place to address performance in relation to the delivery of follow up recommendations from audit reviews.
  - (c) A further update on the measures being developed to address and mitigate against the risks identified following the review of Brent Music Service.

## 10. **Brent Council & Pension Fund Audit Progress and Sector Update**

Sophia Brown (Key Audit Partner, Grant Thornton) introduced the report, updating the Committee on Grant Thornton's progress in fulfilling its responsibilities as the Council's external auditor.

In presenting the report, Sophia Brown advised that work to complete the audit on the Council's 2023-24 financial statements remained in progress with the aim to now include detailed findings (subject to the process having been completed) in the 2023-24 Audit Findings Report scheduled to be presented to the Committee the additional meeting scheduled on 31 October 2024.

The Committee was advised that work to date had been affected by delays in obtaining final evidence for several sections of the financial statements and whilst the original target had been to finalise their work by the end of September 2024 delays in obtaining the required data and the quality of some supporting evidence had meant Grant Thornton were unable to finish their work and had needed to allocate additional time to complete the audit. The information on which further details were awaited included PPE reconciliation and valuations with work ongoing to complete and review data provided in relation to journal testing, valuation on land

and building enquiries, group audit procedures and grants testing. An emerging pensions issue across the local government sector was also stated to have affected deadlines, requiring an assessment from the Council's actuary.

As a result, an additional two weeks of audit resource had been allocated in an effort to complete the outstanding work in advance of the revised timescale for the end of October 24, although this would also require submission of the necessary data from the Council and also be subject to management review of the audit findings, which may further delay progress in being able to complete the audit process. The Committee were advised that if not possible to achieve the October 24 deadline this was likely to mean the final outcome of the audit process being delayed until February 2025, with the aim to avoid (if possible) falling within any backstop arrangements.

In terms of the Annual Auditors Value for Money Report, the Committee were advised that under the Code of Audit Practice there was a requirement for the Annual Report to be issued no later than 30 September or, where that was not possible, to issue an audit letter advising for the reasons for any delay. As the audit work on the Council's value for money arrangements was still in the process of being completed Sophia Brown advised that she had formally written to Councillor Chan (as Chair of the Audit & Standards Committee) advising that due to the ongoing challenges in relation to meeting the necessary regulatory and other requirements it had not been possible to complete that work within the usual timescale. As a result, it was now planned to publish and issue the full 2023-24 Auditors Annual Report in December 2024. Under changes to the Code, should the VFM work not be completed in time for the audit opinion on the Council's 2023-24 financial statements being issued Sophia Brown advised that the External Auditor would write to the Chief Executive to summarise their VFM findings at that date and confirm the intention to issue their final report in December 2024.

Having thanked Sophia Brown for the update provided the Chair then invited comments from the Committee with the following issues raised:

- The focus of both the Chair and Vice Chair in seeking support and achieve (as far as was possible) the revised deadline for completion of the audit process on the Council's financial Statement of Accounts by 31 October 24
- In seeking further clarification on the reasons for the delay in completion of the audit process, members were advised this reflected not only capacity issues that had needed to be addressed within the Council's finance team in relation to staffing levels but also the revised accounting deadlines and more complex nature of queries on which information or responses had needed to be provided for example involving additional valuations and reconciliation. Confirmation was provided that in terms of staffing capacity these issues were now in the process of being addressed with work also ongoing to review the processes moving forward in terms of additional training and benchmarking relating to the exchange of data recognising the more challenging nature of the audit process.

Asad Khan (Grant Thornton) provided the Committee with a current update on the status of information identified as outstanding in relation to audits on both the Council's financial statements and Pension Fund with data now having



been provided in a number of areas on which further testing was now underway or management responses were awaited.

- In response to clarification being sought on any potential increase in audit fees as a result of the additional resources being made available to complete the audit process, members were advised this was expected to impact on the fee with an initial assessment being approx. £20k. It was, however, noted that any increase in fee would need to be reported to and agreed by the Chair of the Audit & Standards Committee for formal approval with the initial focus, however, remaining on the work required to complete the audit process.

Following on Sophia Brown ended by informing the Committee of the need to advise of an additional audit fee that had been incurred in relation to the work undertaken to resolve a general sector wide objection on the previous audit relating to bus lane CCTV enforcement. To this effect, Grant Thornton had advised that the additional audit fee had totalled £2,500.

In response to a request by the Chair, Sophia Brown also took the opportunity to advise the Committee on the newly emerging IFRIC-14 pensions accounting consideration, with work underway to address the new requirement with the Council Pension Fund Actuary.

With no further issues raised the Committee **RESOLVED** to note the Brent Council & Pension Fund Audit Progress and Sector Update along with the update provided in relation to the additional external audit fee incurred, provisional deadline for focus of activity to complete audit activity and sign off 2023-24 Statement of Accounts as 31 October 24 and rescheduling of the External Audit Annual Report for Committee in December 24.

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

The Committee **RESOLVED** to note the Committee's Forward Plan and Work Programme for the 2024-25 Municipal Year subject to an additional meeting having been scheduled for 31 October 24 in order to enable (subject to completion) sign off of the Statement of Accounts 23-24 and External Audit Findings Report. Members were advised this meeting would also consider the update on the Council's Strategic Risk Register, which had been rescheduled to enable a further review and incorporation of evolving risks identified as needing to be assessed since the previous update including temporary accommodation, financial challenges, community unrest and cohesion, and the results of the Grenfell Report.

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

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

#### 13. **Any other urgent business**

None.

The meeting closed at 7.50 pm

David Ewart  
Independent Chair



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Thursday 31 October 2024**  
**at 6.00 pm**

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

**Independent co-opted Members:** Steven Ross.

**Also present:** Sophia Brown, Matt Dean, Asad Khan & Sheena Phillips (External Auditors – Grant Thornton).

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

Apologies for absence were received from Councillor Jayanti Patel (with Councillor Maurice attending as substitute) and Rhys Jarvis (Independent co-opted member)

Prior to consideration of the main agenda David Ewart (as Independent Chair) took the opportunity to apologise to members for the scheduling of meeting, which it was noted had clashed with Diwali. In highlighting the efforts made to avoid clashes with key religious festivals, members were advised that it had not been possible to achieve on this occasion due to the timescales involved in the update on the Interim Audit Findings needing to be considered in relation to the Council's Statement of Accounts.

**2. Declarations of Interest**

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

**3. Deputations (if any)**

There were no deputations considered at the meeting.

**4. Statement of Accounts - Interim External Audit Findings Report**

**4.1 Audit Findings Report for the Brent Pension Fund**

Matt Dean (Grant Thornton) introduced the interim Audit Findings report for the Brent Pension Fund with a summary of the key issues noted as follows:

- Work on the audit process was substantially complete with no adjustments to the Pension Fund financial statements having been identified. The process had identified a number of unadjusted differences (totalling £2.2m) in the valuation of the Fund's investments and valuation statements received from third-party investment managers, which members noted had been detailed in Appendix D of the report but had not required any amendment to the financial statements on the basis that the differences were not classed as material.

- Subject to completion of the audit process and quality review, no matters had currently been identified that would require modification of the unqualified audit opinion although it would not be possible to issue the final audit opinion until the audit of the Council's financial statement of accounts (as Administering Authority of the Fund) had been completed.
- The significant risks identified within the Audit Plan and approach undertaken to assess these as part of the audit process, which had included – management override of controls; risk of fraud in revenue recognition and valuation of level 3 investments.
- The summary of recommendations raised with management as a result of the audit process, along with management responses, as detailed within Appendix B of the report, which had been focussed around the Fund's process for monitoring financial performance and agreement between the Fund and a custodian both of which had been assessed as low risk.
- The summary of follow up actions undertaken in relation to the previous year's audit recommendations, as detailed within Appendix C of the report including the introduction of further controls in relation to access to the Oracle IT system.

The Chair thanked Matt Dean for the update provided and then invited comments from members, with the following issues raised:

- In response to a request for clarification, further details were provided in relation to the risk identified around the valuation of Level 3 investments. It was noted these investments were held in private equity, infrastructure and private debt with the risk focussed around the estimation provided within the accounts being based on the latest available information from the custodians rather than exact value. The sample testing undertaken had identified understatements in the valuation of three funds which, whilst below performance materiality levels and not therefore requiring adjustment of the financial statements, had been reported as an unadjusted misstatement.

As no further issues were raised Councillor Chan (as Vice -Chair and Chair of the Audit & Standards Committee) also took the opportunity to thank finance officers for their efforts in preparing the financial statement and Grant Thornton for their work in progressing the final audit.

Having welcomed the interim findings, the Committee **RESOLVED** to note the update provided on progress in completion of the External Audit relating to the Brent Pension Fund 2023 – 24 Statement of Accounts.

#### **4.2 Audit Findings report for the London Borough of Brent**

The Chair then invited Sophia Brown to introduce the interim audit findings report in relation to progress in sign-off of the Council's Statement of Accounts, with the following issues noted:

- Despite significant work from both Grant Thornton and the Council in seeking to fully engage with and meet the audit deadlines, a number of challenges and issues had been experienced which had delayed completion of the audit process beyond the original timescale. Issues identified had included the turnover of key staff within the Council's finance team and issues having been identified within Plant, Property and Equipment (PPE), payroll and bank reconciliation statements which had resulted in the need for additional work; issues with the quality of supporting working papers submitted leading to delays in testing being completed and a number of adjusted, unadjusted and disclosure misstatements being identified in the draft financial statements which had increased the level of work required beyond the original scope.
- These issues had been subject to ongoing review and engagement with the Council's finance team, with additional external audit resource having been provided to support the audit process and the aim (subject to provision of the final outstanding information by the Council) to now complete and finalise the process in time for the Audit & Standards Advisory Committee on 4 February 2025.

Sheena Phillips (Grant Thornton- Senior Audit Manager) then provided a summary of the audit findings to date, with the following noted:

- Whilst recognising the reasons and impact of the delays in relation to the audit process, the opportunity was taken to thank the finance team for their ongoing support and effective working relationship established recognising the challenging nature of the audit process over the year and updated guidance relating to IAS19 IFRIC14.
- The significant risks identified within the Audit Plan and approach undertaken to assess these as part of the audit process, which had included – fraudulent transactions (rebutted) within the revenue cycle, management override of controls; valuation of other land and buildings, valuation of Council dwellings, valuation of pension fund net liability and fraud in expenditure recognition (completeness of non-pay expenditure). As a result of the audit work undertaken to date in seeking to reconcile the PPE note in the financial statements with the Fixed Asset Register, a number of differences had been identified in terms of the inclusion and valuation of assets totalling £18.5m along with the identification of a duplicate asset totalling £26m which had required follow up investigation and further valuation. In addition, it had been identified that in-year additions to the valuation of council dwellings totalling £26.7m had not been revalued at year end requiring further review and valuation (currently ongoing), which had also caused delay in the audit process.

In terms of the pension fund liability, as a result of updated guidance there had been a need to obtain an IFRIC 14 assessment from the Fund's actuary which had resulted in an additional liability of £75m being identified. Due to the material nature of the change a prior period adjustment had been required with IFRIC 14 assessments also having been requested, as a result for financial year 2021-22 and 2022-23.

- Updates were also provided on the work in relation to the key estimates and judgements included within the financial statements in relation to valuation of land and buildings, council dwelling valuations & valuation of PFI assets and PFI provision (on which work was ongoing); net pension liability, grant income recognition (on which work was substantially complete, subject to review) and Minimum Revenue provision (on which work was under review).
- The overview of results from the assessment of the Council's IT environment and controls, which had included a red IT General Control (ITCG) rating in relation to security management and control on the Oracle Fusion system following roll forward of the ITCG assessment from the previous year although it was, however, that management responses had now been provided.
- The additional detail provided in relation to the delay and issues identified in the provision of supporting information (as part of the audit communication requirement updates) in relation to PPE valuations, bank reconciliation statements, payroll (change in circumstances) testing, quality of financial statements and supporting evidence along with additional challenges in relation to the provision of and discrepancies in other transaction listings including creditors and debtors listings and movement in reserves statement.
- The recommendations identified for consideration by management as a result of the audit work to date, as detailed within Appendix B of the report, which included three control deficiencies in relation to FTE changes in circumstances, PPE and bank reconciliation statements along with the management responses provided. Reference was also made to the outcome of follow up actions on the recommendations from the previous year's audit (as detailed in Appendix C of the report) on which only two of the 13 originally raised were now shown as outstanding.
- The four adjustments identified in relation to the financial statements as a result of the audit to date, which had resulted in a £16.046m adjustment to the Council's comprehensive Income and Expenditure Statement, as detailed within Appendix D of the report. These had not impacted in the level of Council's usable reserves and related to gain on disposal (£10.5m), bank reconciliation statements (£1.5m), lease prepayment (£1.3m) and short term debtors (£4.5m).

In addition, details were provided on the unadjusted misstatements identified along with the misclassification and disclosure changes made in the final set of financial statements.

- The impact of the additional audit work and resources allocated in terms of the audit fee breakdown and additional costs incurred as a result (totalling approx. £21k), as detailed in Appendix E of the report. In recognising the set level of fee scales charged, the Committee highlighted a need to ensure every effort was made to meet the revised schedule for completion of the audit in order to avoid any further additional fees being incurred.

As further assurance the Committee noted that the Corporate Director Finance & Resources and External Audit Partner would be required to consult

with the Chair and Vice Chair prior to final approval of any additional audit fees incurred as part of extended audit process.

David Ewart (as Chair) thanked Sophia Brown and the Grant Thornton team for the updates provided and took the opportunity to highlight the importance in the Council being able to achieve completion of the audit and sign-off of the Statement of Accounts in advance of the backstop arrangements coming into effect on 28 February 2025. As such, the Committee were advised that the Chair and Vice-Chair would both be continuing to work with the Council's Finance Team to ensure the required deadlines for submission of the final evidence in support of the audit process were met to enable completion of the audit by mid January and sign off of the final accounts at the Audit & Standards Committee on 4 February 2025.

Following this statement, the Chair then invited the Committee to raise any questions on the audit findings to date, with the responses summarised as follows:

- In highlighting the issues raised as part of the update in relation to the timeliness and accuracy of the information provided by the Council in support of the audit process and impact this had created in delaying its completion and need to for additional audit resources, further assurance was sought by the Committee on the measures being taken to address and mitigate the issues identified, with particular reference to staffing capacity and turnover.

In considering the issue, members recognised the more challenging and complex nature of the audit process along with the limited timescales for preparation and submission of the financial statements, which alongside the staffing capacity issues identified had created further pressure and impacted on the quality of information provided.

In seeking to address the issues highlighted, Minesh Patel (as Corporate Director Finance & Resources) advised that this audit process had been one of the most challenging and difficult periods experienced by the Finance Team given the staffing issues identified and impact on the timeliness and quality of information and follow up evidence which had needed to be provided to the external auditors as a result. This was recognised as an issue for the Council as opposed to external auditors to address, with the need for robust contingency plans acknowledged in order to facilitate a smooth process, moving forward, in relation to the preparation of the financial statements and support of the external audit process. In terms of this assurance, members were advised of the progress made in recruiting permanent replacements for the staff vacancies across the Finance team alongside the approach also taken in seeking to grow and develop existing staff to enhance capacity. The risk remained, however, in relation to the retention of key local authority finance staff with these challenges noted as a sector wide issue supported by recent concerns also raised by CIPFA. In recognising the challenges outlined including new accounting regulations and adoption of IFRS16, the Committee acknowledged the work undertaken to address the issues highlighted, with support also expressed for the approach identified in terms of ongoing internal development of staff.

- In response to further details being sought on the ITCG red rating identified in relation to the assessment of the IT environment and controls around Oracle Fusion, Asad Khan (Grant Thornton) advised these had related to significant deficiencies identified in the ITCG assessment carried forward from the previous year. It was, however, noted that the issues identified in relation to segregation of duties conflict between finance, payroll and system administration roles, range of access assigned to HR and payroll system users, seeded roles and audit logging for configuration in Oracle Cloud had all now been resolved with management actions in response having been detailed within the update on action taken in response to recommendations from the previous year's audit.
- Highlighting ongoing issues identified in relation to the valuation of assets and Fixed Asset Register further assurance was sought on how these matters were being addressed, given the delays these had had created in being able to complete the audit process. In response, Sophia Brown advised members that the final audit report would include, as part of the Action Plan, recommendations designed to ensure robust controls were in place regarding the need to undertake regular and detailed reconciliation between the Fixed Asset Register, general ledger and valuation reports to ensure any discrepancies or inconsistencies identified could be resolved in a timely manner. In noting the control weaknesses identified, the Committee also recognised the more complex nature of the process given the level of regeneration, and housing building being undertaken by the Council and change in asset base as a result and welcomed the assurance provided that the Finance team were clear on the outstanding information required in order to complete the reconciliation and audit process, which they were working to provide (with relevant teams from across the Council & Council's valuers) within the necessary timescale. Members noted that these were also issues experienced by other local authorities with the level of control varying between Councils but work ongoing to ensure the necessary reconciliation of the Fixed Asset Register was maintained working with all relevant teams across the Council.
- In response to a query, additional clarification was provided on the way in which the useful economic life of intangible assets were assessed and treated in relation to their inclusion of the Fixed Asset Register.
- The additional assurance provided in relation to robustness of the valuation process undertaken for the Pension Fund, which it was noted involved a different type of assessment to that undertaken in preparation of the Council's financial statements involving the Fund's Actuary and individual Fund Managers.

As no further issues were raised the Chair once again thanked officers for the update provided and, having recognised the issues and challenges highlighted the Committee **RESOLVED** to note:



- (1) the update provided on progress in completion of the External Audit relating to the Council's 2023-24 Statement of Accounts and breakdown of audit fees.
- (2) The updated timescale for completion of the External Audit process with the aim (subject to submission of final data in relation to the outstanding queries raised by Grant Thornton by mid December 24) to present the final Audit Findings report and Statement of Accounts to the Committee on 4 February 2025 for formal sign-off in order to avoid the formal backstop arrangements (effective 28 February 25)

Moving on, the Committee were then provided with an additional update by Sophia Brown regarding the approach and progress towards completion of the Annual Audit Report and Value for Money assessment for 2023-24. Members were advised that the VFM work was substantially complete with the final report due to be presented to the Audit & Standards Advisory Committee at its next meeting on 4 December 2024.

As part of the work undertaken to date, the Committee were advised that a significant weakness had been identified in relation to the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources on which reference would be included in the final Audit Annual Report. This related to the Council's overall financial sustainability and use of reserves and had been based on an assessment regarding the use of £13.5m of reserves to balance the Council's revenue budget in 2023-24, ongoing financial pressures identified (particularly in relation to homelessness), the forecast overspend of £16m in 2024-25 and further forecast budget gaps of £16m in 2025-26 & £7m in 2026-27 and 2027-28 with a Future Funding Risk Reserve balance of £10m. Taken together, these had been felt to represent a risk of significant weakness in the Council's financial sustainability. As a result, Grant Thornton advised they would be including a key recommendation within their Annual Report outlining the need (in order to avoid financial crisis and the risk of issuing a s114 Notice or requesting Exceptional Financial Support) for the Council to urgently take the difficult decisions needed to ensure a realistic budget was set for 2025-26 that could be delivered without the need to further draw on reserves.

In response to the update provided, Minesh Patel (as Corporate Director Finance & Resources) confirmed the Council had been made aware of the risk identified, which it was noted were similar to those being experienced across the local government sector as a whole. In terms of Brent's position, the ongoing impact of pressures in relation to homelessness and the cost of temporary accommodation as well as provision of adult social care had been fully recognised and reflected within the Council's draft budget proposals for 2025-26, with a number of difficult and challenging decisions and savings having already been identified in order to ensure the Council was able to deliver a balanced budget whilst seeking to protect those most in need.

Comments were then invited from the Committee on the update provided with the following issues raised:

- In recognising the challenging position and nature of financial pressures faced by the Council, members sought further details on the impact which it was felt

the approach being developed in terms of strategic commissioning arrangements across the Council would be able to deliver in seeking to address the overall financial position and risk identified in relation to the Council's financial sustainability. Whilst recognising the considerable efforts to maintain financial control, the Committee also noted that the operating environment and wider economic context faced by the Council remained volatile with members advised that despite the efforts made to identify efficiencies and deliver the savings already achieved, these would no longer be sufficient over the longer term and as a result were likely to require a fundamental adjustment in the way services were provided by the local authority including the approach towards commissioning with a focus remaining on key statutory functions. In terms of delivering the £16m savings identified as required during 2025-26, the Committee were advised that whilst recognised as challenging, there was no other option as without intervention the risk in the Council being able to move back towards financial sustainability would become even more difficult. Whilst the government had now changed, and Chancellor's Autumn Statement had outlined a range of measures aimed at providing a renewed focus on public services the challenges and pressures facing the Council remained the same and, it was highlighted, would require a fundamental shift in approach.

- Recognising the national trend in pressures associated with homelessness and the costs of Temporary Accommodation, members were keen to explore the audit view regarding the risk that the overall savings figure of £16m within the Council's draft budget for 2025-26 could increase further. In response, Sophia Brown advised that the final Annual Audit Report would provide further detail on the management response to the risk identified with the audit assessment based on measures taken to address pressures over previous years rather than forecast around specific pressures moving forward.

Whilst not a standard approach, confirmation was provided that the weakness and risk identified had been common in the VFM assessments outcomes across a number of local authorities. Whilst the pressures identified in relation to homelessness and cost in supplying Temporary Accommodation were substantial within Brent they were also noted as being an issue faced by most other London Boroughs.

- In response to a query regarding concerns previously raised around the level of HRA reserves and impact on the overall level of risk identified confirmation was provided that whilst referenced within the Annual Audit Report this had not been identified as a significant weakness as part of the overall VFM assessment.
- In recognising the role of the Committee in seeking to support the work being undertaken to ensure the necessary controls were in place to ensure the maximum VFM was being achieved across the Council, members (following the previous comments made in relation to commissioning) felt this needed to include a focus on procurement and need to prevent companies seeking to exploit or elevate prices for services being provided on behalf of the Council

and with outcomes designed to deliver greater cost efficiencies overall. In response, the Committee was advised of the controls already in place as part of the Council's procurement and commissioning arrangements to deliver VFM, which included not only a range of approaches and procurement models to secure the best price and added value but also regulation through market forces. Given the ongoing nature of the financial pressures and risk to the Council's financial position identified, members highlighted the need to maintain focus on the use of commissioning as a means of being able to drive further efficiencies and VFM across the Council with the delivery of social value, although recognised as more difficult to quantify in relation to financial value, also highlighted as a key area of consideration.

In noting the relevance and importance of the risk identified for inclusion within the final Annual Audit Report in relation to the VFM assessment and key timescales identified for completion of the audit process in relation to the Council's financial statements the Chair once again thanked all those involved for their efforts, and it was **RESOLVED** to

- (1) Note the progress on the Annual Audit Value for Money report.
- (2) Note the draft VFM audit findings which had included a significant weakness identified in relation to financial sustainability and use of reserves in relation to ongoing financial pressures on which further detail would be provided in the Annual Audit Report due to be provided to the Committee in December 24
- (3) Note that the Chair & Vice-Chair would be kept updated on progress in meeting key timescales to completion and sign off for 2023-24 Statement of Accounts in February 25.

## 5. **Strategic Risk Register Update**

Darren Armstrong (Deputy Director for Assurance and Resilience) introduced a report, providing an update on the Council's Strategic Risks as of September 2024.

In considering the report the Committee noted:

- The Strategic Risk Register had been prepared in consultation with risk leads, Departmental Management Teams and the Council Management Team and summarised the risks that were considered to have an impact and/or likelihood of materialising and which may adversely affect the achievement of the Council's corporate objectives.
- Since the report was last updated in March 2024, the Council had continued to operate in a heightened risk environment with the Council's overall risk profile therefore continuing to reflect the challenging risk environment the Council was operating within.
- In terms of the main changes since March 2024, a number of risk scores had increased including those identified in relation to the lack of affordable accommodation (Strategic Risk A) and Council's financial resilience and

sustainability (Strategic Risk H) with 8 out of 14 strategic risks identified within the Strategic Risk report included as Appendix 1 to the report sitting outside of their target risk score and one (in terms of trend) showing a small downward movement (Risk G: Cyber Attacks)

- Since the update in March 2024 two new risks had been added to the Strategic Risk Report. The first related to the risk to community cohesion (Strategic Risk D) with the risk included to reflect the Council's awareness of emerging global and national events that could have a local impact and create tensions amongst communities. While the risk had scored highly it was felt to represent more of a precautionary measure given the proactive nature of the work being undertaken by the Council to manage and monitor the situation and the risk demonstrating the Council's commitment to community resilience and to provide reassurances that appropriate measures were in place. The second risk related to Emergency Preparedness, Response and Recovery (Strategic Risk: K) which had been included to reflect the risk of failing to adequately prepare for and/or respond to a major incident in Brent given the significant impact on the health, safety or well-being of residents, communities, businesses or staff and ability to deliver critical services. It was noted this had also reflected publication of the final report from the Grenfell Enquiry, which had highlighted a number of related issues, areas and recommendations for consideration. Members were made aware that whilst this risk had previously formed part of a wider suite of inherent risks held and monitored at the departmental risk register level, it had now been included with the Strategic Risk Report following a review of how the Council's strategic risks were reflected and presented, in order to ensure a consistent approach. In this respect it had not been identified as an escalated risk but had been added to reflect a change in the Council's risk management approach as part of ongoing efforts to continue to improve and enhance the Council's risk management framework.
- The Committee's attention was drawn to the Strategic Risk Heat Map within the Strategic Risk Report which had shown 8 of the strategic risks located within the upper quartile with the highest scoring being the risks related to Lack of Affordable Accommodation (A); cost-of-living crisis (B); increase in Dedicated Schools Grant High Needs Block deficit (C) and risk to community cohesion (D).
- No strategic risk had been closed or de-escalated to departmental level since the last update to the Committee in March 2024 although members were advised the lack of supply of affordable accommodation and increase in use of temporary accommodation had now been combined into a single risk.
- The amendments made to the individual scores of existing risks within the report, as outlined within the previous and updated risk score columns which had now been included, and changes made to the detailed risk plans within section 4 of the Strategic Risk report.
- The wider improvements made to the Council's risk management framework, as detailed within section 3.7 of the report which included the addition of an enhanced action plan for each of the fourteen strategic risks. Previously, risk

owners had been required to outline actions to address the risk identified but with no system to follow up and track those actions or determine the impact delivered in management and mitigating the risk. The enhanced action plan therefore now included a section to follow up on actions outlined with these also assigned to a specific owner for accountability and monitoring purposes and the change made to reflect best practice identified by the Local Government Association London in relation to risk management following a recent review of governance and financial challenges experienced by a number of other local authorities. Whilst noting the robust arrangements already established within Brent to satisfy the majority of the recommendations made, the Committee was advised how these would be used to continue future development and enhancement of the Strategic Risk Report.

The Chair thanked Darren Armstrong for his report and before moving on to invite comments the opportunity was taken to remind members of the role played by the Committee in seeking to ensure sufficient assurance over the Council's risk management arrangements that supported and underpinned the Annual Governance Statement. Whilst reminding members that the Committee's role was not to manage individual risks, the importance in maintaining a focus and understanding of the Council's risk profile and in seeking assurances on the active arrangements in place to manage risk related issues and ensure these were aligned with wider assurance activities was highlighted as key. Given the role of Internal Audit in working with risk sponsors and nominated risk leads, in an advisory capacity, to coordinate and update the risk report rather than as the specific risk owner the Committee were reminded that should any issues be raised during consideration of the report, on which further detail regarding specific risks/mitigations were required, these would need to be sought from the relevant risk sponsor outside of the meeting. On this basis, the following comments/issues were raised:

- Further clarification was sought on the reference to the additional financial pressure (£9m) identified within Strategic Risk H: Financial resilience and sustainability in relation to Supported Exempt Accommodation. In response, the Committee was advised this had been identified as an emerging risk and involved the provision of supported accommodation for individuals with medium to low social care needs by private landlords with the pressure relating to the level of subsidy it was possible to claim back to cover the unregulated costs being charged and growing number of individuals being accommodated within the increasing number of schemes available, many of which fell outside of current local authority regulation.

As part of a wider query relating to the Strategic Risk H details were also sought on why the risk score had not been assessed at a higher level, given the financial issues raised earlier during the meeting. In response, members were advised that the score had been increased to reflect the ongoing pressures and monitoring of the Council's overall financial position. Whilst recognising the timing involved, officers also remained confident that the proposals developed to address the budget position, whilst challenging to deliver in terms of their impact, would have a positive impact in relation to the overall risk evaluation process and assessment relating to likelihood.

- Following on from the previous issue raised, members advised they would be keen to consider the incorporation within future versions of the Strategic Risk report of risk velocity as an additional factor within Risk Evaluation Matrix, which Darren Armstrong felt would be a helpful improvement as part of the process in seeking to improve the development and overall approach in terms of risk maturity.
- In response to clarification sought over the allocation of resources to support actions identified in seeking to manage/mitigate any new strategic risks identified or those risks where scores had increased, the Committee was advised that these would not attract specific additional funding with the key controls and mitigating actions identified as part of the action plan including an assessment of necessary resource requirements.
- In response to a query regarding the identification and management of risk across local authorities on a regional basis (as a means of sharing best practice and general themes) members advised they would be keen to seek additional clarification on the existence of any London wide local authority strategic risk register. Whilst not aware of the existence of a London wide risk register and main focus of each local authority register on their own specific risk management frameworks, Darren Armstrong advised he would take this away as an action for further investigation with confirmation provided that risk registers and management frameworks were subject to comparison through strategic networks in order to share best practice and examine trends with many of the risks identified being as consistent across other councils.
- In response to a comment regarding the management and removal of strategic risks from the register, the Committee were advised that where undertaken previously this had usually related to more short term and topical risks such as the Ukrainian resettlement scheme, which once ended could be closed as a risk and removed. In terms of the risks currently identified on the register, these were felt to be more inherent in nature requiring a longer term focus but with the ability to increase or reduce the risk score as required, reflecting any change in circumstances or approach towards their risk management.
- As a final issue, further clarification was sought on the approach towards managing risks at a departmental/operational level. In noting the Committee's focus around the management of risk at a strategic level across the Council, supported by the Corporate Management Team (CMT), and ability to commission deep dives around specific risks (if required) members were advised that each Council department would also be responsible for maintaining a departmental risk register to ensure that all operational risks were being effectively managed, and to ensure that, where required, risks could be escalated to the Strategic Risk Report via CMT with the approach supported through the Risk Management Strategy and risk management identified as a core element of the Council's corporate governance framework and closely aligned to the Borough Plan priorities.

As no further issues were raised, the Chair thanked Darren Armstrong and his team on behalf of the Committee for their efforts and the update provided and the Committee **RESOLVED** to note the update on the Council's Strategic Risks as of September 2024 along with the actions identified in relation to:

- Consideration of the potential incorporation of risk velocity as an additional factor within Risk Evaluation Matrix; and
- Additional clarification being sought on the existence of any London wide local authority strategic risk register.

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

The Committee **RESOLVED** to note the Committee's Forward Plan and Work Programme for the 2024-25 Municipal Year.

7. **Any other urgent business**

At the request of the Chair, the Committee received a brief update from Minesh Patel (as Corporate Director Finance & Resources) providing an initial assessment of the Chancellors Autumn Statement and impact on the financial position relating to the Council's budget and pressures being experienced across the local government sector more generally.

It was noted that further updates would be provided following the Local Government Financial Settlement being announced in December 2024 with the assumptions included within the Council's draft 2025-26 budget (due to be presented to Cabinet in November 2024) broadly reflecting the announcements made to date and the pressures identified in relation to homelessness, cost of temporary accommodation and deficit in relation to High Needs Dedicated School Grant likely to remain as significant challenges with members also supportive of a move towards the provision of longer term funding settlements.

The Chair thanked Minesh Patel for the update, which was NOTED by the Committee.

The meeting closed at 7.38 pm

David Ewart  
Independent Chair

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

Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
31 Oct 24	4	Statement of Accounts – Interim External Audit Findings	<ul style="list-style-type: none"> <li>Final Audit report Findings and Statement of Accounts to be scheduled for consideration and sign-off at the Committee meeting on 4 Feb 25</li> <li>Chair &amp; Vice-Chair to be kept updated on progress in meeting key timescales to completion and sign off for 23-24 Statement of Accounts in Feb 25.</li> <li>Chair &amp; Vice Chair to liaise with Corporate Director Finance &amp; Resources and External Audit Partner prior to final approval of any additional audit fees incurred as part of extended audit process.</li> </ul>	Minesh Patel	In progress – Update to be provided for Committee in Feb 25
	5	Strategic Risk Register Update	<ul style="list-style-type: none"> <li>Consideration to be given to potential incorporation of risk velocity as an additional factor within Risk Evaluation Matrix given reference to example of risk in relation to Financial Resilience and Sustainability (Darren Armstrong)</li> <li>Additional clarification to be sought on existence of any london wide local authority strategic risk register (Darren Armstrong)</li> </ul>	Darren Armstrong	In progress – update to be provided as part of next update on Strategic Risk Register – March 25
25 Sept 24	6	Report on i4B Holdings Ltd and First Wave Housing Ltd	As part of next Shareholder update on progress against delivery of the i4B Business Plan the Committee to consider progress made in addressing void performance.	Minesh Patel	In progress – to be reviewed as part of next Business Plan update for Committee – March 25
	7	Emergency Planning and	To consider the measures being developed to plan for and address the impact of climate	Darren Armstrong	Completed – update included as part of

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		Resilience Update - September 2024	change as part of the review of the associated risks included within the Council's Strategic Risk Register		Strategic Risk Register to Committee in October 24
	9	Internal Audit Activity Update for Quarters 1 and 2 2024-25	<ul style="list-style-type: none"> <li>• Interim Update on delivery of Internal Audit Plan 24-25 scheduled for consideration by Committee in December 24 to include: <ul style="list-style-type: none"> <li>- Further detail on the way in which core assurance provided in relation to Council's budget and financial control measures.</li> <li>- Update on performance in relation to outstanding actions/trends and implementation dates of agreed management response actions.</li> <li>- A further update on the measures being developed to address and mitigate against the risks identified following the review of Brent Music Service</li> </ul> </li> </ul>	Darren Armstrong	In progress – to be included within next update to Committee on Internal Audit Activity & Plan - December 24.
			•		
24 July 24	6	Dedicated Schools Grant – Deficit Management Plan	<ul style="list-style-type: none"> <li>• Officers to feedback to the Committee on the SEND private school initiative.</li> <li>• The Committee to be kept updated on progress regarding delivery of the DSG deficit recovery plan.</li> </ul>	Nigel Chapman  Minesh Patel	In progress  Further update to be scheduled (as required) on work programme.
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	Darren Armstrong	In progress

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			supported in relation to Council Tax Single Person Discount.		
	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 – Oct 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 co-ordination of monitoring the performance and governance of both i4B & FWH performance between the scrutiny function and Audit & Standards Advisory Committee.	Minesh Patel	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 Audit Plan 2024-2025	<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>	Darren Armstrong	In progress – initial update on Internal Audit Plan considered by Committee Sept 24 with full interim update included on Committee work programme for Dec 24.


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	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>Completed – update provided as part of Strategic Risk Report (October 24)</p> <p>Completed – incorporated in Strategic Risk Report (October 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.
			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	Rav Jassar	In Progress – to be reviewed as part of 24-

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			added to the narrative report within the Statement of Accounts for 24-25.		25 Statement of Accounts
	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;</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	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	In progress – to be reviewed when the Internal Audit Report comes to the Committee in December 2024.
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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 <p><b>Brent</b></p>	<p><b>Audit and Standards Advisory Committee</b></p> <p>4 December 2024</p>
	<p><b>Report from Corporate Director Law &amp; Governance</b></p>
	<p><b>Lead Member – Deputy Leader &amp; Cabinet Member for Finance &amp; Resources</b></p>
<p><b>Standard’s Report (including Q2 update on gifts and hospitality)</b></p>	

<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>No. of Appendices:</b>	One Appendix A: Gifts & Hospitality Register (Qtr. 2)
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	<p>Debra Norman, Corporate Director, Law &amp; Governance 020 8937 1578 <a href="mailto:debra.norman@brent.gov.uk">debra.norman@brent.gov.uk</a></p> <p>Biancia Robinson, Senior Constitutional &amp; Governance Lawyer 0208 937 1544 <a href="mailto:biancia.robinson@brent.gov.uk">biancia.robinson@brent.gov.uk</a></p>

## 1.0 Purpose of the Report/Executive Summary

- 1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on (a) gifts and hospitality registered by Members and (b) member training.

## **2.0 Recommendations**

- 2.1 That the Committee note the contents of the report, in particular the action to be taken in paragraph 3.8.

## **3.0 Detail**

### **Contribution to Borough Plan Priorities & Strategic Context**

- 3.1. The reviewing and maintenance of high standards of member conduct supports the delivery of the borough plan by promoting confidence in the operation and good governance of the council.

### **Gifts & Hospitality**

- 3.2 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.3 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre.
- 3.4 For the second quarter of 2024/25 there have been eight gifts and hospitality recorded as being received, these are set out in further detail in Appendix A, together with the details of the receiving Councillor.
- 3.5 The Committee will recall that hospitality accepted by the Mayor in their civic role is recorded separately and published on the Council's website.
- 3.6 Members attention is drawn to the recommendations in the Value For Money report also on the agenda in respect of gifts and hospitality received by councillors. A report will be brought to the committee following consideration of the issues at the Constitutional Working Group in due course.

### **Member Training Attendance**

- 3.7 At this Committee's request reports updating it on the attendance records for Member's in relation to mandatory training sessions has become a standard reporting item.
- 3.8 With the exception of Data Protection (DP), all members have completed their mandatory (refresher) training. With respect to the DP training members had until Wednesday, 25.09.24 to complete this training which consists of on online recording. This deadline was extended and officers have sent emails/texts/WhatsApp messages and telephoned Councillors since September 2024 to achieve compliance. A further deadline of 11.59pm on 10<sup>th</sup> November was given together with the warning that the Information Governance team will start taking steps to restrict IT access (which includes access to Brent mobile phones and email) in accordance with the Acceptable Use Policy which all members have signed and agreed to abide by. As of



Monday 25.11.25 the following councillors have not completed the mandatory DP training:

- (1) Rita Conneely
- (2) Arshad Mahmood
- (3) Tom Miller

The Committee is asked to note that if the above Councillors have not completed their training by the 04.12.24, access to their IT will need to be restricted. Officers will update the Committee at its meeting on the 04.12.24 with the current position.

3.9 The Committee will know that:

- a) It is a requirement of the Members' Code of Conduct that all members' *"must attend mandatory training sessions on this Code or Members' standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice"*.
- b) The schedule for all mandatory sessions is ordinarily published and approved in the Council calendar at the May Annual Council meeting.
- c) All internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.
- d) For face-to-face training sessions, reminders are sent via email, calendar invitations, and text messages and, on some occasions, direct telephone calls to Members. The same reminder process is employed for re-run(s) of sessions, where applicable, to take account of personal circumstances like work commitments and childcare arrangements etc.
- e) During 2024/25 the Committee will receive regular updates on Members who have not completed the mandatory training sessions.

#### **4.0 Financial Considerations**

4.1 There are no financial implications arising out of this report.

#### **5.0 Legal Considerations**

5.1 Pursuant to the Localism Act 2011, the Council has to have arrangements in place to deal with any allegations of failure to comply with the code of conduct and must appoint an Independent Person whose views are sought and taken into account by the council before it makes its decision on an allegation that it has decided to investigate.

5.2 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011.

The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct as set out in Part 5, of the council's Constitution.

## **6.0 Additional Considerations**

- 6.1 There are no a) Equity, Diversity & Inclusion (EDI) considerations, b) Stakeholder and ward member consultation and engagement, c) Climate Change and Environmental considerations, d) Human Resources/Property considerations (if appropriate) or e) Communication considerations arising out of this report.

**Report sign off:**

***Debra Norman***

Corporate Director, Law & Governance

Appendix A - Gifts and Hospitality, Qtr 2

Councillor	Date of gift	Gift received	Value £	From
M Butt	10.08.2024	5 tickets - Manchester United v Manchester City Community Shield, £80 each	400	The Football Association (FA)
	21.09.2024	6 tickets to Joshua/Dubois Fight at Wembley Stadium, £125 each.	750	The FA
	14.11.2024	4 tickets for England v Ireland football match, £80.00 each	320	The FA
Ajmal Akram	10.09.2024	2 tickets to the FA Community Shield Final - Wembley. £50 x 2	100	Wembley Hill Ward Residents Association
	28.09.2024	10 tickets for 9th HUM Awards (Pakistan TV Channel) 10 x £45.00	450	Provided by OVO (6 of 10 tickets allocated to residents)
Lesley Smith	14.08.2024	1 ticket from Kiln Theatre for the 1st night of "Peanut Butter and Blueberries" show	23.5	Kiln Theatre
	25.09.2024	1 ticket from Kiln theatre for the opening night of "Pins & Needles" show. Ticket price £25.00 plus one free beer £5.00 = total value £30	30	Kiln Theatre
Neil Nerva	25.09.2024	2 tickets from Kiln Theatre for the press opening of "Pins and Needles" show - £25 x 2	50	Kiln Theatre

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 4 December 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 Strategy Report 2025/26</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>	One Appendix 1: Draft Treasury Management Strategy 2025/26
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Nadeem Akhtar, Senior Finance Analyst Capital, Treasury & Commercial Tel: 020 8937 5957 Email: <a href="mailto:nadeem.akhtar@brent.gov.uk">nadeem.akhtar@brent.gov.uk</a>  Sam Masters Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Tel: 0208 937 2224 Email: <a href="mailto:Sam.Masters@brent.gov.uk">Sam.Masters@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report presents the draft Treasury Management Strategy (TMS) for 2025/26 for consideration by the Committee. The final version of the TMS incorporating the views of this Committee will be included in the annual Budget Setting Report to be presented to Cabinet and Full Council in February 2025. Highlighted areas to be updated for the final version of the report.

1.2 Key emerging points are as follows:

1. Growth in Council debt to fund the capital programme as shown in Table 1.
2. Council's capital programme based on Period 6 forecast (subject to change) as shown in Table 2.
3. Borrowing Strategy as set out in paragraph 25.
4. Treasury Investment Strategy as set out in paragraph 38. Investment limits and approved counterparties shown in paragraph 44.
5. Treasury management prudential indicators are set out in paragraph 64.

## 2.0 Recommendation(s)

2.1 That the Audit and Standards Advisory Committee considers and comments on the draft Treasury Management Strategy 2025/26 included in Appendix 1.

## 3.0 Detail

### 3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 Treasury Management underpins all aspects of financial management within the Council which enables the delivery of the priorities and objectives within the Borough Plan. Treasury Management activities are strictly regulated, and the Audit & Standards Advisory Committee have the responsibility of scrutinising the Treasury Management function in line with CIPFA's Prudential Code (2021) including reviewing the draft Strategy each year.

3.1.2 The Strategy sets out the framework for Treasury Management activity in 2025/26 and includes details on:

- Borrowing Strategy and sources of debt finance
- Investment Strategy, investment types and prescribed limits
- Treasury Management Indicators for 2025/26
- Alternative options/strategies
- External context
- Local context

3.1.3 The draft Strategy is included in Appendix 1 and is currently based on September 2024 capital programme budget data from Programme Managers. This highlighted content is subject to change in the subsequent version of the Strategy to reflect the ongoing work that is currently being undertaken by the Capital Team with Programme Managers in determining the most accurate budget profiles and any growth in capital budgets. Such changes will be presented to Cabinet and Council in February 2025.

## 4.0 Stakeholder and Ward Member Consultation and Engagement

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

## **5.0 Financial Considerations**

5.1 The planned treasury management activity outlined in Appendix 1 will result in interest costs associated with borrowing, as well as the generation of investment income for the Council. The Council's draft capital financing budget for 2025/26, including provisions for MRP (sums set aside for the repayment of debt) has been aligned with this Strategy and will form part of the overall budget setting report scheduled to be presented to cabinet in February 2025.

## **6.0 Legal Considerations**

6.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators to ensure that the Council's capital investment plans are affordable, prudent, and sustainable. This requires 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 Strategy for the coming financial year should be submitted to Full Council for approval.

## **7.0 Equity, Diversity & Inclusion (EDI) Considerations**

7.1 There are no equity, 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.

## **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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To note information highlighted will be updated after 31/12/2024

### Introduction

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

### External Context

- 4.0 UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.
- 5.0 The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.
- 6.0 Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.
- 7.0 With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

- 8.0 The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027. Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.
- 9.0 The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.
- 10.0 Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

### **Credit outlook**

- 11.0 Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.
- 12.0 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

### **Interest rate forecast (November 2024)**

- 13.0 the Council's treasury management adviser, Arlingclose, forecasts that Bank Rate will continue to decrease albeit at slower pace and less frequent than initially thought. Arlingclose forecast the Bank of England's Monetary Policy Committee will cut Bank Rate in February 2025 and then every quarter to 3.75% by December 2025. The Rate is expected to remain at 3.75% over the medium term.
- 14.0 Arlingclose expects long-term gilt yields to rise to reflect the change in the UK and US Government Administrations.. Yields will remain volatile as the market digests the impact of policy changes caused by monetary and fiscal changes passed by the new Administrations. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

15.0 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 3.9%, and that new long-term loans will be borrowed at an average rate of 5.2% in 2025/26.

### **Local Context**

16.0 At 31 December 2024, the Council held £x.xm of borrowing (£x.xm long term and £x.xm short term) and £x.xm of cash investments. This is set out in further detail at **Appendix 2**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

**Table 1: Balance sheet summary and forecast**

£m	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029
	Actual	Forecast	Estimated	Estimated	Estimated	Estimated
Capital Financing Requirement	1,236.6	1,377.7	1,610.8	1,647.2	1,649.3	1,626.2
Other debt liabilities*	32.5	28.5	24.7	22.7	20.4	17.0
<b>Loans CFR</b>	<b>1,269.1</b>	<b>1,406.2</b>	<b>1,635.5</b>	<b>1,669.9</b>	<b>1,669.6</b>	<b>1,643.2</b>
(less) External borrowing**	(814.3)	(800.0)	(681.3)	(658.1)	(634.3)	(620.6)
<b>Internal (Over) Borrowing</b>	<b>422.3</b>	<b>577.7</b>	<b>929.5</b>	<b>989.1</b>	<b>1,014.9</b>	<b>1,005.6</b>
(less) Balance Sheet Resources	(517.6)	(486.0)	(560.8)	(511.4)	(459.4)	(451.5)
<b>New borrowing (or Treasury Investments)</b>	<b>(95.3)</b>	<b>91.7</b>	<b>368.8</b>	<b>477.7</b>	<b>555.6</b>	<b>554.1</b>

\* Leases and PFI liabilities that form part of the Council's total debt

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

17.0 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This means the Council has minimised its interest costs by utilising internal resources over the short term instead of undertaking more expensive external borrowing. As our internal resources continue to be depleted, there is an increasing need for the Council to undertake new external borrowing to fund the capital programme. However, whilst deferring external borrowing and using internal resources minimises debt interest costs, internal resources will need to be replenished at a later date. This could expose the Council to interest rate risk whereby interest rates could be higher (or lower) than the present day.

18.0 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next

three years. Table 1 shows that the Council expects to comply with this recommendation during 2025/26.

- 19.0 The Council will need to borrow up to £554.1m over the forecast period to support the financing of the capital programme. Table 2 sets out the Council's current and future years capital programme and capital financing based on Period 6 data from Programme Managers.

**Table 2: Capital Programme**

Capital Expenditure & Financing (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	Total 2024/25- 2028/29
	Forecast	Estimated	Estimated	Estimated	Estimated	
Corporate Landlord	14.9	21.8	13.5	28.2	0.5	78.9
Housing GF	79.3	75.7	30.7	3.6	0.0	189.3
Schools	20.7	21.8	26.1	3.5	0.0	72.1
Regeneration	64.3	117.2	7.3	0.0	0.0	188.8
Public Realm	25.4	12.1	1.1	1.0	6.0	45.6
South Kilburn	33.6	3.9	3.9	0.0	0.0	41.4
St Raphael's	0.5	3.2	3.9	12.5	0.0	20.1
HRA	48.2	51.1	19.7	0.0	0.0	119.0
<b>Total Capital Expenditure</b>	<b>286.9</b>	<b>306.8</b>	<b>106.2</b>	<b>48.8</b>	<b>6.5</b>	<b>755.2</b>
Grants	44.5	28.3	25.8	3.2	0.0	101.8
Section 106	25.5	16.4	0.0	0.0	0.0	41.9
Capital Receipts	1.8	28.2	11.2	0.0	0.0	41.2
Earmarked Reserves	1.9	1.3	1.4	0.0	0.0	4.6
Major Repairs Reserve	18.9	21.1	2.3	0.0	0.0	42.3
Revenue Contributions	10.3	0.5	7.7	0.5	0.5	19.5
Borrowing	184.0	211.0	57.8	45.1	6.0	503.9
<b>Total Capital Financing</b>	<b>286.9</b>	<b>306.8</b>	<b>106.2</b>	<b>48.8</b>	<b>6.5</b>	<b>755.2</b>

- 20.0 Table 3 details the cost of delivering the Council's proposed capital programme as well as servicing existing debt relating to past capital programmes.

**Table 3: Capital financing costs**

Capital Financing Costs (£m)	2024/25	2025/26	2026/27	2027/28	2028/29
	Forecast	Estimated	Estimated	Estimated	Estimated
Total Gross External Debt Interest (Current and New Debt)	34.8	44.6	46.8	50.3	51.4

<b>Total Interest Payable &amp; Expenses</b>	<b>36.6</b>	<b>45.9</b>	<b>47.9</b>	<b>51.4</b>	<b>52.5</b>
<b>Total Interest Receivable</b>	<b>(25.0)</b>	<b>(28.6)</b>	<b>(29.8)</b>	<b>(31.7)</b>	<b>(32.7)</b>
<b>Net Interest</b>	<b>11.6</b>	<b>17.4</b>	<b>18.1</b>	<b>19.7</b>	<b>19.7</b>
<b>MRP (Excluding PFI)</b>	<b>15.1</b>	<b>17.3</b>	<b>18.7</b>	<b>21.0</b>	<b>23.2</b>
<b>Total Interest &amp; MRP</b>	<b>26.8</b>	<b>34.7</b>	<b>36.8</b>	<b>40.7</b>	<b>43.0</b>
<b>Revenue Contributions to Capital Programme</b>	<b>8.5</b>	<b>9.0</b>	<b>3.5</b>	<b>3.5</b>	<b>4.5</b>
<b>Total Capital Financing Costs</b>	<b>35.3</b>	<b>43.7</b>	<b>40.3</b>	<b>44.2</b>	<b>46.5</b>

- 21.0 Delivering a capital programme in environment of rising construction costs, high interest rates relative to pre-Ukraine period means that capital financing costs are expected to increase over the capital investment period as new loans are raised to fund the capital programme's borrowing requirement as set out in Table 2. The cost of new loans is based on an interest rate of 5.2%. The Council also has an ongoing obligation to service existing long dated fixed rate debt that has been raised secured to fund capital programmes of the past. The increase in capital financing costs is also attributable to Minimum Revenue Provision (MRP), a Statutory charge to the Revenue Account for the repayment of debt. MRP is increasing due to new capital spend that is being financing through borrowing, as well as existing borrowing associated with past capital programmes that requires to be repaid over the life of the assets that have enhanced or constructed. The Council uses the annuity method to determine the MRP charge, which results in a lower charge in the earlier period of the repayment schedule but increases over time.
- 22.0 To ensure financial resilience and sustainability, these emerging pressures are being built into the Council's Medium-Term Financial Strategy. Through this proactive approach, the Council aims to maintain a balanced budget while continuing to invest in essential infrastructure and services for the community through the capital programme.

### **Liability Benchmark**

- 23.0 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.
- 24.0 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

**Table 4: Prudential Indicator: Liability benchmark**

<b>Liability Benchmark (£m)</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>Forecast</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>

Loans CFR	1,377.7	1,610.8	1,647.2	1,649.3	1,626.2
Less Balance Sheet Resources	(470.5)	(470.5)	(470.5)	(470.5)	(470.5)
<b>Net Loan Requirement</b>	<b>907.3</b>	<b>1,140.4</b>	<b>1,176.7</b>	<b>1,178.8</b>	<b>1,155.7</b>
Plus Liquidity Allowance	20.0	20.0	20.0	20.0	20.0
<b>Liability Benchmark</b>	<b>927.3</b>	<b>1,160.4</b>	<b>1,196.7</b>	<b>1,198.8</b>	<b>1,175.7</b>

- 25.0 Following on from the medium-term forecasts in Table 3, the long-term liability benchmark assumes Minimum Revenue Provision (MRP) on new capital expenditure based on a 5–50-year asset life and income, expenditure and reserves remaining static. A higher asset life will be used where a professional opinion has been obtained. The chart below shows the profile of the Capital Financing Requirement (CFR) reducing by the MRP together with the maturity profile of the Council's existing borrowing.
- 26.0 The Loan CFR (Blue lines) represents the need to fund capital expenditure through borrowing. The Liability benchmark (Green Line) represents the level of borrowing requirement once reserves and working capital has been considered. Where the liability benchmark exceeds the Council's current borrowing levels (Grey area), this indicates the real need to borrow.

### **Borrowing Strategy**

- 27.0 As of 31 December 2024, the Council held £x.xm of loans, an decrease of £x.xm compared to balances held at the start of the financial year (£814.3m). The balance sheet forecast in Table 1 shows that the Council expects to borrow up to £554.1m by 2028/29, however, this is largely dependent on how the capital programme progresses. The Council may also borrow additional sums to pre-fund future years' requirements as well as replenish the internal borrowing position, providing this does not exceed the authorised limit for borrowing of £1.8 billion.
- 28.0 **Objectives:** The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 29.0 **Strategy:** Given the significant cuts to public expenditure and local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Interest rates have increased across the yield curve over the past year. The Council will continue to work closely with our Treasury advisors Arlingclose to ensure borrowing occurs at optimal points avoiding the worst of the market volatility. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The Council's Borrowing Strategy is to maintain its debt portfolio Pool Rate within this range of 4% to 4.5%. As at 31 December 2024 the average Debt Pool Rate (excluding PFI) was x.x%.
- 30.0 To ensure long term stability of the debt portfolio, a proportion of the portfolio will be funded by long term borrowing using a little and often approach. Where it is

affordable, this can help provide certainty to ensure the ongoing viability for capital programme schemes in these volatile markets.

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body including the Greater London Authority
- UK public and private sector pension funds (except the local Brent Pension Fund)
- Capital market bond investors
- Retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback
- Similar asset-based finance

33.0 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment if the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report by the Corporate Director for Finance and Resources in consultation with the Lead Member for Finance.

34.0 The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will review the appropriateness of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are not available to local authorities planning to buy investment assets primarily for yield. The Council has not undertaken such borrowing and has no plans to in future, which ensures continuing access to PWLB borrowing facilities.

35.0 In addition to the above, the Council may borrow short-term loans to cover temporary cash flow pressures from other Local Authorities or public sector bodies and banks.



- 36.0 The Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 37.0 **LOBOs:** As at 19 November 2024 the Council held £59.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. It is expected that £35.0m of LOBO loans (5 loans) will undergo a rate review in 2025/26 resulting in a potential change in the loan rate. Due to higher market rates, there is now an elevated risk that existing LOBO's may require refinancing at higher rates or will require repaying upon future break dates. The Council will assess the financial implications of the best approach and either repay the LOBO loan using existing cash resources (where applicable) or raise new loans.
- 38.0 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section 71 below).
- 39.0 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. Current high interest rate environment gives rise to favourable rescheduling opportunities. Such opportunities will be kept under review by Officers. Any decision to undertake debt rescheduling be the subject of a separate report by the Corporate Director for Finance and Resources in consultation with the Lead Member for Finance.

### **Treasury Investment Strategy**

- 40.0 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. When cash balances are high the Council will defer the decision to borrow for the capital programme until such time cash balances deplete. Cash balances are forecasted to reduce over time as the Council is a net borrower.
- 41.0 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. The ESG Policy is discussed below.
- 42.0 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments



such as Local Authority deposits or Money-Market Funds. Cash invested beyond the liquidity duration will be in accordance with the investment instruments set out in Table 5. However, it is anticipated that the Council will not have significant cash balances to invest into long durations. The Council will maintain a minimum investment balance of £10m to ensure the Council complies with the requirements to be a professional client under MIFID II regulations.

- 43.0 **ESG Policy** - Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds for greater than a year, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 44.0 Currently, the majority of the Council's surplus cash remains invested in short-term money market funds. The average rate of interest received on short-term investments during the year to 19 November 2024 was 5.2% with an average duration of 1 day and an average weighted risk rating of A+. Due to the Council's borrowing requirement, there is unlikely to be scope to improve the short-term investment returns achieved as liquidity of the surplus funds will play a key role.
- 45.0 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 46.0 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 5, subject to the limits shown.

**Table 5: Investment Limits**

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

<b>Strategic pooled funds*</b>	A- Or equivalent	£20m	n/a
<b>Real estate investment trusts*</b>	A- Or equivalent	£20m	n/a
<b>Other Investments*</b>	A- Or equivalent	£50m	5 years

- 47.0 **Minimum Credit Rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose long-term credit rating is no lower than A-. The Council uses the lowest rating quoted by the main rating agencies, as recommended by CIPFA. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered. Within these criteria the Corporate Director for Finance and Resources will have discretion to accept or reject individual institutions as counterparties based on any information which may become available.
- 48.0 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 49.0 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. There is no upper limit to the maximum credit loss that the Council could suffer in the event of a bail-in scenario. See section 61 below for arrangements relating to operational bank accounts. Investments in unsecured deposits will be limited to £20m.
- 50.0 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed. Investments with registered providers will be limited to £20m in 2025/26.
- 51.0 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. The Council and its advisors remain alert for signs of credit or market distress that might adversely affect the Council. Investments in secured deposits will be limited to £20m.

- 52.0 **Money market funds (MMFs):** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times. Deposits will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £20m.
- 53.0 The investment strategy will provide flexibility to invest cash for longer periods in order to access higher investment returns. The upper limit for lending beyond a year is £50m. In practice, lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved. Marketable instruments may have longer maturities, though the maturity will be considered in conjunction with the likely liquidity of the market and credit quality of the institution. Other than UK Central Government the Council may invest its surplus funds subject to a maximum duration of 25 years.

**Alternative investment options will include:**

- 54.0 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Although considered as pooled funds, MMF's are discussed separately in section 56. The Council currently has no investments in Pooled Funds (other than MMFs) at present but may make prudent use of them in the future. Investments in pooled funds will be limited to £20m in 2025/26. A Statutory Override is in place until 31 March 2025 to mitigate the accounting valuation risk impacting on the Comprehensive Income & Expenditure Account. Once the Override expires any fair value gains/losses will need to be recognised in the Comprehensive Income & Expenditure Account thus impacting on the Councils reserve balances.
- 55.0 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. The risk with any investments in REITs is that shares cannot be withdrawn but can be sold on the stock market to another investor which leaves the Council open to market risk. Investments in REITs will be limited to £20m in 2025/26.
- 56.0 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
- 57.0 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets

greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The Council banks with National Westminster Bank (NatWest) who meet the Council's minimum credit criteria. Should NatWest's creditworthiness deteriorate below the Council's minimum credit criteria, then as far as is consistent with operational efficiency, no money will be placed with NatWest and credit balances in the various Council accounts will be kept to a minimum level.

- 58.0 **Unrated Counterparties:** For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £200,000 per counterparty as part of a diversified pool e.g., via a peer-to-peer platform.
- 59.0 **Risk Assessment:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Any institution will be suspended or removed should any factors give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Should an entity's credit rating be downgraded so that it does not meet the Council's approved criteria then:
- No new investments will be made.
  - Full consideration will be made to the recall or sale of existing investments with the affected counterparty.
- 60.0 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 61.0 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 62.0 Having an appropriate lending list of counterparties, remains critically important to protecting Brent's cash investments. A list of extremely secure counterparties would be very small, and the limits with each would be correspondingly high. This would expose the Council to a risk of an unlikely but potentially large loss. This arises because the arrangements for dealing with banks in difficulty now require a loss to be imposed on various categories of liabilities of the banks to allow the bank to recapitalise itself and continue in business (sometimes referred to as bail in).
- 63.0 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality

and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

64.0 **Reputational Risk:** The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.

65.0 **Investment limits:** The Council’s revenue reserves available to cover investment losses are forecast to be £513.3m on 31st March 2025. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and Council subsidiaries) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

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

### TREASURY MANAGEMENT PRUDENTIAL INDICATORS

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

67.0 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 6: Credit risk indicator

Credit risk indicator	Target
Portfolio average credit rating	A

68.0 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Table 7: Liquidity risk indicator

Liquidity risk indicator	Target
Total cash available within 3 months	£20m

69.0 **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Table 8: Interest rate risk indicator

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

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

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

Table 9: Refinancing rate risk indicator

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

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

71.0 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 10: Price risk indicator

Price risk indicator	2024/25	2025/26	2026/27	2027/28	2028/29
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m	£50m

### **Related Matters**

72.0 The CIPFA Code requires the Council to include the following in its treasury management strategy.

73.0 **Financial Derivatives:** A Derivative is a contract between two or more parties to hedge against the risk associated with the performance of an underlying asset.

- 74.0 Local authorities have previously made use of financial derivatives embedded into its loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk. Brent Council has not previously used such instruments.
- 75.0 The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).
- 76.0 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 77.0 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 78.0 In line with the CIPFA Code, the Council will seek external advice and consult with Members before entering into financial derivatives to ensure that it fully understands the implications however there are no current plans to enter this type of arrangement. This will include analysis of the impact on interest rate, refinancing, counterparty, market, regulatory and legal risks, together with an assessment on the effectiveness of the derivative.
- 79.0 **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.
- 80.0 The Council is eligible for the PWLB HRA rate, which is 0.4% below the Standard Rate, and is available up to June 2025. This discounted rate can be used to support local authorities borrowing for the Housing Revenue Account's capital programme and for refinancing existing HRA loans. The Council may choose to raise PWLB loans for the HRA in 2025/26 under the HRA concessionary rate subject to HRA affordability.
- 81.0 **Markets in Financial Instruments Directive:** The MiFID II regulations took effect from January 2018 which saw the council reclassified as a retail client with the opportunity to opt up to professional client status. Retail clients have access

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

82.0 **Financial Implications:** The draft capital financing budget of £35.2m for 2025/26 has been determined to enable the Council to service its debt in a timely manner; to ensure it complies with the Statutory MRP Guidance and to allow the Council to continue with the delivery of its proposed capital programme in a prudent and affordable manner.

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

Table 11: Alternative Strategies



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

## Appendix 1 – Arlingclose Economic & Interest Rate Forecast – 19th November 2024

### Interest Rate Updates

- The Monetary Policy Committee (MPC) cut Bank Rate to 4.75% in November 2024.
- The outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget. The Budget measures will boost demand in a constrained supply environment, while pushing up direct costs for employers.
- UK GDP recovered well in H12024 from technical recession, but underlying growth appears relatively subdued. The Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth and services inflation remain elevated. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impact on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates will rise a little by year-end due to higher energy prices and less favourable base effects. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target.
- The MPC re-emphasised that monetary policy will be eased gradually, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and raised the low point for this loosening cycle (although downside risks develop later).
- The Office for Budget Responsibility's (OBR) projections for increased borrowing, higher inflation and a shallower path for Bank Rate raised gilt yields. The material change in expectations means that yields will be generally higher in the post-Budget world.
- US government bond yields have risen following Donald Trump's and the Republican party victories in the US elections. Trump ran on a platform of policies that appear inflationary, calling in to question the extent of policy loosening required from the Federal Reserve (which was already uncertain given continued solid US growth data). Higher US yields could also support higher UK yields.
  - Bank Rate was cut to 4.75% in November 2024. The MPC will continue to reduce Bank Rate, but more slowly and by less. We see another rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.

- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
<b>3-month money market rate</b>													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
<b>5yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80
<b>10yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.41	4.40	4.30	4.30	4.25	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80
<b>20yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80
<b>50yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80

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

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

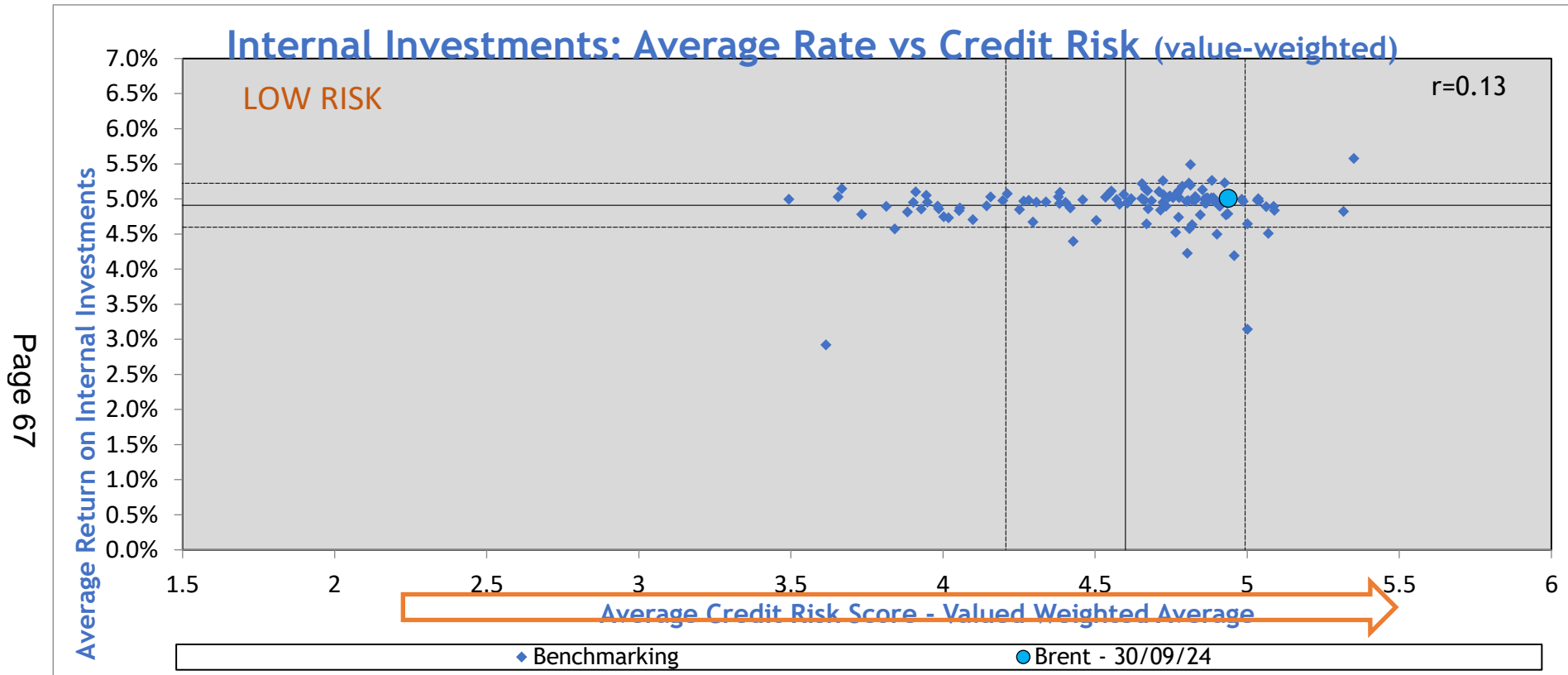
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%

UKIB Rate (Maturity Loans) = Gilt yield + 0.40%

## Appendix 2 – Existing Investment & Debt Portfolio Position

	31/12/2024 Actual Portfolio £m	31/12/2024 Average Rate %
<b>Long-term borrowing</b>		
Public Works Loan Board		
LOBO's		
Other loans		
<b>Short-term borrowing</b>		
Local Authorities		
<b>Total External Borrowing</b>		
<b>Other long-term liabilities:</b>		
Private Finance Initiative		
Finance Leases		
<b>Total other long-term liabilities</b>		
<b>Total gross external debt</b>		
<b>Treasury investments:</b>		
Money Market Funds		
<b>Total treasury investments</b>		
<b>Net debt</b>		

**Appendix 3 – Internal Investments: Average Rate vs Credit Risk (September 2024)**



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

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 4 December 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 Mid-Year Report 2024/25</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 Tel: 020 8937 5957 Email: <a href="mailto:nadeem.akhtar@brent.gov.uk">nadeem.akhtar@brent.gov.uk</a>  Sam Masters Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Tel: 0208 937 2224 Email: <a href="mailto:Sam.Masters@brent.gov.uk">Sam.Masters@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report updates Members on Treasury activity for the first half of the financial year 2024/25 (quarters one and two). 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 as at quarter two of 2024/25.
2. Borrowing outstanding at 30 September 2024 was £791.9m and had decreased from £814.3m over the course of the financial year, a change of £22.4m. The change in debt was due to the repayment of loans.
3. Cash Investments outstanding at 30 September 2024 was £38.6m and had decreased from £95.3m over the course of the financial year, a change of £56.7m. The change relates to the repayment of maturing debt and ongoing investment in the Council's capital programme in lieu of borrowing.
4. At 30 September 2024 the Council had paid £15.7m in interest payments relating to the Council's loan portfolio.
5. The Council had generated interest income of £3.6m on cash investments as at 30 September 2024. This income in part reflects the current level of Bank of England's Bank Rate. Bank Rate was cut in August 2024 and was reduced from 5.25% to 5.00%.

## 2.0 **Recommendation(s)**

That the Audit and Standards Advisory Committee:

- 2.1 Note and comment on the overall financial performance up to quarter two of 2024/25 and note the Council has had complied with the prudential indicators as set by Council in February 2024.
- 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 period 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 Council 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 29 February 2024.

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 the first two quarters of 2024/25:

- UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy

prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August. The UK economy continued to expand over the period. The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027.

- Bank Rate was reduced from 5.25% to 5.00% during August 2024.
- Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained.

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

### 3.4 Balance Sheet Summary

3.4.1 As at 30 September 2024, the Council had a net borrowing position of £753.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	<b>31.3.2024 Actual £m</b>	<b>31.3.2025 Forecast £m</b>
General Fund CFR	935.7	1,072.3
HRA CFR	300.9	325.9
<b>Total CFR</b>	<b>1,236.6</b>	<b>1,398.2</b>
PFI & Lease Liabilities	32.5	28.5
<b>Total Loan CFR</b>	<b>1,269.11</b>	<b>1,426.7</b>
External borrowing (Excluding accrued interest)	814.3	909.1
Internal Borrowing (Loans CFR less external borrowing)	<b>422.3</b>	<b>489.2</b>
Less Usable Reserves	(513.3)	(513.3)*
Less Working Capital	(4.3)	4.1**
Investments (or new borrowing)	95.3	20.0

\*Assumed to remain static. \*\*Calculated

3.4.2 The treasury management position at 30 September 2024 and the change during the first half of the year is shown in Table 2 below.

**Table 2: Balance sheet summary**

	<b>1 Apr 2024 Actual £m</b>	<b>Movement</b>	<b>30 Sep 2024 Actual £m</b>
Short-term Borrowing	84.3	(22.4)	61.9
Long-term Borrowing	730.0	0	730.0
<b>Total External Debt</b>	<b>814.3</b>	<b>(22.4)</b>	<b>791.9</b>
Money Market Funds	90.3	(51.7)	38.6
Local Authority Cash Investments	5.0	(5.0)	0.0
<b>Total Cash Investments</b>	<b>95.3</b>	<b>(56.7)</b>	<b>38.6</b>
<b>Net Debt</b>	<b>719.0</b>	<b>34.3</b>	<b>753.3</b>

- 3.4.3 Overall Borrowing has decreased over the first two quarters of 2024/25 as loans were repaid back. Further details are provided in Table 3.
- 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 30 September 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 Council'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 Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing or regeneration purposes.
- 3.5.3 The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.
- 3.5.4 Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive

economic data. Data from the US continues to impact global bond markets including UK gilt yields which PWLB loan rates are priced off.

- 3.5.5 The Council had a borrowing position of £814.3m as at 1 April 2024. This had decreased to £791.9m as at 30 September 2024. Table 3 provides the breakdown of loan balances.

Table 3- breakdown of debt

Loan Type	01-Apr-24	New Loans	Repaid Loans	30-Sept-24
	£m	£m	£m	£m
PWLB	589.8	0.0	(7.4)	582.4
LOBO	59.5	0.0	0.0	59.5
Private Placement	95.0	0.0	0.0	95.0
Local Authority	70.0	10.0	(25.0)	55.0
<b>Total Debt Outstanding</b>	<b>814.3</b>	<b>10.0</b>	<b>(32.4)</b>	<b>791.9</b>

- 3.5.6 The Council had raised £10.0m of new loans in quarter two of 2024/25 and comprised of two short term local authority loans. The loans were required to support the Council's daily cashflow activity as cash balances were close to depletion. This borrowing requirement has been driven by the demands of delivering the capital programme not already funded through grants, contributions, capital receipts or reserves as well as repaying maturing debt. The local authority loans were raised at an average rate of 4.80% with an average duration of 364 days. The interest rates reflect the current rising interest rate environment.
- 3.5.7 As at 30 September 2024 the Council had repaid £32.4m of loans that were held with the PWLB (£7.4m); and local authorities (£25.0m). The PWLB loans consisted of EIP loans whilst the local authority loans were temporary loans held for cashflow purposes.
- 3.5.8 Overall, the total debt movement was a decrease of £22.4m.
- 3.5.9 The PWLB HRA rate, which is 0.4% below the Standard Rate, is available up to June 2025. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. The Council did not borrow any PWLB loans under the HRA arrangement during the first two quarters of 2024/25 but does intend to take advantage of the HRA rate by 31 March 2025.
- 3.5.10 **Loan Restructuring:** No loans were restructured during the first two quarters of 2024/25. The Council will continue to monitor and evaluate the opportunity to reschedule existing loans as and when opportunities arise.
- 3.5.11 **LOBO Loans:** As at 30 September 2024 the Council was holding £59.5m of LOBO loans. 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.

3.5.12 **Forward Borrowing:** As at 30 September 2024 £60.0m of short-term local authority loans have been arranged to start in October and November 2024, with an average rate of 4.8%. The Council’s cashflow forecast has identified a need to borrow cash to support forecasted cashflow activity. The loans were also raised to avoid the capital market liquidity squeeze that is consistently observed in the months January- March, a period when Councils nationally borrow resulting in demand for cash outstripping supply causing short term loan rates to spike.

### 3.6 Maturity Profile of Debt

3.6.1 The forecast for 31 March 2025 is that the Council will have 68 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 2025 (£m)</b>	<b>2024/25</b>
<1 Year	108.7
1-2 Years	23.2
3-5 years	37.5
5-10 Years	72.9
10-15 Years	70.1
15-20 Years	62.0
20-25 Years	91.9
25-30 Years	41.6
30-35 Years	171.0
35-40 Years	6.1
40-45 Years	5.0
45+ Years	100.0
<b>Debt outstanding</b>	<b>800.0</b>

3.6.2 The maturity loan profile includes existing debt and forward starting loans as agreed at 30 September 2024 and excludes any planned future borrowing.

### 3.7 Interest Rate

3.7.1 For context, the changes in interest rates during the half year were as follows:

Table 5: comparison of interest rates

<b>Interest Rate</b>	<b>31-Mar-24</b>	<b>30-Sep-24</b>
Bank Rate	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.36%	4.95%
5-year PWLB certainty rate, maturity loans	4.68%	4.55%
10-year PWLB certainty rate, maturity loans	4.74%	4.79%
20-year PWLB certainty rate, maturity loans	5.18%	5.27%
50-year PWLB certainty rate, maturity loans	5.01%	5.13%

### **3.8 Capital Financing Requirement**

- 3.8.1 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.
- 3.8.2 Assuming that the Council's capital programme is delivered in line with the quarter two forecast, the Council's external borrowing is forecasted to be £909.1m at 31 March 2025 and expected to be within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the original estimated gross loan CFR for 2024/25 of £1,442.1m. Forecasted loan CFR as at 31 March 2025 is expected to be £1,398.2m. This can be split between the General Fund (£1,072.3m) and the HRA (£325.9m). 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 finance through external debt is instead paid for through cash resources that are intended for other purposes. Cash is replenished at a later date. Internal borrowing at 31 March 2025 is expected to be £489.2m as shown in Table 5.
- 3.8.3 As at 30 September 2024 there were no asset appropriations (land and buildings) between the HRA and the General Fund for the purpose of regeneration and development.
- 3.8.4 The General Fund CFR is forecasted to reduce by £21.4m following the application of Minimum Revenue Provision (MRP) charges and service loan repayments. MRP is discussed further below.

Table 6: Capital Financing Requirement

Capital Financing Requirement (CFR) (£m)	31-Mar-24	31-Mar-25
	Actual	Forecast
General Fund	935.7	1,072.3
Housing Revenue Account	300.9	325.9
<b>Total CFR</b>	<b>1,236.6</b>	<b>1,398.2</b>
Other Debt Liabilities	32.5	28.5
<b>Loan CFR</b>	<b>1,269.1</b>	<b>1,426.7</b>
External Borrowing	814.3	909.1
Internal Borrowing	422.3	489.2
<b>Council Approved Limits (Capital Strategy)</b>		
Approved Operational Boundary Limit	1,500.0	1,500.0
Approved Authorised Limit	1,700.0	1,700.0
Forecasted CFR	<b>1,389.0</b>	<b>1,442.1</b>

3.8.5 The expected movement in the Loan CFR of £161.6m between 31 March 2024 and 31 March 2025 can be explained in Table 6.

Table 7: Movement in CFR

	£m
Opening Loan CFR April 2024	1,236.6
Closing Loan CFR 31 March 2025	1,398.2
<b>Change in Loan CFR</b>	161.6
Capital expenditure 2024/25	293.5
Capital expenditure Financing	(110.4)
MRP	(20.5)
Service Loans Repaid	(0.9)
<b>Total Expected Movement in CFR</b>	161.6

### 3.9 Minimum Revenue Provision

3.9.1 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.

3.9.2 The 2024/25 forecasted MRP charge is expected to be £20.5m and consists of £15.5m for capital programme borrowings (historical supported borrowings and unsupported borrowings); and £5.0m for the PFI schemes. A further £0.9m is expected to be received by the Council for service loan repayments. Total MRP

debt repayments that are expected to be charged to the Comprehensive Income & Expenditure Statement will total £21.4m. The Council is not intending to make any voluntary MRP during the year, though this will be kept under review.

3.9.3 MRP will be continued to be kept under review throughout the financial year to ensure that the Council accounts for a prudent charge for the year.

### 3.10 Cost of Borrowing

3.10.1 Total capital financing costs are forecasted to be £36.0m for the full year. The cost reflects the current relatively high interest rate environment and the need to borrow to fund the Council's ambitious capital programme as well as service existing loans and the impact of a rising Minimum Revenue Provision (MRP) charge, which is a Statutory charge to the Revenue Account for the repayment of debt.

Table 8: Debt costs

Capital Financing Costs at Q2 (£m)	2023/24	2024/25
	Actual	Estimated
Total Gross External Debt Interest	30.3	36.8
Total Interest Payable & Expenses	33.6	39.2
Total Interest Receivable	(24.5)	(27.1)
Net Interest	9.1	12.0
MRP (Excluding PFI)	13.4	15.5
Total Interest & MRP	22.4	27.5
Revenue Contributions to Capital Programme	8.0	8.5
Total Capital Financing Costs	30.4	36.0

3.10.2 The total capital financing cost forecast includes:

- borrowing £179.1m of new loans to fund the Council's capital programme borrowing need as well as to finance maturing debt at an assumed interest rate of 4.8%.
- Interest on treasury cash investments with an average cash balance of £90.0m earning an assumed rate of 4.75%.
- Expected Interest on subsidiary loans related to I4B and First Wave Housing, two wholly owned Council companies are also included in the forecast.



- Service loan interest relates to loan advances to Brent schools, the West London Waste Authority and Alperton Academy are also included in the forecast.

3.10.3 The forecast outturn position of £36.0m is higher than the previous financial year due to a rise in UK Government Gilt rates that subsequently impact PWLB loan rates, thus making borrowing loans from the PWLB (and capital markets) more expensive. The Council's borrowing need has also increased since 2023/24 in line with approved plans to fund the borrowing requirement of the current capital programme. Furthermore, the Council has a rising MRP obligation that is associated with past borrowing decisions. The Council uses the annuity method to determine the MRP charge, which results in a lower charge in the earlier period of the repayment schedule but increases over time.

### 3.11 Investment Activity

3.11.1 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.

3.11.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. As at 30 September 2024, the Council was holding investment balances of £38.6m and had decreased from £95.3m, a change of £56.7m. The investment position is shown in table 8 below.

Table 9: Treasury investment activity

	<b>31-Mar-24</b>	<b>Movement</b>	<b>30-Sept-24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Local Authority and DMADF Deposits	5.0	(5.0)	0.0
Money Market Funds	90.3	(51.7)	38.6
<b>Total Cash Investments (Excluding accrued interest)</b>	<b>95.3</b>	<b>(56.7)</b>	<b>38.6</b>

3.11.3 The CIPFA Treasury Management Code requires local authorities to consider their counterparty policies considering 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.

3.11.4 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.

3.11.5 Investment interest rates on short-term cash holdings remain relatively high but lower than a year ago. At 30 September 2024, the Council achieved circa 5.0% from cash investment holdings, which compares to 5.3% a year earlier. Appendix 3 details the average rate earned on investments against credit risk exposure.

3.11.6 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 Bank Rate since 2022. There was also a focus on holding funds with high credit ratings, providing increased security over the Council’s investment portfolio.

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

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

Table 9: Investment benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2022	5.06	A+	100%	1	0.52%
31.03.2023	5.03	A+	100%	1	4.08%
31.03.2024	4.91	A+	95%	10	5.31%
30.09.2024	4.94	A+	100%	1	5.01%
Similar Local Authorities*	4.70	A+	75%	12	5.33%
All Local Authorities*	4.39	A+	61%	11	5.42%

\*Arlingclose clients only

### 3.12 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.

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

3.12.2 As at 30 September 2024 the Council held £257.0m of such investments in:

- Shareholding and soft loan investment in subsidiaries: £103.5m (£103.5m in 2023/24).
- Loans to subsidiaries £153.5m (£152.8m in 2023/24).

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 30 September 2024, the Council had provided total funding of £218.4m to I4B (£218.4m in 2023/24) which are secured against the company's properties. The funding is split between loans and equity financing. Loans outstanding at 30 September 2024 was £182.1m and equity outstanding was £36.4m. The Council is expected to receive £5.3m in interest for loans advanced to I4B by 31 March 2025.

3.12.3 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 is expecting to receive £0.7m in interest by 31 March 2025 for loans to FWH as at the reported date and is expecting to receive capital repayment of £0.4m. As of 30 September 2024, there were outstanding loans to Brent Council totalling £34.3m (£34.3m in 2023/24) which are secured against the properties held within the company.

3.12.4 These investments are expected to generate £6.0m of income for the Council in 2024/25 (£6.0m in 2023/24). 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.

3.12.5 I4B drew down £3.4m of short-term loans in the quarter two of 2024/25 and is expected to repay by quarter three of 2024/25.

### **3.13 Treasury Management Training**

3.13.1 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.

3.13.2 Training for Members is also kept under review. In July 2024 an Introduction to Treasury Management training session was delivered to the Audit & Advisory Standards Committee and wider Members.

### **3.14 Compliance**

3.14.1 The Corporate Director, 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.

3.14.2 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 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 the Council to 'have regard to' the Prudential Code and to set Prudential Indicators to ensure that the Council's capital investment plans are affordable, prudent, and sustainable. This requires 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 equity, 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. I4B drew down a short-term loan of £3.4m in quarter two of 2024/25.

### **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 2024/25 (04/10/2024)**

### **Economic Background**

UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in

September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

## **Financial markets**

Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

## **Credit review**

Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As



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

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## Appendix 2

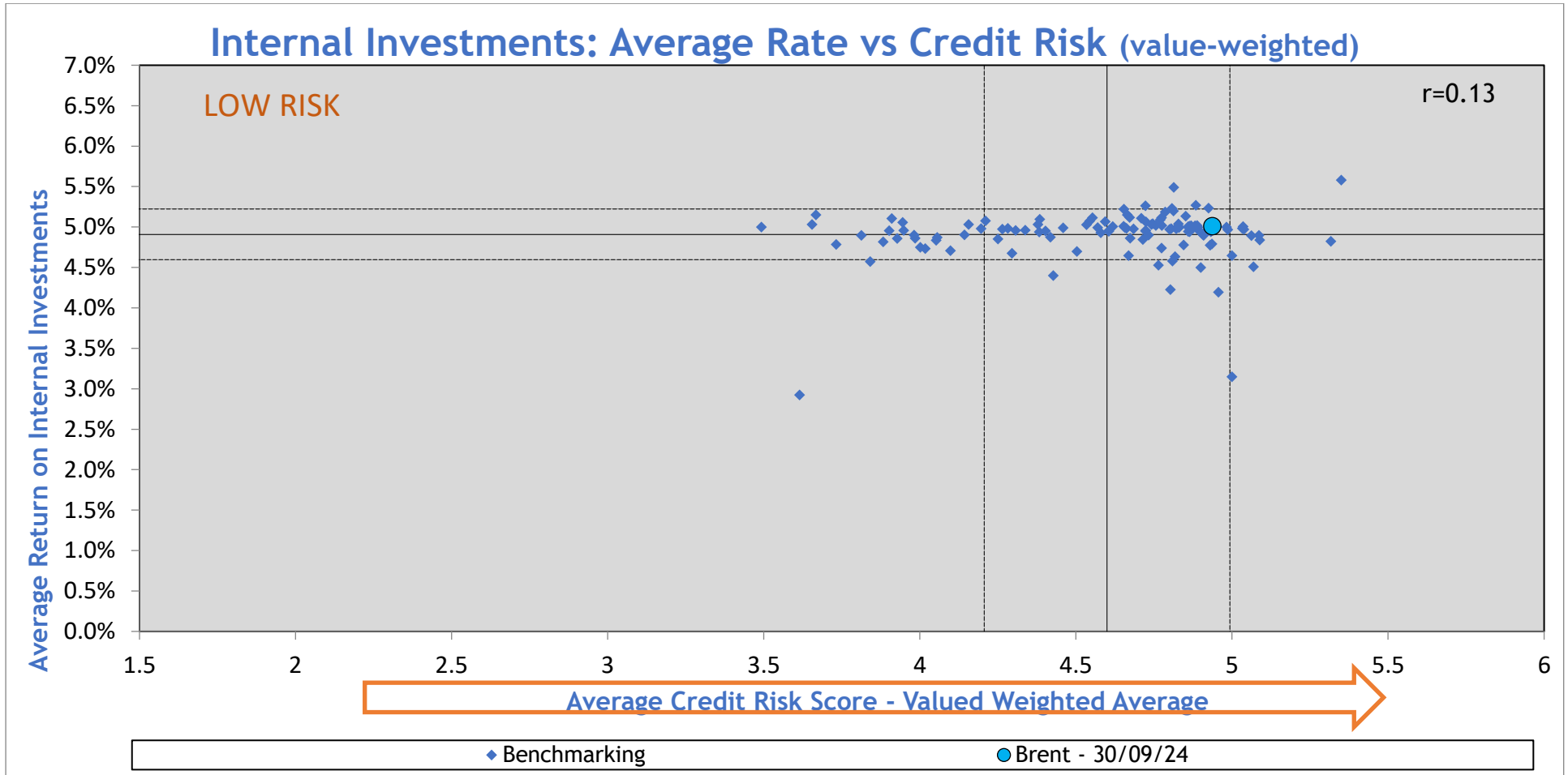
### Debt and Investment Portfolio as at 30 September 2024

	Actual Portfolio as at 30 Sept 2024 (£m)	Average Rate as at 30 Sept 2024
<b>External Borrowing:</b>		
PWLB Maturity Loans	378.9	4.01%
PWLB Equal Instalment Principal Loans	203.5	
Fixed Rate Market Loans	95.0	3.22%
LOBO Loans	59.5	
Short-term Loans	55.0	5.73%
<b>Total External Debt</b>	<b>791.9</b>	
<b>Investments:</b>		
Money Market Funds	38.6	5.24%
<b>Total Investments</b>	<b>38.6</b>	
<b>Net Debt</b>	<b>753.3</b>	

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Appendix 3

Internal Investments: Average Rate vs Credit Risk as at 30/09/2024



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 balance 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 two of 2024/25 (August 2024 Forecast) and a forecasted spend as at 31 March 2025.

Capital Expenditure & Financing at Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28	Total 2024/25-2027/22
	Actual	Estimated	Estimated	Estimated	Estimated	
Corporate Landlord	10.0	16.2	20.6	14.2	28.2	<b>79.3</b>
Housing GF	99.4	81.9	75.7	30.7	3.6	<b>192.0</b>
Schools	11.7	20.1	16.6	30.0	3.5	<b>70.2</b>
Regeneration	4.5	64.3	73.4	23.1	28.4	<b>189.2</b>
Public Realm	25.1	24.5	11.9	2.3	1.0	<b>39.7</b>
South Kilburn	18.9	33.6	3.9	3.9	0.0	<b>41.4</b>
St Raphael's	0.6	0.5	3.2	3.9	12.5	<b>20.0</b>
HRA	42.8	52.2	96.6	32.7	10.5	<b>192.1</b>
<b>Total Capital Expenditure</b>	<b>213.0</b>	<b>293.5</b>	<b>301.9</b>	<b>140.8</b>	<b>87.8</b>	<b>823.9</b>
<b>Financed By:</b>						
Grants	57.3	46.4	23.5	7.3	3.3	<b>80.4</b>
Section 106	8.9	26.3	16.6	0.0	0.0	<b>42.9</b>
Capital Receipts	4.9	1.8	28.2	23.3	26.1	<b>79.4</b>
Earmarked Reserves	0.9	2.5	0.1	1.4	0.0	<b>3.9</b>
Major Repairs Reserve	10.4	22.9	21.4	0.0	0.0	<b>44.3</b>
Revenue Contributions	9.0	10.6	1.7	7.7	0.5	<b>20.5</b>
Borrowing	121.5	183.1	210.4	101.2	57.9	<b>552.5</b>
<b>Total Capital Financing</b>	<b>213.0</b>	<b>293.5</b>	<b>301.9</b>	<b>140.8</b>	<b>87.8</b>	<b>823.9</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 Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
<b>Opening CFR</b>	<b>1,139.6</b>	<b>1,236.6</b>	<b>1,398.2</b>	<b>1,584.8</b>	<b>1,660.2</b>
Capital Expenditure	213.0	293.5	301.9	140.8	87.8
External Resources	(66.3)	(72.6)	(40.1)	(7.3)	(3.3)
Internal Resources	(25.3)	(37.7)	(51.4)	(32.3)	(26.6)
MRP	(18.1)	(20.5)	(22.8)	(24.7)	(26.8)
Capital Loans Repaid	(0.9)	(0.9)	(1.0)	(1.1)	(1.2)
Accounting Adjustments	(5.5)	0.0	0.0	0.0	0.0
<b>Closing CFR</b>	<b>1,236.6</b>	<b>1,398.2</b>	<b>1,584.8</b>	<b>1,660.2</b>	<b>1,690.0</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 expects to comply with this recommendation during 2024/25.

Gross Debt & the Capital Financing Requirement at Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
External Loans	814.3	909.1	1,064.7	1,134.6	1,159.5
PFI & Leases	11.4	11.7	11.5	9.6	10.0
<b>Total External Debt Liabilities</b>	<b>825.6</b>	<b>920.8</b>	<b>1,076.2</b>	<b>1,144.2</b>	<b>1,169.5</b>
<b>Internal Borrowing</b>	<b>411.0</b>	<b>477.5</b>	<b>508.7</b>	<b>516.0</b>	<b>520.6</b>
<b>Capital Financing Requirement</b>	<b>1,236.6</b>	<b>1,398.2</b>	<b>1,584.8</b>	<b>1,660.2</b>	<b>1,690.0</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.

Liability Benchmark at Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
Loans CFR	1,236.6	1,398.2	1,584.8	1,660.2	1,690.0
Less Balance Sheet Resources	(470.5)	(470.5)	(470.5)	(470.5)	(470.5)
<b>Net Loan Requirement</b>	<b>766.1</b>	<b>927.8</b>	<b>1,114.4</b>	<b>1,189.7</b>	<b>1,219.6</b>
Plus, Liquidity Allowance	20.0	20.0	20.0	20.0	20.0
<b>Liability Benchmark</b>	<b>786.1</b>	<b>947.8</b>	<b>1,134.4</b>	<b>1,209.7</b>	<b>1,239.6</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.

Authorised Limit at Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
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

The Corporate Director for Finance and Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during Quarter one of 2024/25.

#### (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 Debt at Q2 2024/25 (£m)</b>	<b>2024/25</b>	<b>2024/25</b>
	<b>Approved Limit</b>	<b>Actual</b>
Upper limit on one-year revenue impact of a 1% rise in interest rates	5.0	0.8
Compliance with limits:		Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	5.0	(0.8)
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. Loans based on existing debt portfolio as at the reported period.

<b>Maturity Structure of Fixed Rate Borrowing at Q2 2024/25</b>	<b>Upper Limit</b>	<b>Lower limit</b>	<b>2024/25</b>	<b>2024/25</b>	<b>2024/25</b>	<b>2024/25</b>	<b>2024/25</b>
			<b>Actual Borrowing</b>	<b>Actual Borrowing</b>	<b>Actual Borrowing 31.03.2025</b>	<b>Actual Borrowing 31.03.2025</b>	
	<b>%</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>Compliance with limits</b>
Under 12 months	40.0	0.0	59.6	7.5%	48.7	6.7%	Yes
12 months & within 24 months	40.0	0.0	48.7	6.2%	23.2	3.2%	Yes
24 months and within 5 years	40.0	0.0	47.0	5.9%	37.5	5.1%	Yes
5 years and within 10 years	60.0	0.0	73.4	9.3%	72.9	10.0%	Yes
10 years and within 20 years	75.0	0.0	144.3	18.3%	132.1	18.1%	Yes
20 years and within 30 years	75.0	0.0	122.3	15.5%	133.5	18.3%	Yes

30 years and within 40 years	75.0	0.0	189.3	24.0%	177.1	24.3%	Yes
Over 40 years	75.0	0.0	105.0	13.3%	105.0	14.4%	Yes
<b>Total</b>			<b>789.6</b>	<b>100.0%</b>	<b>730.0</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.

Financing Costs to Net Revenue Stream at Q2 2024/25	Limit	Forecast	Forecast	Forecast	Forecast
	2024/25	2024/25	2025/26	2026/27	2027/28
Financing Costs (Interest & MRP) (£m)	39.1	27.5	33.3	37.5	39.5
Net Revenue Stream (£m)	383.3	387.0	395.0	407.3	420.1
<b>Proportion of net revenue stream (%)</b>	<b>10.2%</b>	<b>7.1%</b>	<b>8.4%</b>	<b>9.2%</b>	<b>9.4%</b>

Financing costs can be further broken down as follows.

Capital Financing Costs at Q2 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
<b>Total Gross External Debt Interest</b>	<b>30.3</b>	<b>36.8</b>	<b>41.6</b>	<b>47.0</b>	<b>49.7</b>
<b>Total Interest Payable &amp; Expenses</b>	<b>33.6</b>	<b>39.2</b>	<b>43.4</b>	<b>48.3</b>	<b>50.9</b>
<b>Total Interest Receivable</b>	<b>(24.5)</b>	<b>(27.1)</b>	<b>(27.8)</b>	<b>(30.7)</b>	<b>(33.0)</b>
<b>Net Interest</b>	<b>9.1</b>	<b>12.0</b>	<b>15.5</b>	<b>17.6</b>	<b>18.0</b>
<b>MRP (Excluding PFI)</b>	13.4	15.5	17.8	19.9	21.5
<b>Total Interest &amp; MRP</b>	<b>22.4</b>	<b>27.5</b>	<b>33.3</b>	<b>37.5</b>	<b>39.5</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>
Revenue Contribution from Service Area (Parking)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
<b>Total Capital Financing Costs</b>	<b>30.4</b>	<b>36.0</b>	<b>42.3</b>	<b>41.0</b>	<b>43.0</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 Q2 2024/25 (£m)	2023/24	2023/24	2024/25	2024/25
	Approved	Actual	Approved	Actual
Upper Limit for Total Principal Sums Invested Over 364 Days	50.0	0.0	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 Q2 2024/25	2023/24	2023/24	2024/25	2024/25
	Approved	Actual	Approved	Actual
Portfolio average credit rating	A	A+	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 Q2 2024/25 (£m)	2023/24	2023/24	2024/25	2024/25
	Approved	Actual	Approved	Actual
Total cash available within 3 months	20.0	95.3	20.0	55.8

### (k) Investment Forecast

This indicator demonstrates the Council's investment exposure broken down by category for Treasury and non-treasury investments. Non-Treasury investments are

directed under the Council's Investment Strategy 2024/25, whilst treasury investments are managed under the Treasury Management Strategy 2024/25.

Total Investment Exposure Indicator at Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
Treasury management cash investments	95.3	20.0	20.0	20.0	20.0
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>289.1</b>	<b>287.7</b>
Commitments to lend	50.0	50.0	50.0	50.0	50.0
<b>Total Exposure</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>

Service investments are further broken down in the table below.

Loans & Investments for service purposes: Category of borrower at Q2 2024/25 (£m)	2023/34	2024/25	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Limit	Estimated	Estimated	Estimated	Estimated
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	10.0	0	0	0	0
Housing Associations	0	50.0	0	0	0	0
Local Residents	0	5.0	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>

## (I) Investment Funding

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

Investments Funded by Borrowing at Q2 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
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.


Investments net rate of return at Q2 2024/25	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
Treasury management investments	5.31%	4.75%	3.00%	3.00%	3.00%
Service investments: Loans	2.40%	2.40%	2.40%	2.40%	2.40%
Commercial investments: Property	0	0	0	0	0

#### (n) Other Investment Indicators

Other investment indicators	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimated	Estimated	Estimated	Estimated
External Debt (Loans)	814.3	893.9	1,037.6	1,105.1	1,133.1
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>2.6</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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 <b>Brent</b>	<b>Audit Standards and Advisory Committee</b> 4 <sup>th</sup> December 2024
	<b>Report from the Corporate Director of Finance and Resources</b>
	<b>Lead Member - Deputy Leader and Cabinet Member for Finance and Resources</b> <b>(Councillor Mili Patel)</b>
<b>Internal Audit Interim Report – 2024-25</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	Four Appendix 1: Internal Audit Activity Update Appendix 2: Summary of Audits Completed Appendix 3: Summary of Follow-up Activity Appendix 4: Overdue Actions
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Darren Armstrong Deputy Director Organisational Assurance and Resilience <a href="mailto:Darren.Armstrong@brent.gov.uk">Darren.Armstrong@brent.gov.uk</a> 020 8937 1751

## 1.0 Executive Summary

1.1 This report outlines the work undertaken by Internal Audit as at end of October 2024.

1.2 The report is intended to support the Corporate Management Team (CMT) and the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising Internal Audit activity, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

## 2.0 Recommendations

2.1 The Committee is asked to note the report.

## 3.0 Detail

### 3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The role and mission of the Internal Audit function is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the governance, risk management and control processes in place.

3.1.2 The mission of Internal Audit is achieved through providing a combination of risk-based assurance and consulting activities. The assurance suite of work involves assessing how well the systems and processes are designed and operating in order to effectively mitigate risk, while consulting activities aid with the improvement in systems and processes where necessary.

3.1.3 The response of the Council to the activity of Internal Audit should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

### 3.2 Background

3.2.1 As reported in March 2024, the new Global Internal Audit Standards suggest that if an organisation's environment is dynamic, the Internal Audit plan may need to be updated as frequently as every six months, quarterly or even monthly to ensure the work of Internal Audit is focussed on the highest risk areas. In view of this new guidance, and in-line with the objectives set-out within our Internal Audit Strategy, we adopted a new approach and method to audit planning for 2024-25 that moves away from the traditional '*annual plan*' approach.

3.2.2 The Internal Audit plan for 2024-2025 is therefore less rigid and more flexible and agile than previously, while still appreciating there remains a need to provide assurance over areas of inherent risk, including core systems and processes that are key foundations to the Council's governance and control framework. To this end, the plan for 2024-25, as approved by CMT and the Audit and Standards Advisory Committee in March 2024, moved away from the more traditional 'annual plan' approach and comprised of the following four sections:

- a) **Core Assurance Plan** – the work that will be undertaken in-year to provide assurance over the Council's core/key systems and controls. A three-year cyclical plan of core assurance activity was set out and agreed in March 2024.

- b) **Agile, Risk-based Plan** – potential audit areas that have been identified via a number of methods, including a rolling-risk assessment, assurance mapping, and consultation with senior management. This section of the plan was designed to be flexible to enable Internal Audit to be responsive to emerging risks, issue and changing priorities. It is therefore not a rigid plan and the Head of Internal Audit reviews, updates and re-prioritises the list as appropriate.
- c) **Consultancy and Advice** – this section of the plan retained a portion of time to be reactive and responsive to requests from senior management for consultancy and advisory services.
- d) **Follow-up Activity** – the work to be undertaken by Internal Audit to follow-up and track agreed actions through to implementation, to ensure improvements to the Council's governance, risk management and control arrangements are made.

### 3.3 Delivery of the 2024-25 Internal Audit Plan

3.3.1 The Internal Audit team has delivered a broad range of work this year and has continued to progress several audits since the last update provided in September. Key highlights this year are as follows:

- **Ten** reviews and advisory pieces of work have been completed.
- **Two** high risk/high assurance need audits are at draft report stage, awaiting management responses.
- **Ten** high risk/high assurance need audits are in progress, with fieldwork underway.
- **Six** assurance reviews are in planning, with fieldwork due to commence in Quarter 4.
- **Seven** follow-up reviews have been concluded, with a further fourteen in progress.

3.3.2 As detailed in *Appendix 1*, the Internal Audit team has made good progress towards delivery of the Core Assurance plan, with fieldwork for several audits due to commence in the remainder of Quarters 3 and Quarter 4. It is anticipated that at least 90% of this plan will be completed by 31 March 2024 (draft report stage), which will enable the Head of Internal Audit to provide an informed and evidence-based opinion as to the effectiveness of the Council's governance, risk management and control framework.

3.3.3 The Agile Risk-Based plan, also seen at *Appendix 1*, lists the potential high risk and high assurance audit areas that will be prioritised for delivery in the remainder of the year. This list is fluid and subject to change in response to new/emerging risks and/or a change in priorities. This list does not purport to be a rigid plan or a list of audits that will be delivered, as the resources required to deliver all this work significantly exceeds the resources available. The plan is therefore included to provide assurance in respect of how the work of Internal Audit will be determined and directed.

3.3.4 A summary of the risks/issues identified in audits completed is attached at *Appendix 2*. Comprehensive management responses have been provided for each action and Internal Audit will undertake follow-up reviews upon the passing of implementation dates.

#### School Reviews

3.3.5 A programme of school audits is undertaken to provide assurance over the key governance arrangements and financial management controls in place within individual schools. As of 30 October 2024 two reviews are in progress. Internal Audit are also about to issue a School Key Financial Controls Self-Assessment to identify schools that may need further assurance but also to provide schools with an understanding of the key financial controls that should be in place.

#### Advisory Work

3.3.6 Internal Audit continue to carryout consultancy and advisory work where required or requested. So far this year, various pieces of advisory work have been undertaken, including:

- Parks/Open Spaces - Invoicing
- Delays in Oracle Cloud notifications to Accounts Payable
- Triple Value Impact – Advice note

Further details can be seen in *Appendix 1*.

3.3.7 Internal Audit has also continued to carry out quarterly verification work for the Supporting Families Programme grant.

### **3.4 Summary of Risks/Issues Identified**

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

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

3.4.3 The following definitions are used to inform these ratings:

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

3.4.4 For work so far undertaken as part of the 2024-25 plan, Internal Audit has raised a total of **43 issues**. The below table summarises these against the four risk categories:

Summary of risk issues raised:	1 April to 31 October 2024	%	2023-24	%	2022-23	%	2021-22	%
<b>Total issues raised:</b>	<b>43</b>		<b>100</b>		<b>108</b>		<b>72</b>	
Critical risk	<b>0</b>	0%	0	0%	0	0%	0	0%
High risk	<b>13</b>	30%	28	28%	17	16%	10	14%
Medium risk	<b>25</b>	58%	54	54%	70	65%	49	68%
Low risk	<b>5</b>	12%	18	18%	21	19%	13	18%

3.4.5 Previous year's figures have been provided for comparison purposes although these are for whole years so are not a direct comparison. Whilst an increase or decrease in the number of risk issues raised per category may indicate an improvement or deterioration in the Council's internal control environment; there may also be several other factors behind this, including variations between the number and/or type of audit reviews that were completed in each year.

3.4.6 In September 2024 the Audit and Standards Advisory Committee received an internal audit progress report summarising completion of work against the agreed plan. As part of this update, details of any critical, high or medium risk

issues raised was provided, alongside the responses and actions agreed by management/auditees. For audits completed since then, a summary of issues identified (high and medium risk) and agreed with management can be seen at *Appendix 2*.

### *Assurance Ratings*

- 3.4.7 In-line with the new Global Internal Audit Standards relating to assurance conclusions - “*assurance engagement conclusions must include the internal auditors’ judgement regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review*”, the Internal Audit function re-introduced assurance ratings for all assurance-related engagements relating to the 2024-2025 plan.
- 3.4.8 Furthermore, the standards also state that ‘*the chief audit executive’s methodologies for the internal audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls*. The following definitions are used to inform these ratings:

<b>Substantial Assurance</b>	There is a sound control environment with risks to key service objectives being satisfactorily managed. Recommendations will normally only be Advice and Best Practice.
<b>Moderate Assurance</b>	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are <i>medium</i> priority recommendations indicating weaknesses, but these do not undermine the system’s overall integrity. Any <i>critical</i> recommendation will prevent this assessment, and any <i>high</i> recommendations would need to be mitigated by significant strengths elsewhere.
<b>Limited Assurance</b>	There are several significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are <i>high</i> recommendations indicating significant failings. Any <i>high</i> recommendations would need to be mitigated by significant strengths elsewhere.
<b>No Assurance</b>	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

- 3.4.9 Assurance Ratings shown within *Appendix 1* for relevant audit reviews.

## **3.5 Follow-up Outcomes and Activity**

- 3.5.1 Agreed recommendations and actions emanating from all planned audit work is subject to follow-up to ensure that agreed actions have been implemented.
- 3.5.2 Between 1 April and 31 October 2024, seven follow-up reviews have been completed relating to work carried out in 2023-24, which sought to evidence

that 31 actions had been implemented as agreed. Outcomes are summarised in the table below. A further 14 follow up reviews are currently in progress.

Implementation Status	High Risk	Medium Risk	Low Risk	Total
<b>Actions Followed-up:</b>	<b>6</b>	<b>19</b>	<b>6</b>	<b>31</b>
<b>Implemented:</b>	<b>3</b> (50%)	<b>11</b> (58%)	<b>4</b> (66%)	<b>18</b> (58%)
<b>Partially Implemented:</b>	<b>0</b>	<b>1</b> (53%)	<b>1</b> (17%)	<b>2</b> (6%)
<b>Not Implemented:</b>	<b>2</b> (33%)	<b>7</b> (37%)	<b>1</b> (17%)	<b>10</b> (32%)
<i>No longer relevant/superseded:</i>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

3.5.3 As shown above, 58% of agreed actions have been implemented within their original due date. 6% were partially implemented and 32% were not implemented.

3.5.4 Further details relating to the follow-up activity undertaken in 2024-25 can be seen at *Appendix 3*. It should be noted that follow-up outcomes included in this appendix are reported as at the time of concluding the follow-up review. As a result, owing to the time that may have elapsed since, the rate of implementation may have since changed. Internal Audit continue to review implementation of recommendations with Management, and in line with usual practice, will report any instances of persistent non-implementation of recommendations to the Committee.

### 3.6 Monitoring of Outstanding Audit Actions

3.6.1 Where actions are found to remain partially or not implemented at follow-up, revised target dates are agreed with management. Outstanding actions are then monitored and reported via departmental 'action trackers', which are reported to Departmental Management Teams on a quarterly basis. However, the responsibility for notifying Internal Audit that an action has been implemented, and providing evidence to substantiate this, lays firmly with management and the action owner.

3.6.2 As of 31 October 2024, a total of 77 actions have been implemented and closed. As shown in the table below, half of these were implemented within their *original* target dates; however, a third of the actions were not implemented until they were reported on the *overdue* list.

	<b>Closed by original due date</b>	<b>Closed by revised date</b>	<b>Closed after reported as 'overdue'</b>	<b>Total</b>
<b>High Risk</b>	<b>7</b> 47%	<b>2</b> 13%	<b>6</b> 40%	<b>15</b>
<b>Medium Risk</b>	<b>27</b> 53%	<b>7</b> 14%	<b>17</b> 33%	<b>51</b>
<b>Low Risk</b>	<b>6</b> 55%	<b>0</b> 0%	<b>5</b> 45%	<b>11</b>
<b>Total</b>	<b>40</b> 52%	<b>9</b> 12%	<b>28</b> 36%	<b>77</b>

3.6.3 A deterioration this year, compared to last year, has been the time taken for management to respond to the follow up process. Often it requires many reminders to elicit a response. The average time taken this year to complete a follow up review has been over three months. In the worst case, a follow up review, still in progress, took 11 months before an action status response was received.

3.6.4 Delays in responding to follow up requests can of course be for many reasons. We fully accept that there are likely to be higher priorities for colleagues. The trend though, particularly in some Directorates, is to delay responding until reminded on several occasions. In respect of the follow up reviews that are currently in progress, in 50% of the cases, the initial request for progress on the actions went out over six months ago. Responses have now been received on all of them but in every case, responses have lacked sufficient evidence to support the action implementation being claimed. This then leads to further correspondence and delays before the true picture can be established.

### 3.7 Overdue actions

3.7.1 Where actions are still not implemented within their revised target dates, or where management persistently does not engage in the follow-up process, these actions are flagged as 'overdue', and are escalated to CMT.

3.7.2 There are currently 51 overdue actions that meet these criteria:

<b>Number of actions overdue (past revised target dates)</b>	<b>51</b>	
<b>Critical risk</b>	<b>0</b>	0%
<b>High risk</b>	<b>16</b>	31%
<b>Medium risk</b>	<b>35</b>	69%

3.7.3 The number average number of elapsed days since the original due date is 391 days. Full Details of each of the High/Medium overdue actions can be found in *Appendix 4*.



3.7.4 It should be noted that this is a live and ongoing process, and therefore the position of overdue actions changes on a daily/weekly basis. Internal Audit continues to liaise with management to close all overdue actions. Any issues regarding the persistent non-implementation of actions are raised with the Audit and Standards Advisory Committee as appropriate.

### 3.8 Quality Assurance and Improvement Programme

3.8.1 The PSIAS require the HIA to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity. Internal Audit has therefore developed a QAIP that is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics) and the CIPFA Statement on the role of the Head of Internal Audit.
- operates in an effective and efficient manner.
- is perceived by stakeholders as adding value and continually improving its operations; and
- undertakes both periodic and on-going internal assessments, and commissions an external assessment at least once every five years.

#### *External Assessments*

3.8.2 The PSIAS require an external quality assessment (EQA) be undertaken at least every five years. As reported to the Audit and Standards Advisory Committee in February 2023, a review of Internal Audit's performance at the London Borough of Brent was undertaken in January 2023.

3.8.3 The assessment found that the Internal Audit Service **Generally Conforms** with the PSIAS, which is the highest available level of assessment for local authorities. Overall, the assessors commented that Internal Audit is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls. The next EQA will be due in 2028.

#### *Internal Assessments*

3.8.4 In accordance with the PSIAS, internal quality and performance assessments are undertaken through both on-going and periodic reviews. On-going assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include management supervision of audit activity, the application of a consistent audit methodology across audits, regular 1:2:1s between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and HIA.

3.8.5 Regular periodic assessments are also undertaken during the year to monitor and measure the impact of, and value added by the delivery of the annual audit plan. A key aspect of these assessments comprises the quarterly progress

reports presented to the Audit and Standards Advisory Committee, which summarise progress against the annual plan and key outcomes of audit activity. Furthermore, an annual assessment is undertaken in drafting the annual audit plan, which is aligned to the Council's Strategic Risk Register to ensure that the work of internal audit centres around the key risks that threaten the achievement of corporate objectives.

3.8.6 Other periodic assessments include (but are not limited to):

- annual self-assessments to ensure conformance with the PSIAS. This is due to take place during Q3/4 with results to be included in the next update.
- regular feedback from senior management and Council Management Team.
- benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

*Key Performance Indicators*

3.8.7 To complement and inform the ongoing and periodic assessments detailed above, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of these KPIs for 2024-25 are set out in the table below:

KPI	Details	Achievement (RAG)	Comments
<b>Planning &amp; Coverage</b>			
<b>KPI 1</b>	% of Core Assurance Plan completed across the 3-year cycle ( <i>target 100%</i> )	● On Target	On target to complete 100% of 2024/25 Core Plan.
<b>KPI 2</b>	% of strategic risks/ key inherent risks covered across 3-year cycle ( <i>target 100%</i> )	● On Target	On target to cover 100% of 2024/25 planned risk coverage.
<b>Delivery</b>			
<b>KPI 3</b>	Timeliness in raising issues with Management - end of fieldwork to draft report <10 working days.	● On Target	On target to end of fieldwork to draft report <10 working days.
<b>KPI 4</b>	% of acceptance to audit recommendations ( <i>target 100%</i> )	● On Target	100% acceptance of audit recommendations.

KPI	Details	Achievement (RAG)	Comments
<b>KPI 5</b>	Number of requests for consultancy/advisory services	● On Target	Three.
<b>Follow Up</b>			
<b>KPI 6</b>	% of Critical and High-risk actions followed-up within 1 month of due date ( <i>target 100%</i> )	● On Target	<b>100%</b> of recommendations followed up within 12 months of final report.
<b>KPI 7</b>	% of audit actions implemented within original timescales ( <i>target 75%</i> )	● Off Target	52% audit actions implemented within original timescales.
<b>Quality</b>			
<b>KPI 8</b>	% of audit satisfaction surveys rated as 'good or better' ( <i>target 100%</i> )	● Off Target	Three forms returned – 67% of responses rated as good or better.
<b>KPI 9</b>	Conformance to the Public Sector Internal Audit Standards	● On Target	Self-Assessment due Q3/4 2024-5.

#### 4.0 Stakeholder and ward member consultation and engagement

4.1 None.

#### 5.0 Financial Considerations

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

#### 6.0 Legal Considerations

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

#### 7.0 Equity, Diversity & Inclusion (EDI) Considerations

7.1 None.

**8.0 Climate Change and Environmental Considerations**

8.1 None.

**9.0 Communication Considerations**

9.1 None.

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources

## A. Core Assurance Work

This section of the plan lists the work that will be undertaken in-year **to provide assurance over the Council’s core/key systems and controls**. In order to ensure a balanced view of assurance is delivered across these areas, a number of core systems and processes have been scheduled for coverage on a periodic basis, rather than on a pure risk basis, with all scheduled to be covered at least once across a three-year period (per schedule agreed in March 2024).

Core System / Process	Status	Progress / Update – as of 31 <sup>st</sup> August 2024
<b>Key Financial Systems</b>		
◆ <b>General Ledger</b>	Review in Progress	Key control testing. Terms of Reference agreed, with fieldwork commencing in Q3. Audit to provide assurance on the effectiveness and robustness of the Council’s key systems, processes and controls operating over the Council’s GL system, with a focus on policies and procedures, system access, interfaces, journals, and reconciliations.
◆ <b>Budgetary Control</b>	Review not proceeding as Planned	Due to cross-over and duplication, evaluation of key budgetary controls will be performed across other reviews, including the General Ledger. A dedicated Budgetary Control audit will be undertaken in 2025-26.
◆ <b>VAT</b>	Review in Progress	Key control testing. Scoping underway, with fieldwork due to commence in Q4.
◆ <b>Treasury Management</b>	Review in Progress	Key control testing. Terms of Reference agreed, with fieldwork in progress.
◆ <b>Insurance</b>	Review in Progress	Key control testing. Terms of Reference agreed, with fieldwork in progress.
<b>Cyber Security / IT Network and Infrastructure</b>		
◆ <b>Shared Technology Service - Procurement</b>	Review in Progress	Review to evaluate key purchasing and procurement controls in place within STS, including arrangements for supplier selection. Terms of Reference agreed, with fieldwork in progress.
◆ <b>Shared Technology Service - Project Management</b>	Review in Progress	Review to evaluate management and delivery of key STS ICT projects. Terms of Reference agreed, with fieldwork to commence in Q4.
◆ <b>IT Application Review - Mosaic</b>	Review in Progress	Scoping discussions underway with fieldwork due to commence in Q4.

## Appendix 1 – Internal Audit Activity Progress Update

Core System / Process	Status	Progress / Update – as of 31 <sup>st</sup> August 2024
<b>Core Systems and Processes</b>		
◆ <b>Housing Compliance</b>	<b>Review Completed</b>	A review of the “True Compliance” - the application used to monitor and record the Council’s Housing compliance obligations -was undertaken. <b>Outcomes were reported in September</b>
◆ <b>Recruitment (Vetting and Starters)</b>	Review in Progress	Review to provide assurance over the effectiveness and efficiency of key recruitment and vetting controls. Terms of Reference agreed, with fieldwork to commence in Q4.
◆ <b>Adults Safeguarding</b>	Review not proceeding as Planned	A CQC inspection was undertaken in Summer 2024, with the outcome providing a positive rating relating to Safeguarding. This review will therefore no longer proceed as assurance has already been provided in this area.
◆ <b>Health and Safety</b>	Review in Progress	Review to provide assurance over key H&S controls. Scoping underway with management. Fieldwork anticipated to commence in Q4.
◆ <b>School Reviews</b>	Review in Progress	Two Schools have been identified and confirmed for Q3. A school control self-assessment has also been prepared by the team and will be circulated to a cohort of schools in Q3, with outcomes analysed and reported at the end of the year.
◆ <b>Supporting Families</b>	Review in Progress	Independent certification and verification of the supporting families grant. Claims are certified at regular intervals throughout the year.

## B. Agile Risk-based Plan

This section of the plan was designed to be flexible to enable Internal Audit to be responsive to emerging risks and priorities. A list of potential audit areas – determined via several methods including a risk assessment, assurance mapping, and consultation with senior management – was

## Appendix 1 – Internal Audit Activity Progress Update

presented to the Audit and Standards Advisory Committee in March 2024. However, this was not a rigid plan, and it was agreed that the Head of Internal Audit would review, update and re-prioritise this list as appropriate in-year. The below table therefore provides an in-year update in respect of activity in Quarters 1 and 2; as well as the current risk assessment that will be used to guide and determine audit work for Quarters 3 and 4.

### Audit Activity – up to end October 2024

Audit/Area	Assessed Risk / Assurance Need	Rationale / Indicative Scope	Status	Comments and Update
◆ <b>First Wave Housing i4B Billing Arrangements</b>	<b>High</b>	To provide assurance on the design and effectiveness of the controls in place over the billing arrangements at i4B Holdings Ltd (i4B) and First Wave Housing Ltd (FWH), collectively referred to in this report as “the companies”, for void repair works, legal disrepair cases and council tax payments.	<b>Review Completed</b>	Conclusion of audit carried forward from 2023-24. <b>Outcomes were reported in September</b>
◆ <b>IT Application Review - NEC Revenues and Benefits</b>	<b>High</b>	<i>Audit brought forward from 23-24.</i> To provide assurance on the effectiveness and robustness of the Council’s systems and processes relating to the NEC Revenues and Benefits application.	<b>Review Completed</b>	Conclusion of audit carried forward from 2023-24. <b>Outcomes were reported in September</b>
◆ <b>Brent Music Service</b>	<b>Medium</b>	<i>Management request.</i> To provide assurance on the effectiveness and robustness of the Council’s arrangements for the management and monitoring of BMS.	<b>Review Completed</b>	Additional review requested by Management. <b>Outcomes were reported in September</b>
◆ <b>Brent River College - Annual Certificate of Expenditure</b>	<i>n/a – grant certification</i>	Annual sign off Certificate of Expenditure	<b>Review Completed</b>	Certification completed.
◆ <b>Barham Park Accounts</b>	<i>n/a – grant certification</i>	Annual sign off of Barham Park Accounts	<b>Review Completed</b>	Certification completed.
◆ <b>Procurement</b>	<b>High</b>	<i>Audit brought forward from 23-24.</i> To provide assurance on the effectiveness and robustness of the control framework that supports the delivery of effective	<b>Draft Report Issued</b>	Draft Report issued to Management – awaiting responses.

## Appendix 1 – Internal Audit Activity Progress Update

Audit/Area	Assessed Risk / Assurance Need	Rationale / Indicative Scope	Status	Comments and Update
		and economic procurement that aligns with the Council's key objectives.		Final Report anticipated to be issued by November 2024.
◆ <b>Public Health Contract Management</b>	<b>High</b>	<i>Audit brought forward from 23-24.</i> To provide assurance on the management of the Tri-Borough inter-authority agreement of the commissioned integrated SRH service that London North-West University Healthcare NHS Trust provide.	<b>Review Completed</b>	Final Report issued to Management. <b>ADEQUATE ASSURANCE</b> <i>See Appendix 2</i>
◆ <b>Direct Payments (Adults)</b>	<b>High</b>	To provide assurance on the effectiveness and robustness of the control framework and Council's arrangements for the administration and payment of direct payments using PFS pre-paid cards.	<b>Review Completed</b>	Final Report issued to Management. <b>See Appendix 2</b>
◆ <b>Temporary Accommodation</b>	<b>High</b>	To provide assurance on the effectiveness and robustness of the Council's arrangements to provide temporary accommodation including procurement and governance.	<b>Review Completed</b>	Final Report issued to Management. <b>See Appendix 2</b>
◆ <b>S106/CIL</b>	<b>High</b>	To provide assurance that the processes and controls around S106/CIL are operating robustly and effectively.	<b>Review Completed</b>	Final Report issued to Management. <b>MODERATE ASSURANCE</b> <i>See Appendix 2</i>
◆ <b>Financial Resilience / Sustainability</b>	<b>High</b>	To provide assurance over the Council's financial resilience and sustainability controls, including long-term planning, reserves strategy, deferring/scaling back projects / programmes etc.	<b>Review in Progress</b>	Draft Terms of Reference prepared. A workshop with Finance colleagues to take place in Q4.
◆ <b>Section 20/20B – Major Works and Improvement Re-charges</b>	<b>High</b>	<i>Management Request.</i> To provide assurance on the operating effectiveness of key controls in place around the Section 20/B major works and improvement charges to ensure that actions taken are appropriate and decisions are made in line with delegated officer responsibilities and guidance.	<b>Review in Progress</b>	Fieldwork is underway, with completion anticipated by end November.



## Appendix 1 – Internal Audit Activity Progress Update

Audit/Area	Assessed Risk / Assurance Need	Rationale / Indicative Scope	Status	Comments and Update
♦ <b>Discretionary Housing Payments</b>	<b>High</b>	To provide assurance on the effectiveness and robustness of the Council's arrangements for the governance and issue of DHPs.	<b>Draft Report Issued</b>	Draft Report issued to Management – awaiting responses. Final Report anticipated to be issued by November.
♦ <b>Parking Services</b>	<b>High</b>	To provide assurance on the effectiveness and robustness of the control framework or arrangements for Event Day (ED) parking permits.	<b>Review in Progress</b>	Fieldwork is underway, with completion anticipated by end Q3.
♦ <b>Social Housing (Regulation) Act – inspection preparedness</b>	<b>High</b>	<i>Management Request</i> To determine the extent to which the Council is prepared to meet the new regulatory requirements of the Social Housing Act, with a focus on reviewing the adequacy and effectiveness of key processes involved in identifying and managing ASB cases.	<b>Review in Progress</b>	Fieldwork is underway, with completion anticipated by end Q3.
♦ <b>Direct Payments (Childrens)</b>	<b>High</b>	To provide assurance on the effectiveness and robustness of the control framework of the Council's arrangements in delivering financial support to disabled/vulnerable children.	<b>Review in Progress</b>	Fieldwork is underway, with completion anticipated by end Q3.
♦ <b>Performance Management (Cross-cutting)</b>	<b>High</b>	To provide assurance over the Council's Performance Management framework, including data quality/integrity over a sample of KPIs.	<b>Review in Progress</b>	Fieldwork is underway, with completion anticipated by end Q3.
♦ <b>Redefining Local Services (RLS) – Contract Management</b>	<b>High</b>	To provide assurance over the contract management arrangements in place surrounding the RLS contracts for waste and Recycling.	<b>Review in Progress</b>	Scoping underway, with fieldwork due to commence in Q4.

## B. Risk Assessment – to inform audit activity in Quarter 4

The table below lists the potential audit areas identified as part of the rolling internal audit risk assessment, with priority given to those areas with the highest assurance need.

This list is fluid and therefore subject to change/amendment as required by the Head of Internal Audit in respect of new, emerging and changing risks. The table does not purport to be rigid plan of audit activity that will be delivered, and instead has been included to provide assurance to the Audit and Standards Advisory Committee as to how the work of Internal Audit in Quarter 4 will be determined.

Audit/Area	Assessed Risk / Assurance Need	Rationale / Indicative Scope
◆ Debt Management	High	To provide assurance on the effectiveness and robustness of the Council's controls and processes around the collection of debt, including rents and service charges.
◆ Budget Pressures	High	To perform a deep-dive review into an area of budgetary/ financial pressure to determine whether this is being managed effectively. Proposed to focus on <i>Exempt Support Accommodation</i> , which has been identified as an emerging budget pressure.
◆ Child to Adult Transition	High	Timescales were adjusted at Management's request due to CQC inspection. Review to be carried out in Q4 to provide assurance on the effectiveness and robustness of the Council's arrangements for child to adult care transition.
◆ Income Management/ Strategy	Medium	To provide assurance over the Council's Income Management Strategy and Action Plan, across the six key areas of billing, payment, allocation, reporting, recovery and governance.
◆ Commissioning and Placements (Childrens)	Medium	To provide assurance on the effectiveness of key controls surrounding commissioning and placements, including payments to providers.
◆ Support for Carers (Adults)	Medium	To provide assurance around the arrangements for carer support including assessment, payments and monitoring.
◆ Looked After Children and Permanency	Medium	To provide assurance around the controls and processes in place around Looked After Children, including the Fostering Team, and Leaving Care Teams and budgets for client subsistence.

## Appendix 1 – Internal Audit Activity Progress Update

Audit/Area	Assessed Risk / Assurance Need	Rationale / Indicative Scope
◆ <b>Contractors/Temporary Workers</b>	<b>Medium</b>	To provide assurance around the controls and processes in place to monitor contractors/temporary workers, including spend controls and plans to permanently fill the posts.
◆ <b>Communities and Regeneration - Contract Management</b>	<b>Medium</b>	To provide assurance that the processes and controls around contract management within Communities and Regeneration are operating robustly and effectively.
◆ <b>Contract Management – Social Value and Contract Variations</b>	<b>Medium</b>	To provide assurance that the processes and controls around contract management - social value/variations are operating robustly and effectively.
◆ <b>Equal Pay</b>	<b>Medium</b>	To provide assurance around the controls and processes in place to ensure the right to equal pay.
◆ <b>Care Homes (residential care and nursing care) (Adults)</b>	<b>Medium</b>	To provide assurance around residential and nursing care providers including payments for services and mitigations in place to respond to supplier failure.
◆ <b>Home Care</b>	<b>Medium</b>	To provide assurance over the key controls to monitor the quality and consistency of services provided.
◆ <b>Project Management</b>	<b>Medium</b>	A cross-cutting review to provide assurance over the Council's Project Management framework within Communities and Regeneration and Property and Assets.
◆ <b>Environmental Reporting</b>	<b>Medium</b>	To provide assurance around the controls and processes for environmental reporting including effective follow up and enforcement and management of third parties.
◆ <b>Corporate Landlord Function</b>	<b>Medium</b>	To provide assurance over the Council's Corporate Landlord responsibilities, including building/health and safety compliance.
◆ <b>Climate Change Programme</b>	<b>Medium</b>	To provide assurance this area of strategic risk.
◆ <b>IT Asset Management</b>	<b>Medium</b>	To provide assurance over the key controls around new device rollout/programme.

## C. Consultancy and Advice

This work is often reactive to requests from senior management, and therefore we have retained a portion of time within our resourcing to meet these requests. Below lists the consultancy and advisory engagements that have been requested/undertaken up to end October 2024.

Audit/Area	Rationale / Indicative Scope	Status	Comments and Update
<p>◆ <b>Parks/Open Spaces - Invoicing</b></p>	<p><i>Management Request.</i> To provide assurance that the invoicing and collection of income was being carried out appropriately and in line with the License to Occupy.</p>	<p><b>Review Completed</b></p>	<p>Consultancy and Advice memo provided to Management.</p>
<p>◆ <b>Oracle Cloud</b></p>	<p><i>Management Request.</i> To provide assurance over system issues with BACS payments files having to be manually loaded by the AP team.</p>	<p><b>Review Completed</b></p>	<p>Consultancy and Advice email provided to Management.</p>
<p>◆ <b>Contractor Appointment</b></p>	<p><i>Management Request.</i> Review and risk assessment arising from appointment of a contractor.</p>	<p><b>Review Completed</b></p>	<p>Consultancy and Advice note provided to Management.</p>

## Appendix 2 – Summary of audits completed in September/October 2024-25

This appendix provides a summary of the high and medium risk issues emanating from audits completed during September and October. Work completed earlier in 2024-25 was reported to the Committee in September 2024.

<b>A. Public Health Contract Management</b>			
<i>Scope: To ensure that management has assessed all relevant risks and implemented adequate and effective controls within Public Health Contract Management.</i>			
Ref	Risks/Issues Identified	Priority	Responsible Officer /Target Date
1.	<p><b>Governance</b></p> <p>The current governance and oversight arrangements do not match those set out in the Sexual Health and Reproductive Service Agreement.</p>	<b>MEDIUM</b>	Sexual Health Commissioning Manager 31 March 2025
2.	<p><b>Service Agreement Performance Monitoring and Reporting</b></p> <p>The Sexual Health and Reproductive Service Agreement does not contain a clause that defines the consequences for the providers if the service delivery is poor or does not meet agreed expectations. Also, key performance indicator definitions are not clear and measurable.</p>	<b>MEDIUM</b>	Sexual Health Commissioning Manager 31 March 2025
3.	<p><b>Meeting Actions</b></p> <p>Actions from performance and contract monitoring meetings are either imprecise or absent and there is no evidence that actions are being brought to subsequent meetings for review.</p>	<b>MEDIUM</b>	Sexual Health Commissioning Manager 31 December 2024

## Appendix 2 – Summary of audits completed in September/October 2024-25

### B. Direct Payments (Adults)

*Scope: To provide assurance on the effectiveness and robustness of the control framework and Council's arrangements for the administration and payment of direct payments using PFS pre-paid cards.*

Ref	Risks/Issues Identified	Priority	Responsible Officer /Target Date
1.	<p><b>Review and Monitoring</b> Personal budgets and care plans are not always being reviewed as prescribed to ensure that they meet care requirements and to promptly identify instances of under or surplus payments.</p>	<b>HIGH</b>	DP Team Leader 30 November 2024
2.	<p><b>System Access</b> The PFS system does not notify managers of any changes made to client accounts and there are no defined responsibilities for ensuring removal of user access for employees that no longer require it.</p>	<b>HIGH</b>	DP Team Leader Head of Finance 30 November 2024
3.	<p><b>Recovery of Funds</b> Insufficient processes are in place to promptly identify and recover unused funds.</p>	<b>HIGH</b>	DP Team Leader 30 November 2024
4.	<p><b>Policies and Procedures</b> There are no policies and procedures in place to ensure consistent and accurate practices.</p>	<b>MEDIUM</b>	DP Team Leader Team Manager 28 February 2025
5.	<p><b>Budgeting</b> Expenditure for the service is not accurately managed and reported and the responsibility for oversight is not clearly defined.</p>	<b>MEDIUM</b>	Head of Commissioning Contracting and Market Management 31 January 2025

## Appendix 2 – Summary of audits completed in September/October 2024-25

<b>C. Temporary Accommodation</b> <i>Scope: To provide assurance on the effectiveness and robustness of the Council's arrangements to provide temporary accommodation including procurement and governance.</i>			
Ref	Risks/Issues Identified	Priority	Responsible Officer /Target Date
1.	<b>Home Visits</b> Home visits are essential for verifying homelessness status and preventing fraud, but they were not conducted in 62% of cases where they were required.	HIGH	Service Manager – Housing Options Homelessness Service Manager November 2024
2.	<b>Case Reviews</b> Effective case reviews are crucial for accuracy and consistency in handling homelessness applications. However, we identified that inconsistent practices; a lack of standardised review templates; and delays, have led to missed opportunities to prevent temporary accommodation obligations, client complaints and costly compensations for the Council.	HIGH	Service Manager – Housing Options Homelessness Service Manager March 2025
3.	<b>Status Monitoring</b> The Council's interim duty to house households under a "reason to believe" status lacks systematic monitoring and oversight, leading to the possibility of prolonged temporary accommodation without timely verification of eligibility.	HIGH	Service Manager – Housing Options Homelessness Service Manager March 2025
4.	<b>Eligibility</b> Eligibility for homelessness assistance depends on immigration and residence status, with the Council relying on a combination of documents and Home Office checks, use of the Home Office share code service for EEA nationals would streamline verification, reduce errors, and prevent fraud.	HIGH	Service Manager – Housing Options September 2024
5.	<b>Templates and Procedure Notes</b> The service currently operates with a variety of forms, templates, and procedure notes, which are not used consistently.	MEDIUM	Service Manager – Housing Options Homelessness Service Manager March 2025
6.	<b>Bank Statement Analysis</b> The current mode of bank statement analysis is time consuming for officers and may not provide the tailored financial insights needed to assist review.	MEDIUM	Director of Housing Needs and Support December 2024

## Appendix 2 – Summary of audits completed in September/October 2024-25

<b>C. Temporary Accommodation</b> <i>Scope: To provide assurance on the effectiveness and robustness of the Council's arrangements to provide temporary accommodation including procurement and governance.</i>			
7.	<b>Pathways</b> We found that clear guidelines were lacking for handling applications based on fear of violence, to ensure they are differentiated from those related to domestic abuse.	<b>MEDIUM</b>	Service Manager – Housing Options December 2024
8.	<b>My Account</b> Homeless assistance applications are submitted via the Council website using the "My Account" feature. Currently, "My Account" does not request critical data at the outset.	<b>MEDIUM</b>	Completed – no action required.
9.	<b>Self-Service</b> Once homelessness has been established, there are opportunities to prevent households from being placed in temporary accommodation. There was often insufficient documentation of prevention efforts or support activities aimed at securing affordable housing.	<b>MEDIUM</b>	Service Manager – Housing Options October 2024
10.	<b>Intentionality</b> Where it was normally very clear that eligibility, homelessness, and priority need had been established, the conclusion of intentionality and local connection tests was not always clearly defined.	<b>MEDIUM</b>	Service Manager – Housing Options Homelessness Service Manager September 2024
11.	<b>Liaison with Property Licensing Team</b> All private rented accommodation in Brent, except those in the Wembley Park ward, is subject to property licensing. Homelessness claims have been made due to poor property conditions, including mould and pest infestations. In all cases, officers liaised with landlords or agents to effect repairs.  We found no evidence of the Private Rental Sector (PRS) licensing team being alerted.	<b>MEDIUM</b>	Service Manager – Housing Options September 2024
12.	<b>Validation Checks</b> The absence of a work summary document that details: <ul style="list-style-type: none"> <li>• the initial approach.</li> <li>• reviews and verifications conducted.</li> <li>• queries and gaps in the provided documents and</li> </ul>	<b>MEDIUM</b>	Service Manager – Housing Options Homelessness Service Manager October 2024



## Appendix 2 – Summary of audits completed in September/October 2024-25

C. Temporary Accommodation			
<b>Scope:</b> To provide assurance on the effectiveness and robustness of the Council's arrangements to provide temporary accommodation including procurement and governance.			
	<ul style="list-style-type: none"> <li>rationale for decisions, including queries with dates and cross-references to evidence.</li> </ul>		
13.	<p><b>Access to Senior Support</b></p> <p>Singles homelessness Housing Officers have access to rapid senior support. The singles service operates a face-to-face model at The Turning Point, where staff can quickly review cases with Team Leaders and receive immediate action. In contrast, at the Civic Centre, the service is spread across three floors. This requires communication through phone, email, or staff moving between floors, which can delay support and action.</p>	<b>MEDIUM</b>	Service Manager – Housing Options March 2025

D. Section 106			
<b>Scope:</b> To provide assurance over the adequacy and operating effectiveness of the controls and arrangements over S106 monies.			
Ref	Risks/Issues Identified	Priority	Responsible Officer /Target Date
1.	<p><b>Reconciliation of S106 agreements</b></p> <p>There is no monthly reconciliation between the S106 agreements captured on Acolaid by the Development Management Team, and the S106 agreements captured in the S106 Financial database excel spreadsheet by the Infrastructure Planning Team to ensure that all S106 agreements are recorded for actioning, tracking and monitoring.</p>	<b>MEDIUM</b>	Infrastructure Planning Team Leader 1 November 2024
2.	<p><b>Review of S106 claims</b></p> <p>Sign off from finance over S106 claim forms is editable within an excel spreadsheet and is therefore not sufficient to ensure reliability.</p>	<b>MEDIUM</b>	Infrastructure Planning Team Leader 1 April 2025

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## Appendix 3 - Summary of Follow-up Activity

\*\*The table below seeks to demonstrate and track recommendations from original implementation dates through to implementation. Where the actions overdue does not match the original agreed actions, this is due to revised dates not having yet been reached, or actions being cleared once in the 'overdue' column.

Completed Follow-up Activity				Follow-up Outcomes										
Audit/Area	Agreed Actions			Follow Up Status	Implemented within original timescales			Implemented within revised timescales			Actions Overdue			Comments
	H	M	L		H	M	L	H	M	L	H	M	L	
Property Valuations	-	5	2	Completed	-	0	0	-	0	0	-	2	1	Follow-up completed in May 2024; revised due dates of 1 October 2024 and <b>31 December 2024</b> agreed.
Payroll	4	2	-	Completed	1	2	-	0	-	-	2	0	-	One High risk action superseded. Follow-up completed in July 2024; revised due dates of 31 October 2024 agreed.
Licensing	1	3	-	Completed	0	1	-	0	0	-	1	0	-	Follow-up completed in July 2024; revised due dates of 31 October 2024 and <b>1 January 2025</b> agreed.
NEG2 Overpayment	1	2	-	Completed	1	2	-	-						Follow-up completed in May 2024.
IG Data Breaches	-	-	4	Completed	-	-	4	-						Follow-up completed in May 2024.
Pension Fund	-	3	-	Completed	-	3	-	-						Follow-up completed in September 2024.
Planning Enforcement	-	4	-	Completed	-	4	-	-						Follow-up completed in September 2024.

## Appendix 3 - Summary of Follow-up Activity

Planned Follow-up Activity				Follow Up Status	Date of last action due	Date Follow Up Started
Audit/Area	Agreed Actions					
	H	M	L			
Digital Strategy	0	2	3	Review in Progress	30 November 2023	6 February 2024
Website	10	3	2	Review in Progress	30 June 2023	28 November 2023
Private Sector Property Licensing (HMO)	0	2	11	Review in Progress	31 January 2024	20 February 2024
NRPF and Intentionally Homeless	0	1	2	Review in Progress	30 November 2023	8 March 2024
TMO - Kilburn	20	5	0	Review in Progress	31 August 2024	16 July 2024
TMO - Watling Gardens	31	0	0	Review in Progress	31 March 2024	8 May 2024
Housing Compliance FRAs	11	7	0	Review in Progress	30 June 2024	3 July 2024
ASC Supported Living	9	5	3	Review in Progress	1 May 2024	11 June 2024
ITDR	2	13	0	Review in Progress	8 July 2024	10 July 2024
Cyber 3rd Party Risk	8	14	0	Review in Progress	20 December 2024	Auditees sent through evidence of implementation
FWH/i4B Billing Arrangements	5	3	0	Review in Progress	31 July 2024	1 August 2024
IT Application Review – NEC Revenues and Benefits	0	5	4	Review in Progress	31 July 2024	31 July 2024
Brent Music Service	2	2	0	Review in Progress	30 September 2024	1 October 2024
True Compliance	6	2	0	Review in Progress	1 October 2024	7 October 2024

### Appendix 3 - Summary of Follow-up Activity

<b>Financial Planning – DSG High Needs Block</b>	1	3	1	<i>Review Not Yet Commenced</i>	30 September 2024	Follow-up to commence in Q3
<b>Accounts Payable</b>	1	3	1	<i>Review Not Yet Commenced</i>	31 December 2024	Target implementation dates not yet passed. Follow-up to commence in Q4
<b>Accounts Receivable</b>	0	5	1	<i>Review Not Yet Commenced</i>	31 December 2024	Target implementation dates not yet passed. Follow-up to commence in Q4
<b>Parks/Open Spaces - Invoicing</b>	6	2	0	<i>Review Not Yet Commenced</i>	31 March 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
<b>Temporary Accommodation</b>	6	11	1	<i>Review Not Yet Commenced</i>	1 March 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
<b>S106</b>	0	2	1	<i>Review Not Yet Commenced</i>	1 April 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
<b>Public Health Contract Management</b>	0	6	0	<i>Review Not Yet Commenced</i>	31 March 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
<b>Direct Payments</b>	7	3	0	<i>Review Not Yet Commenced</i>	28 February 2025	Target implementation dates not yet passed. Follow-up to commence in Q4

### Appendix 3 - Summary of Follow-up Activity

Planned Follow-up Activity	Status	Actions Agreed			Latest Action Due Date	Date Follow Up Started
		H	M	L		
♦ Digital Strategy	Review in Progress	0	2	3	30 November 2023	6 February 2024
♦ Website	Review in Progress	10	3	2	30 June 2023	28 November 2023
♦ Private Sector Property Licensing (HMO)	Review in Progress	0	2	11	31 January 2024	20 February 2024
♦ NRPF and Intentionally Homeless	Review in Progress	0	1	2	30 November 2023	8 March 2024
♦ TMO - Kilburn	Review in Progress	20	5	0	31 August 2024	16 July 2024
♦ TMO - Watling Gardens	Review in Progress	31	0	0	31 March 2024	8 May 2024
♦ Housing Compliance FRAs	Review in Progress	11	7	0	30 June 2024	3 July 2024
♦ ASC Supported Living	Review in Progress	9	5	3	1 May 2024	11 June 2024
♦ ITDR	Review in Progress	2	13	0	8 July 2024	10 July 2024
♦ Cyber 3rd Party Risk	Review in Progress	8	14	0	20 December 2024	Auditees sent through evidence of implementation
♦ FWH/i4B Billing Arrangements	Review in Progress	5	3	0	31 July 2024	1 August 2024
♦ IT Application Review – NEC Revenues and Benefits	Review in Progress	0	5	4	31 July 2024	31 July 2024
♦ Brent Music Service	Review in Progress	2	2	0	30 September 2024	1 October 2024
♦ True Compliance	Review in Progress	6	2	0	1 October 2024	7 October 2024

### Appendix 3 - Summary of Follow-up Activity

Planned Follow-up Activity	Status	Actions Agreed			Latest Action Due Date	Date Follow Up Started
		H	M	L		
◆ <b>Financial Planning – DSG High Needs Block</b>	<i>Review Not Yet Commenced</i>	1	3	1	30 September 2024	Follow-up to commence in Q3
◆ <b>Accounts Payable</b>	<i>Review Not Yet Commenced</i>	1	3	1	31 December 2024	Target implementation dates not yet passed. Follow-up to commence in Q4
◆ <b>Accounts Receivable</b>	<i>Review Not Yet Commenced</i>	0	5	1	31 December 2024	Target implementation dates not yet passed. Follow-up to commence in Q4
◆ <b>Parks/Open Spaces - Invoicing</b>	<i>Review Not Yet Commenced</i>	6	2	0	31 March 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
◆ <b>Temporary Accommodation</b>	<i>Review Not Yet Commenced</i>	6	11	1	1 March 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
◆ <b>S106</b>	<i>Review Not Yet Commenced</i>	0	2	1	1 April 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
◆ <b>Public Health Contract Management</b>	<i>Review Not Yet Commenced</i>	0	6	0	31 March 2025	Target implementation dates not yet passed. Follow-up to commence in 2025/26
◆ <b>Direct Payments</b>	<i>Review Not Yet Commenced</i>	7	3	0	28 February 2025	Target implementation dates not yet passed. Follow-up to commence in Q4

**Appendix 3 - Summary of Follow-up Activity**



## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
<b>Purchasing Cards</b>						
1	Liaise with Barclaycard to explore the possibility of making the 'tax coding' section within the BSM portal mandatory for all purchases - to be raised with Barclaycard	As per recommendation.	<b>MEDIUM</b>	7 December 2023	29 February 2024	329
2	The Council should ensure that adequate and up-to-date guidance is in place for PFS and GPC cards and all guidance documents should be subject to a review on a periodic basis. All application form templates should be amended to include up-to date information.	Guidance to be updated and circulated.	<b>MEDIUM</b>	7 December 2023	29 February 2024	329
<b>Building Control Finance</b>						
Page 135	Building Control should ensure that procedural guidance is put in place setting out the approach to managing and monitoring income.	Procedural guidance was in place back in 2010, however, this needs to be updated to reflect current practices and systems. We are looking for specialist assistance from within the Council to help with this and provided this is forthcoming, our aim is for this to be completed by January 2023.	<b>MEDIUM</b>	31 March 2023	30 April 2024	580
<b>Large Event Day Management</b>						
4	Management should implement a process to capture all large day event actions, including target dates and a responsible officer to bring to subsequent event planning meetings. The process should be embedded into business as usual processes rather than relying on individuals remembering what happened last time. The details should also be included in the Council's local procedures.	Event planning meetings and post event debriefs are now being held regularly both internally and with external partners. These meetings are not routinely being captured but what is being captured is an action log of all activity/issues that occurred throughout the event day which informs the debrief meetings. The details of these improvements have yet to be documented.	<b>MEDIUM</b>	31 July 2023	30 April 2024	458

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
5	A draft protocol document will be created to share with partners and officers, the document will include pre-planning, event day and post event processes and procedures. It will also be shared with partners as part of a wider development of Zone Ex roles and roles and responsibilities. The number of staff required for each event type and their required training will also be included.	Management has stated that responsibilities between the Council and Wembley Stadium for large day events have been discussed and agreed upon in theory. A draft report is being prepared for internal consideration and approval, which, once approved and supported by all external stakeholders will be incorporated into the large day event service protocol document.	<b>MEDIUM</b>	31 July 2023	30 September 2024	458
Page 136	A draft protocol document will be created to share with partners and officers, the document will include pre-planning, event day and post event processes and procedures. It will also be shared with partners as part of a wider development of Zone Ex roles and roles and responsibilities. The number of staff required for each event type and their required training will also be included.	Management have stated that operational large day event processes are well developed, and already in use, both pre and post events. These processes are being documented, once they have been reviewed and finalised, they will be incorporated into an overarching protocol document.	<b>MEDIUM</b>	31 July 2023	30 September 2024	458
7	The planned protocol document will include the risk assessment process for large events and will state that these assessments are agreed upon with key event partners prior to publishing.	Event risk assessments are now included in the Zone Ex stakeholder group meeting agenda. This then informs the Wembley Partner Group meetings where the focus is event safety and operational approach documented in the event Operational Plan. The outcome of Wembley Partner Group meetings about safety informs the Wembley SAG meetings whose primary focus is event safety. The level of risk and resources needed for an event are agreed at Wembley Partner Group pre-event planning meetings and documented in event operational plans. Management plans to incorporate these procedures into the overarching protocol document when it is finalised.	<b>MEDIUM</b>	31 July 2023	30 September 2024	458

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
<b>GLA Affordable Housing Programme</b>						
<b>8</b>	Management should ensure that key data and documentation of completed schemes, are retained and secured appropriately in the event evidence is required.	As per recommendation.	<b>MEDIUM</b>	9 February 2023	31 March 2023	630
<b>Property Valuations</b>						
Page 137	Create formalised process and procedure notes that capture all current activities, roles and responsibilities for processes concerning property valuations, FAR and reconciliations performed at year-end including the checks, reviews and approvals that are required.	We will establish a high-level handbook that includes our checklists to ensure that there is continuity should a member of staff leave. In addition, we will refer to the CIPFA manual for Asset Manager (the Fixed Asset Register system Brent uses) which includes the processes for the FAR functions. Also, during the next valuation process, we will ensure that all process and the relevant procedure documentation is communicated to staff. This will include making the information accessible via our shared drive and SharePoint. Once established it will be reviewed annually and updated as required.	<b>MEDIUM</b>	7 March 2024	1 October 2024	238
<b>10</b>	Communicate process and procedure documentation to relevant staff and ensure these are easily accessible (e.g., stored on a shared drive/ SharePoint), reviewed annually, and updated as required.  Implement a formalised year-end review/ approval stage from the Head of Finance for the FAR/ GL reconciliation and document evidence of the review/ approval in the year-end reconciliation spreadsheet.	All the Officers involved in the valuation exercise follow the RICS handbook and guidance on asset valuations which is a comprehensive handbook for carrying out asset valuations. We will also ensure that the process includes a documented year-end review of the FAR/General Ledger reconciliation by the Head of Finance.	<b>MEDIUM</b>	7 March 2024	1 October 2024	238

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
<b>Payroll</b>						
11	Once the integration of Oracle and Hornbill is complete, run reports to identify any resignation requests that are awaiting approval from the respective line manager within the Oracle workflow and send an email to each line manager to request that they approve/reject any resignation requests within Oracle.	Once the integration of Oracle and Hornbill is complete, run reports to identify any resignation requests that are awaiting approval from the respective line manager within the Oracle workflow and send an email to each line manager to request that they approve/reject any resignation requests within Oracle.	<b>HIGH</b>	31 July 2024	31 October 2024	92
12	Produce exception reports on a monthly basis to identify late notifications and submit these reports to the Directorate Management	Produce exception reports on a monthly basis to identify late notifications and submit these reports to the Directorate Management	<b>HIGH</b>	31 July 2024	31 October 2024	92
<b>Licensing</b>						
13	<p>The Regulatory Service Team should introduce and implement a schedule of proactive and new licence inspections. The schedule should be based on a risk assessment of licensed businesses, which could include the following;</p> <ul style="list-style-type: none"> <li>▪ High risk new business applications;</li> <li>▪ Recently licensed, within one year;</li> <li>▪ Licensed more than one year and uninspected;</li> <li>▪ Renewal licence fees, that remain unpaid for more than six months and;</li> <li>▪ Received complaints.</li> </ul>	A shortage of staff resource means that the team does not have capacity to undertake proactive inspection work. Currently a Licensing Enforcement Officer post is seconded to other duties which further limits capacity and a second post is filled on a temporary basis by an agency employee. A long-term funding solution is needed to create a new post for the seconded position so that we can then seek to recruit two further, full time Licensing Enforcement Officers. This will provide an increase in capacity to enable some proactive, rather than reactive work streams.	<b>HIGH</b>	31 December 2023	31 October 2024	305

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
<b>Better Care Fund</b>						
14	Periodically (e.g., quarterly) produce MI reports that should be circulated for review by each team (as relevant) within the integrated service, prior to being shared with senior leadership teams for review and comment. MI reports should contain updates of financial and non-financial performance of the BCF.	Produce quarterly MI reports containing updates of financial and non-financial performance of the BCF. These will be circulated for review by each team (as relevant) within the integrated service and then shared with senior leadership teams for review and comment via both the ICP Executive and CHW Budget Assurance Panel meetings.	<b>HIGH</b>	31 January 2024	28 September 2024	274
15	Set up a mechanism to track the actual spend against each scheme (e.g., by configuration of cost codes in the scheme management or accounting system).	Set up a mechanism to track the actual spend against each scheme (e.g., by configuration of cost codes in the scheme management or accounting system).	<b>HIGH</b>	31 January 2024	28 September 2024	274
16	Conduct the variance analysis for review at the periodic governance group meetings and investigate unusual or unknown discrepancies.	Conduct the variance analysis for review at the periodic governance group meetings and investigate unusual or unknown discrepancies.	<b>HIGH</b>	31 January 2024	28 September 2024	274
17	Document minutes of meetings and resulting action plans along with due date and follow-up trail and circulate to all representatives.	Document minutes of meetings and resulting action plans along with due date and follow-up trail and circulate to all representatives.	<b>MEDIUM</b>	31 January 2024	28 May 2024	274
18	Document the end-to-end process for planning and ongoing management of the BCF.	Document the end-to-end process for planning and ongoing management of the BCF.	<b>MEDIUM</b>	31 January 2024	28 July 2024	274
19	Document the roles and responsibilities of key persons involved within planning activities and ongoing management of the BCF.	Document the roles and responsibilities of key persons involved within planning activities and ongoing management of the BCF.	<b>MEDIUM</b>	31 January 2024	28 July 2024	274
20	Assign tasks for planning requirements to individuals and document the due dates for each activity.	Assign tasks for planning requirements to individuals and document the due dates for each activity.	<b>MEDIUM</b>	31 January 2024	28 July 2024	274
21	Consider performing post-project evaluations to assess whether the intended outcomes of each scheme have been achieved and/ or whether any lessons learned can be identified and shared.	Consider performing post-project evaluations to assess whether the intended outcomes of each scheme have been achieved and/ or whether	<b>MEDIUM</b>	31 January 2024	28 September 2024	274

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
		any lessons learned can be identified and shared.				
<b>Housing Voids</b>						
22	The Council should ensure that: KPIs are SMART (Specific, Measurable, Attainable, Relevant and Time-Bound) against which to monitor performance;	The Council should ensure that: KPIs are SMART (Specific, Measurable, Attainable, Relevant and Time-Bound) against which to monitor performance;	HIGH	31 March 2023	31 July 2024	580
23	KPIs and their metrics are clearly defined and accurately calculated within CRM;	KPIs and their metrics are clearly defined and accurately calculated within CRM;	HIGH	31 March 2023	31 July 2024	580
Page 140	Where KPIs are not consistently met, an appropriate action plan should be put in place to address any under-performance.	Where KPIs are not consistently met, an appropriate action plan should be put in place to address any under-performance.	HIGH	31 March 2023	31 July 2024	580
	All relevant documents are uploaded into CRM and/or SD to aid an adequate audit trail.	All relevant documents are uploaded into CRM and/or SD to aid an adequate audit trail.	MEDIUM	31 March 2023	30 June 2024	580
26	All work orders, along with approvals and discussion surrounding variances are promptly uploaded into the CRM and/or SD.	All work orders, along with approvals and discussion surrounding variances are promptly uploaded into the CRM and/or SD.	MEDIUM	31 March 2023	31 July 2024	580
27	Initial and final work orders are examined and approved by management.	Initial and final work orders are examined and approved by management.	MEDIUM	31 March 2023	31 July 2024	580
28	All variances are thoroughly examined and approved prior to the completion of repairs	All variances are thoroughly examined and approved prior to the completion of repairs	MEDIUM	31 March 2023	31 July 2024	580
29	Final work specification should be approved prior to the payment of the invoice.	Final work specification should be approved prior to the payment of the invoice.	MEDIUM	31 March 2023	31 July 2024	580
30	Management should ensure that contingency measures are developed for future staffing shortages to ensure timely management of the grant funding.	Management should ensure that contingency measures are developed for future staffing shortages to ensure timely management of the grant funding.	MEDIUM	31 March 2023	30 September 2024	580

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date	
<b>Family Wellbeing Centres</b>							
31	Management will establish a record of all FWC partners and ensure there is an appropriate agreement in place with each of them.	Management will establish a record of all FWC partners and ensure there is an appropriate agreement in place with each of them.	<b>MEDIUM</b>	15 December 2023	30 September 2024	321	
32	The Brent Information Sharing Protocol will be reviewed and signed.	The Brent Information Sharing Protocol will be reviewed and signed.	<b>MEDIUM</b>	15 December 2023	30 September 2024	321	
<b>MTFS and Savings Programme</b>							
Page 141	Produce a procedure guidance document for evaluating savings projects once delivered. This could include an assessment of whether the savings were achieved: <ul style="list-style-type: none"> <li>• on time</li> <li>• within budget</li> <li>• to the original objectives</li> <li>• in line with the intended benefits.</li> </ul>	Produce a procedure guidance document for evaluating savings projects once delivered. This could include an assessment of whether the savings were achieved: <ul style="list-style-type: none"> <li>• on time</li> <li>• within budget</li> <li>• to the original objectives</li> <li>• in line with the intended benefits.</li> </ul>	<b>MEDIUM</b>	31 July 2023	31 July 2024	458	
	34	Perform a lessons learned exercise following each savings project, which outlines any limitations/ setbacks experienced, and whether the savings should continue the following year.	Perform a lessons learned exercise following each savings project, which outlines any limitations/ setbacks experienced, and whether the savings should continue the following year.	<b>MEDIUM</b>	31 July 2023	31 July 2024	458
	35	Share ‘good’ practices with Project Managers so that they can be replicated during the following year or for other similar savings projects	Share ‘good’ practices with Project Managers so that they can be replicated during the following year or for other similar savings projects.	<b>MEDIUM</b>	31 May 2023	31 July 2024	519
<b>Key Financial Controls – NEC/Northgate (Housing Benefits)</b>							
36	Management should record the process for each reconciliation in a procedural document and make available to staff. This document should set out the following: <ul style="list-style-type: none"> <li>• The frequency of each reconciliation;</li> </ul>	It has been recognized that there needs to be a more joint up approach and working together with finance and recovery team. It is therefore proposed that a full health check is conducted on the current reconciliation processes as well	<b>HIGH</b>	31 January 2024	31 October 2024	274	



## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
	<ul style="list-style-type: none"> <li>The persons or team responsible for performing and independently reviewing each reconciliation;</li> <li>To whom issues, if any identified, should be escalated; and</li> <li>The process/steps to resolves any reconciling differences.</li> </ul>	<p>as lines of communication between all three services. All the agreed governance procedures will be documented for consistency in line with the recommendation.</p> <p>It is proposed moving forward to give a full breakdown of payment posting into HB and Discretionary Housing payments (DHP) by creating a Private tenancy (PTEN) reconciliation spreadsheet that will capture the HB and DHP payments posting respectively to the bank statements each week.</p>				
Page 142	<p>Management should: Procedural documentation for housing benefits process a) Review and, where required update existing procedural documentation which sets out the end-to-end process. Documentation should outline all stages/steps within the housing benefits process, and the teams assigned to each step within the process.</p>	<p>We do agree that the current folders with training material is clumsy, and navigation is difficult. To address that, the Benefit Service is looking to acquire a tool which is a one-step web-based knowledge management solution for Housing Benefits, Universal Credit, Council Tax Support and Discretionary Housing Payments. The tool would be the single point of access to regulations, guidance, and training notes for all staff. Membership of The Benefit Directory is available via an annual subscription fee.</p>	<b>MEDIUM</b>	31 December 2023	31 October 2024	305
<b>38</b>	<p>b) Establish clear ownership and approval processes for authorisation thresholds in procedural documentation. Review of organisational chart and roles and responsibilities</p>	<p>We will define and document the approval process for authorisation thresholds.</p>	<b>MEDIUM</b>	31 December 2023	31 October 2024	305
<b>39</b>	<p>c) Document the defined frequency for when the organisation chart and the associated roles and responsibilities (job descriptions) should be reviewed. Absence of documented reporting and escalation process</p>	<p>We will review the JDs and structures as part of any reorganisation or restructure.</p>	<b>MEDIUM</b>	31 December 2023	31 October 2024	305
<b>40</b>	<p>d) Define and document the reporting and escalation procedures. These procedure documents should be</p>	<p>We will produce a document which outlines guidance on the various escalation and reporting routes available for staff.</p>	<b>MEDIUM</b>	31 December 2023	31 October 2024	305



## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
	approved by an authorised individual and reviewed on a defined basis to ensure it remains up-to-date, relevant and fit-for-purpose.					
<b>Housing Compliance Fire Risk Assessments</b>						
41	Track completion of all remedial actions stemming from FRAs, including low rise properties. This will require an exercise to review all FRAs and update the tracking spreadsheet with details of implementation of all remedial actions (including who the action sits with and implementation dates).	We firmly believe that once we have transitioned our Fire Risks Assessments (FRA) into our new system, True Compliance (TC), we will be in position to accurately track all remedial FRA actions more robustly and effectively. We are currently loading all action from FRA's on to TC so they can be tracked and closed when complete.	<b>HIGH</b>	31 January 2024	Follow Up Review In Progress – awaiting management responses	274
42	Report the progress of completion of remedial actions (high- and low-rise properties) to senior management (including Corporate Directors) on a regular basis.	We recognise the importance of broad oversight on Compliance and at present, our team diligently prepares monthly compliance reports for the Departmental Management Team (DMT). The team also provides FRA performance information of the quarterly Corporate Performance scorecard. Whilst this doesn't provide detail on individual actions, it provides some oversight on FRA performance. We will include further detail on the FRA actions via quarterly housing assurance updates to CMT via the Housing Balance Scorecard.	<b>HIGH</b>	30 June 2024	Follow Up Review In Progress – awaiting management responses	123
43	Request and retain all required evidence (including images or works reports) to demonstrate that remedial actions have been completed by Wates. Prior to implementation of True Compliance this should be saved in shared folders, with one for each individual property.	Presently, our procedure for Final Accounts and completed work valuation required Pellings to provide completed document which is stored in a shared folder on the council system. Nevertheless, as we move towards TC, we will collaborate with Wates and Pellings to establish a unified platform that allows for the storage of work completion documentation for all completed FRA remedial actions in a more	<b>HIGH</b>	29 February 2024	Follow Up Review In Progress – awaiting management responses	245


## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
		reliable system. This enhanced system will encompass various forms of evidence such as pictures, O&M files, signed completion certificates etc., ensuring a comprehensive record of the completed works.	HIGH			
44	Exercise its right to audit verification works completed by Pellings to ensure that all work that has been signed off by Pellings is to the standard that the Council expects.	We accept the lack of previous audit verification of all works signed off by Pellings but we are implementing a process where regular checks are carried out on all works completed by Pellings including Quality Assurance check, sample inspection to ensure works are completed to required standard and evidence to demonstrate completion of this task.	HIGH	29 February 2024	Follow Up Review In Progress – awaiting management responses	245
45	With the implementation of True Compliance, ensure that all remedial actions recommended by third-party contractors are recorded on the system and that evidence to demonstrate completion of actions is retained.	We will continue to hold regular meetings with True Compliance and ensure all FRA remedial actions are closed and evidenced on the system. While we are still transitioning into True Compliance, we will track and monitor these completed actions via spreadsheet in the interim.	HIGH	29 February 2024	Follow Up Review In Progress – awaiting management responses	245
46	Generate template reports on a weekly basis from True Compliance (once installed) to monitor the number of overdue compliance reports (including fire safety) present from compliance areas, number completed and those that have surpassed their deadline. These should be discussed at weekly team compliance meetings.	We will continue to work with True Compliance to develop several reporting widgets, that would provide us the platform to monitor all FRA compliance including in-date or out-of-date FRA and remedial actions on a weekly basis.	HIGH	29 February 2024	Follow Up Review In Progress – awaiting management responses	245
47	Establish regular (e.g., quarterly) reporting to relevant senior officers on the status of FRA compliance. This should be built into CMT's forward plan on a quarterly/ biannual basis.	We recognise the importance of broad oversight on Compliance and at present, our team diligently prepares monthly compliance reports for the Departmental Management Team (DMT). The team also provides FRA performance information of the quarterly	MEDIUM	30 June 2024	Follow Up Review In Progress – awaiting management responses	123

## Appendix 4 – High and Medium Overdue Actions (as of 31 October 2024)

Ref	Recommendation	Agreed Action	Risk Rating	Original Target Date	Revised Target Date	Elapsed Days Since Original Date
		Corporate Performance scorecard. Whilst this doesn't provide detail on individual actions, it provides some oversight on FRA performance. We will include further detail on the FRA actions via quarterly housing assurance updates to CMT via the Housing Balance Scorecard.	MEDIUM			
48	Update reporting to include progress of remedial actions (including low-rise properties). This information will be pulled from True Compliance once available; however, as this will be a newly implemented system, take interim measures to update senior management on the progress of remedial actions.	While it is true that our focus for the FRA compliance reporting has historically been on High Rise and Medium Rise Blocks in all instances, we have broadened the scope to ensure we include all Low-Rise blocks and progress all remedial actions.	MEDIUM	31 January 2024	Follow Up Review In Progress – awaiting management responses	274
49	Revise its current fire risk management policy and procedure documents to include the additional areas raised within this finding.	We will revise our current Fire Risk Management Policy and Procedure to provide detailed explanation of property classification i.e., high-rise (seven floors and above), mid-rise and low-rise, including information on the Council's approach to re-inspection frequency (one or three years), as well as remedial risk rating arising from the FRA actions.	MEDIUM	29 February 2024	Follow Up Review In Progress – awaiting management responses	245
50	Communicate the updated policy and procedure to all relevant staff.	Once the Fire Risk Management Policy and Procedure have been updated and sign-off by the senior managers, we will communicate this to all stakeholders accordingly.	MEDIUM	29 February 2024	Follow Up Review In Progress – awaiting management responses	245
51	Formally record (e.g., in meeting minutes) discussion points from FRA contractor performance meetings. Any arising actions should be logged and tracked to completion.	<i>Formally record (e.g., in meeting minutes) discussion points from FRA contractor performance meetings. Any arising actions should be logged and tracked to completion.</i>	MEDIUM	29 February 2024	Follow Up Review In Progress – awaiting management responses	245

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 4 <sup>th</sup> December 2024
	<b>Report from the Corporate Director of Finance and Resources</b>
	<b>Lead Member - Deputy Leader and Cabinet Member for Finance &amp; Resources (Councillor Mili Patel)</b>
<b>Interim Counter Fraud Report 2024-25</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	One Appendix 1: Annual Counter Report 2024-25
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Darren Armstrong Deputy Director Organisational Assurance and Resilience 020 8937 1751 <a href="mailto:Darren.Armstrong@brent.gov.uk">Darren.Armstrong@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report presents the Council’s Interim Counter Fraud Report for the financial year 2024-25.
- 1.2 The report is intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council has robust and sound counter fraud arrangements in place. It does this by providing a summary of the activity of the Counter Fraud team in-year across multiple fraud types (including internal fraud, housing tenancy fraud, external fraud and proactive work).

- 1.3 The report also fulfils the requirements of the Local Government Transparency Code 2015, which requires local authorities to publish details of their counter-fraud activity.

## **2.0 Recommendations**

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

## **3.0 Detail**

### **3.1 Contribution to Borough Plan Priorities & Strategic Context**

- 3.1.1 As is the same for all local authorities, fraud remains an area of significant inherent risk to the Council. The tackling of fraud therefore remains a high priority as every penny that is lost to fraud is a penny that cannot be spent on delivering services to our residents.
- 3.1.2 The Council takes a well-developed approach to tackling fraud and corruption, which includes a combination of proactive prevention and detection activities in-line with best practice. An Annual Counter Fraud Plan is also prepared and delivered to ensure that resources are effectively targeted and deployed to prevent and detect fraud, which is underpinned by the Council's Anti-Fraud and Bribery and Whistleblowing policies.
- 3.1.3 The response of the Council to the activity of the Counter Fraud and Investigations service should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

### **3.2 Background**

- 3.2.1 The primary objective of the Council's Counter Fraud and Investigations Team is the prevention and detection of fraud, corruption and irregularity.
- 3.2.2 In recent times, the lasting impacts of the Covid-19 pandemic and the cost-of-living crisis have further exacerbated the challenges the Council faces from fraud and corruption. Combined with the continued pressure and strain on the Council's resources, this has created an ideal environment for fraudulent activity where all elements of the 'fraud triangle' (opportunity, motivation and rationalization) have increased significantly in risk.
- 3.2.3 The increased risk of fraud is clear, and the Council must remain proactive in preventing and identifying all types of fraud, while embedding a culture of counter fraud awareness at the heart of the organisation.
- 3.2.4 The work of the Counter Fraud and Investigations team is split between both reactive and proactive activity. Reactive work largely consists of allegations and referrals received by the team relating to Internal, Housing or External fraud types. Proactive activity is usually generated from within the service in response to a range of fraud risks and can incorporate any of the reactive fraud types. A

summary of all activity performed for the period 1 April 2024 to 31 October 2024 is presented at **Appendix 1**.

### **3.3 Internal Fraud**

3.3.1 Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the '*Proactive*' section of **Appendix 1**. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature.

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

### **3.4 Tenancy and Social Housing Fraud**

3.4.1 The recovery of social housing properties by Counter Fraud and Investigations has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. Whilst this is an external fraud type, it is kept separate to reflect the high priority fraud risk. The counter-fraud activity for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2024 is summarised in section 2 of **Appendix 1**.

3.4.2 The team has previously utilised and reported an average notional saving value of £93,000 per property recovered, consistent with the formulae used by the Cabinet Office. From 2023-24, the team adopted a lower notional figure of £42,000 to reflect the notional savings generated from tenancy recoveries. This follows extensive national research concluded in 2021-22 and undertaken by the Tenancy Fraud Forum (TFF) in partnership with the London Boroughs' Fraud Investigators' Group (LBFIG), and supported by the Cabinet Office's National Fraud Initiative, Northern Ireland Housing Executive, Fraud Advisory Panel, CIPFA, CIFAS, the Chartered Institute of Housing and the G15 group of housing associations.

### **3.5 External Fraud**

3.5.1 External fraud includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving, Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter-fraud activity for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2024 is summarised in section 3 of **Appendix 1**.

### **3.6 Proactive and other activity**

3.6.1 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team and other stakeholders. This will include NFI data matching reviews, fraud workshops, targeted operations, and other planned fraud risk activity across all service areas. The counter-fraud

activity for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2024 is summarised in section 4 of **Appendix 1**.

#### **4.0 Alternative Options Considered**

4.1 N/A

#### **5.0 Financial Considerations**

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

#### **6.0 Legal Considerations**

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

#### **7.0 Equity, Diversity & Inclusion (EDI) Considerations**

7.1 None

#### **8.0 Climate Change and Environmental Considerations**

8.1 None

#### **9.0 Communication Considerations**

9.1 None

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources





# Interim Counter Fraud Report 2023-24

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1. **Internal Fraud**  
*(Page 2-3)*
2. **Tenancy and Housing Fraud**  
*(Page 4-5)*
3. **External Fraud**  
*(Pages 6-7)*
4. **Proactive and other activity**  
*(Pages 8-10)*

# 1. Internal Fraud

Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. **Table A** sets out key figures in relation to Internal Fraud for the period 1 April 2024 to 31 October 2024.

**12** new referrals were opened during this year from a variety of sources, including whistleblowing. A summary of the main types of allegations received are as follows:

- Breach of financial regulations
- Misuse of IT
- Polygamous employment
- Recruitment Irregularities
- Theft of cash or assets

Table A - Internal Fraud	1 April to 31 October 2024	2023/24 <i>(Full year)</i>	2022/23 <i>(Full year)</i>	2021/22 <i>(Full year)</i>
• New Referrals	12	27	20	24
• Closed Cases	14	20	22	27
• Fraud/Irregularity identified*	5	10	4	6

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

The volume and type of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council continues to be effective.

There were also **14** cases concluded during the same period. In **five** of these instances a degree of fraud and/or irregularity was identified, broadly relating to:

- **Recruitment irregularities (x4)**  
- this related to polygamous employment (multiple contract working).
- **External offences/breaches and/or conduct by staff (x1)**  
- misuse of a Disabled Persons Blue Badge which led to a final written warning.

Due to the confidential nature of these type of referrals, it is not appropriate to provide specific details of the allegations or subsequent investigations in this report. There are currently **12** live investigations at various stages, with **one** of these categorised under whistleblowing (anonymous). Due to the nature of these cases, the team will regularly liaise with management, as appropriate, throughout the investigation to ensure that any issues in relation to controls, processes or organisational risks are addressed.

## 2. Tenancy and Housing Fraud

The recovery of social housing properties by the team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council.

**Table B** summarises the counter-fraud activity for the period 1 April 2024 to 31 October 2024.

The total number of fraudulent housing cases concluded in this period was **nine**. The total notional value of these cases (applying the value of £42k per property recovered or housing application stopped) is **£378,000**.

Table B – Tenancy and Housing Fraud	1 April to 31 October 2024	2023/24	2022/23	2021/22
New cases	35	129	174	204
Closed cases	40	161	155	192
Fraud/Irregularity identified*	9	16	20	27
*Notional value of recovered properties (including Housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £42,000. (£93,000 used previously and for concluded cases where a tenancy was recovered before 1 <sup>st</sup> April 2023.)				

In one case, an investigation commenced following a referral from the gas safety team. An investigation discovered that the tenant and her partner and children had been living in another borough for over 10 years, whilst a family member occupied the tenancy. The property was successfully recovered following court proceedings.

In another case, a referral was received from a Housing Officer who had suspected a fraudulent Succession application. Enquiries revealed the applicant was falsely claiming to be a partner of the deceased tenant and had not lived at the tenancy prior to the death of the tenant. This resulted in the Succession being declined and recovery of the property.

In addition, the team has completed **nine** tenancy verifications to verify household occupation and mitigate fraudulent Succession and Right to Buy applications.

The Counter Fraud and Investigations team continues to work closely with Housing Management (HM) to increase information and intelligence sharing and to improve the quality of referrals.

There are currently **35** live housing investigations – of these; **nine** cases are involved with legal proceedings to recover the property, and a further **five** cases have been concluded by the team with a report issued to HM and other Registered Social Landlords that recommends recovery action is instigated; **two** await bailiff action. The team works closely with the relevant teams to progress these cases.

The team has provided Housing staff with appropriate access to anti-fraud systems to aid verification of Succession and Right to Buy applications. It continues to assist management in a variety of ways with ongoing tenancy audit and anti-fraud strategies that includes fraud risk training and support for staff and tenancy data matching.

### 3. External Fraud

'External fraud' includes all external fraud / irregularity that affects the Council. This includes (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications.

**Table C** summarises the counter fraud activity for the period 1 April 2024 to 31 October 2024.

There have been **55** new cases opened in this period.

The team continues to receive a large volume of blue badge referrals, with the majority of these arising from parking enforcement activities. Other referrals mainly relate to benefits, support, discounts, allowances, grants, theft of client funds and other external allegations.

Table C - External Fraud	1 April to 31 October 2024	2023/24	2022/23	2021/22
New Referrals	55	300	224	288
Closed Cases	132	322	197	224
Fraud/Irregularity identified	91	213	94	67
<i>* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action)</i>				

#### Blue Badges

There have been **90** successful outcomes this year (where fraud was detected). This includes **11 successful prosecutions** and **79** cautions/warnings issued for Blue Badge fraud. In addition to these outcomes, the cases where appropriate are filed to the Cifas National Fraud Database, which helps to further prevent and detect fraud.

In one case, a stolen Blue Badge was used on a vehicle and on receipt of a PCN, the driver submitted an appeal claiming it to be his own valid badge. Investigation revealed this to be false and proceeded with prosecution. At court the defendant pleaded guilty and was fined £600 plus costs.

There are currently **55** live External cases, which includes **45** Blue Badge and **10** others.

The theft and supply of stolen Blue Badges appears to be a widespread and increasing problem across all London boroughs. Almost all Blue Badge prosecutions this year relate to badges that were issued by other local authorities. It is not possible to comment with any degree of certainty on the illegal Blue Badge market, as stolen badges are essentially worth whatever someone is willing to pay for them. However, the continued collaboration and joint-working between internal and external partners assists the Council in maintaining a zero-tolerance approach to all types of Blue Badge fraud within the borough. This collaboration is currently developing strategies to specifically prevent the physical thefts of badges from vehicles across the borough limiting the impact on borough residents and Police. It should be noted that whilst the strategies being developed should have a positive impact, we do not expect the level of Blue Badge fraud to immediately decrease because most stolen/lost badges identified are issued by other authorities.

## 4. Proactive and other activity

The team undertakes a broad range of proactive activity based on fraud risk and close working with Internal Audit and other stakeholders. Activity will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all departments to protect the Council from its highest fraud risks.

**Table D** summarises the counter fraud activity for the period 1 April 2024 to 31 October 2024.

Table D - Proactive Cases	2024/2025	2023/24	2022/23	2021/22
New Proactive Reviews	16	131	4	110
Closed Cases	32	93	47	96
Fraud / Irregularity / Savings identified	4	3	8	7
Advice / Recommendations	2	1	1	2
Audit / Risk review	26	89	46	96

The mandatory data submissions for the National Fraud Initiative 2022 exercise is underway. The team will be reviewing the matching reports, either directly or in conjunction with relevant services, and aim to complete all reviews by end of Q4 2024-25. **32** proactive cases have been concluded this year, which included **26** NFI data matching reviews.

Other Proactive Work concluded includes:

- *Housing Tenancy Pilot* – data matching of housing tenants to HMRC property data (to reveal tenant links to other properties).
- *Visiting Exercise to Void (empty) Properties* – visits to all properties listed as currently empty to ensure they had not been occupied by unauthorised tenants (following intel from various sources).
- *Agency to Payroll Data to identify Polygamous Workers* – 2 Phases; data matching of payroll data to Agency workers across NFI members to reveal polygamous workers.
- *DDRI (deceased list) to Pensions and Blue Badge Team (for ongoing review)* – regular data matching of DDRI (deceased list data) against current pensions and Blue Badges issued for review and cancellation.

Together with other London councils, Brent joined the **NFI London Fraud Hub** in 2022-23, for an initial period of two years. It is modelled on the existing NFI platform and allows for more real-time and cross boundary data matching, in addition to bespoke internal data matching. Hub members agreed to start with mortality screening against its Occupational Pension data, seeing immediate results in most cases; this continues to be a stream of verification carried out by the Pensions and Payroll Team.

The Council have now full membership access to the Insider Threat Database (ITD), formerly the Enhanced Internal Fraud Database, that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). The ITD is a repository of fraud risk information

that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. The system is focussed on employee fraud and recruitment controls and will enable the Council to have additional assurance around agency and permanent recruitment and provide the team with additional resource when conducting internal investigations.

The team and Cifas have worked with HR and Recruitment / Comensura to ensure the new system and vetting protocols went live on 1 November and applies to all recruitment. The team manages the new vetting protocols for agency staff, whilst Recruitment manages it as part of existing permanent recruitment onboarding. A summary of activity to 31 March is summarised below.

	Total searches	Positive matches	Employment status
Agency Staff	274	7	6 declined/1 Pending
HR Recruitment	384	7	2 declined/4continued/1Pending

# Brent Council

## Auditor's Annual Report for the year ended 31 March 2024

4 December 2024

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for the London Borough of Brent (the Council) during 2023-24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

### Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

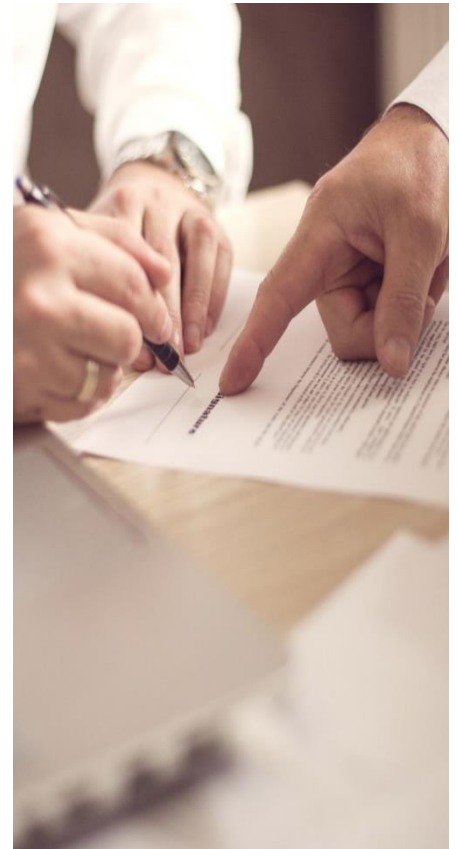
- financial sustainability
- governance
- improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ('the Report') with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below.



The audit of your financial statements is in progress. We plan to issue an unqualified audit opinion following the Audit and Standards Advisory Committee meeting on 4 February 2025. Our findings are set out in further detail on pages 10 to 11.



## Financial sustainability

In 2023-24 the Council overspent against its budget by £13.5m. Latest forecasts for 2024-25 are that the overspend could be around £14m. The main area of challenge is in homelessness. The Medium-Term Financial Strategy was refreshed in July 2024 and shows a cumulative deficit of £30m to 2027-28. The Council needs to ensure that the 2025-26 budget is realistic, reflects likely demand in key services and is balanced without the need to draw further on reserves. This will require difficult decisions, but if these are not made the Council risks not being able to provide essential services. We have identified a significant weakness and raised a key recommendation on page eight.

In 2023-24 the Housing Revenue Account achieved a surplus of £2m, allowing the reserve balance to increase to £2.4m. The Council recognises that this remains a challenging position, especially as it is unable to control rent increases, which are set nationally.

The final 2023-24 capital programme budget of £224.1m, included housing and the Housing Revenue Account (HRA), was 95% delivered with £213m spending. The £11.2m underspend comprised £8.6m carried forward as slippage and £2.6m net underspend. There are explanations for each are of over / under spend and slippage, all of which are reasonable and appropriate.

Financial monitoring reports to Cabinet include an overview of the risks and challenges, noting that any overspend not dealt with in 2023-24 is likely to carry over into 2024-25, meaning further savings and impacting reserves. Reports summarise the key cost pressures including Children's and Adult Social Care packages and homelessness. Based on best practice, there is scope to more clearly demonstrate how revenue investments in services will support delivery of the Council's priority areas and we have made an improvement recommendation.



## Governance

The Council has sound risk management arrangements. Internal Audit is effective and moving to a more cyclical rolling programme of work for 2024-25. This will allow greater flexibility within the Plan to respond to emerging risks. Internal Audit reported that the Council needs to improve its responsiveness to recommendations.

The Council has appropriate arrangements for budget setting. Starting the process early allows time for extensive internal and external engagement and scrutiny. However, this does mean that significant changes can occur between preparing the budget and the start of the financial year. The Council has seen this in 2024-25, with a significant overspend in temporary accommodation forecast early in the new finance year. This links to the key recommendation we make in regard to financial sustainability.

# Executive summary

The Council needs to ensure that appropriate policies are published on its website and kept up to date. This is particularly important with procurement so that it is for organisations wishing to work with the Council to find the information they need. Additionally, with the New Procurement Act coming into effect in February 2025, maintaining updated procurement policies is vital to ensure compliance with the new regulations. We have made two improvement recommendations in this area.

The Council has reasonable Gifts and Hospitality arrangements in place. There is no evidence of improper conduct in this regard. However, it is important to consider the level of information in the public domain and how this could be interpreted. We have made an improvement recommendation that the Council provides more information for higher value items and also considers the appropriateness of Members accepting tickets to high profile sporting events.



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## Improving economy, efficiency and effectiveness

The Council publicly reports performance against Borough Plan priorities. This is good practice, but there is scope to further enhance reporting by including some operational key performance indicators against each service area. We have made an improvement recommendation that this could be completed as part of the review of the performance management framework. Performance reports show a mixed picture in key Directorates such as Children's Services, Adult Social Care and Housing, but this is being managed and is not currently cause for concern. In February 2023 Ofsted inspected the Council's Children's Services, rating them "Good". The Care Quality Commission (CQC) report published in August 2024, rated Adult Services as 'Requires Improvement', and an improvement plan is being developed with oversight by the Community Wellbeing Scrutiny Committee.

The Council recognises the importance of working in partnership but would benefit from stronger governance arrangements. We have made an improvement recommendation. We also recommended that, where it is necessary to waive normal procurement arrangements, this is regularly reported to Members. This is best practice we have seen elsewhere and helps to protect the Council against any allegations of inappropriate contract awards.



## Pension Fund

The Council has appropriate arrangements for the effective governance and management of the pension fund. The Pension Board receives appropriate reports including an update on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund; and pensions administration performance against Service Level Agreements. The Risk Register, with any changes or new risks clearly explained, is presented to each meeting, with the full risk register included as an appendix. This includes appropriate risks and detail on how they are being managed. There is a comprehensive training programme for Members. The Board also receives reports which set out investment performance and the funding position, including key assumptions and forecasts.

# Executive summary



## Overall summary of our Value for Money assessment of the Council's arrangements

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022-23 Auditor judgement on arrangements	2023-24 Risk assessment	2023-24 Auditor judgement on arrangements	Direction of travel
Financial Sustainability Page 163	A No significant weaknesses in arrangements identified, but five improvement recommendations made	The use of £13.5m of reserves to balance the revenue budget in 2023-24, ongoing financial pressures (particularly in regard to homelessness), forecast overspend of £14.4m in 2024-25, further forecast budget gaps of £16m in 2025-26 and £7m in each FY of 2026-27 and 2027-28, and the Future Funding Risk Reserve balance being only £10m at July 2024 represents a risk of significant weakness in financial sustainability.	R One significant weakness raised in respect of ensuring the Council does not continue its use of reserves to meet unplanned expenditure. One improvement recommendation made to support the Council in better evidencing how revenue investments in services will support delivery of its five Priorities. Two prior year improvement recommendations carried forward.	↓
Governance	A No significant weaknesses in arrangements identified, but three improvement recommendations made	No risk of significant weakness identified at the planning stage.	A No significant weaknesses in arrangements identified, but three improvement recommendations made to support the Council in ensuring up to date policies are on its website, updating its Procurement Strategy and strengthening public reporting of gifts and hospitality.	↔
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but three improvement recommendations made	No risk of significant weakness identified at the planning stage.	A No significant weaknesses in arrangements identified, but three improvement recommendations made to support the Council in developing its partnership governance arrangements, enhancing transparency around tender waivers and public reporting of operational key performance indicators.	↔

**G** No significant weaknesses in arrangements identified or improvement recommendation made.

**A** No significant weaknesses in arrangements identified, but improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendations made.



# Executive summary



## Significant weakness identified in financial sustainability arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We reviewed the Council's arrangements to deliver financial sustainability and have concluded that there was a significant weakness in arrangements.

### Short- and medium-term financial planning

In 2023-24, the Council faced financial pressures that resulted in an overspend of £13.5m. Looking ahead, the latest forecasts for 2024-25 suggest a potential overspend of £14.4m. While these figures indicate a cumulative impact of approximately £30m over two years, it is important to note that the Council has proactively managed these pressures through in-year measures and through the strategic use of reserves. The Medium-Term Financial Strategy (MTFS), which was refreshed in July 2024, outlines a cumulative deficit of £30m by 2027-28 of which a series of savings proposals have been agreed to manage this. Addressing this challenge is crucial to avoid a further call of £20m on Council reserves. As at 31 March 2024 the Council's financial statements show a general fund balance of £20.2m and earmarked general fund reserves of £134.1m. While it is possible to utilise these reserves to meet the budgetary pressure, they would no longer be available for their intended use. Although some of these earmarked reserves could be utilised to balance the budget, it is important to remember that they are intended for specific purposes and can only be used once. The focus needs to remain on finding sustainable solutions that ensure the continued delivery of services without over-reliance on one-time sources of funding. The Council recognises the importance of taking decisive action to ensure that the budget for 2025-26 and future years accurately reflects the financial landscape and builds in appropriate costs. The quantum of savings proposals pose risk to the financial sustainability of the Council if it they are not able to be achieved. The Council's work to date on the MTFS has identified the challenges ahead and saving levels needed for a sustainable future.

Based on the work undertaken and evidence reviewed, we recognise the significant risk in securing financial sustainability. We have therefore identified a significant weakness and raise the following recommendation

### Key recommendation 1

The Council needs to take the difficult decisions needed to ensure that a realistic budget can be set for 2025-26 and that this can be delivered without the need to further draw on reserves. It must be aware of the significant financial sustainability risk posed by the savings required in the medium-term to deliver a balanced budget for 2025-26.



# **Value for Money Commentary on arrangements**



# The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023-24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' general fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of mould and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024-25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023-24 and 2024-25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils were subsequently asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The July 2024 general election led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



# The current local government landscape



## Local context

Brent is situated in north-west London, bordering the boroughs of Harrow to the northwest, Barnet to the north-east, Camden to the east, the City of Westminster to the south-east, the Royal Borough of Kensington and Chelsea, Hammersmith and Fulham to the west, and Ealing to the south. It covers an area of 4,325 hectares, about 22% of this is green space. Brent's major districts are Kilburn, Willesden, Wembley and Harlesden as well as Stonebridge, Kingsbury, Kensal Green and Queen's Park. The 2021 census counted 339,800 people resident in Brent making it London's fifth most populous borough. Brent is a densely populated borough, with an average of 7,859 people per square kilometre – the 14th highest population density in England and Wales, and the highest in outer-London.

Around 56% of the local population were born abroad, the largest percentage across England and Wales. The top five countries of birth in Brent (after the UK) were: India, Romania, Poland, Somalia and Pakistan. Around two thirds (65%) of residents were from Black, Asian and other minority ethnic groups – the second highest rate in England and Wales. The largest single ethnic group in Brent is the Indian population, comprising almost one in five residents (19%) – the fifth highest rate nationally. Brent also has a large white minority population, which includes those from Europe: over one in five Brent residents have EU nationality (22%) – the highest rate nationally.

# Financial sustainability

Page 168

## We considered how the Council:

## Commentary on arrangements

## Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

In 2023-24 the Council had a budget for service provision of £326.9m, spending £340.4m. The £13.5m overspend was supported through the use of reserves. The Council introduced spending controls which saved £4m. £11.2m of the overspend was in Resident Services due, primarily, to extremely high demand for the homelessness service. Budget variances for 2021-22 and 2022-23 were minimal. The overspend is driven by emerging pressures in homelessness and the Council does not have a track record of overspending.

In February 2024 the Council agreed a budget for 2024-25 of £386.7m, which was balanced without the need to use reserves. The budget included £3.6m planned savings for 2024-25 and £4.4m in 2025-26 in addition to the £4.5m savings for 2024-25 agreed in February 2023. Assumptions used are clearly set out and reasonable. The budget included growth due to demographic changes (£5.6m), inflation (£6.4m), pay (£6.5m) and service charges (£14.2m), totalling £32.7m. The Council carried out appropriate analysis to understand pressures in each service area.

The Quarter One 2024-25 finance report notes that the Council has a forecast year-end overspend of £10m, all of which sits in homelessness. The Quarter Two forecast is for a £14m overspend, after taking out additional savings of around £6m. Further savings are sought from Directorates. The Council recognised that the homelessness financial challenge is entrenched and that the 2025-26 budget will need to reflect the ongoing higher cost. Urgent action is needed to avoid a financial crisis in the medium-term, and the Council is reviewing difficult decisions, including reducing the amount spent on Council Tax Support. This financial challenge represents a significant risk for the Council, and we have made a key recommendation.

The Medium-Term Financial Strategy (MTFS) was refreshed in July 2024 with updated assumptions and reflecting increasing demand in key services. In-year budget gaps of £16m in 2025-26; £7m in 2026-27 and £7m in 2027-28 are forecast. The Council is developing plans to address this.

In our prior year report we made an improvement recommendation that the Council should undertake a cumulative Equality Impact Assessment covering the life of the MTFS. The Council plans to do this as part of the 2025-26 budget setting process. This recommendation is therefore carried forward.

**Red**  
Significant weakness in arrangements identified and key recommendation made

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# Financial sustainability

Page 169

**We considered how the Council:**

**Commentary on arrangements**

**Assessment**

Plans to bridge its funding gaps and identifies achievable savings

The Council has robust arrangements for identifying savings to bridge forecast funding gaps. Internal Audit provided appropriate assurance in their 2022-23 review of the savings programme arrangements. The Quarter One 2024-25 finance report provides details on the MTFs savings delivery tracker for the year. This includes – department, project, category, description, value, risk rating, comments and mitigating actions. The overall savings target is £8m, with some schemes including less than £0.01m. The majority of schemes are rated "Green". Each year, the Council prepares a report setting out savings proposals for every scheme, including a description, saving planned, key consultation, key risks and mitigations and Equality Impact Screening. This is good practice. In-year finance reports include appropriate detail on delivery. The Council intends to address our prior year recommendation regarding worse-case scenario planning as part of the 2025-26 budget setting process. The 2022-23 recommendation is therefore carried forward.

**Amber**  
No significant weaknesses in arrangements identified, but improvement recommendation made

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's Borough Plan 2023-27 sets out its five priority areas – Prosperity, Pride & Belonging; A Cleaner, Greener Future; Respect and Renewal in Brent; The Best Start in Life; and A Healthier Brent.

The capital programme pipeline shows how projects are prioritised, including which of the Borough Plan objectives it supports, links to other plans and whether it helps to fulfil statutory objectives. This is good practice. However, there is no such analysis for the revenue budget or investment in services. Whilst the reasons for revenue investments in services are explained in the budget setting report, there is scope to further enhance the report by clarifying which priority is being supported. This was noted by the Budget Scrutiny Task Group who reported "*further work is still needed to better communicate to residents what the vision, mission, aims and priority protection areas of the upcoming budget are*". We have made an improvement recommendation in this area.

The Council clearly understands the cost drivers affecting the cost of service delivery, using benchmarking to support its analysis and understanding. The Council is looking to further develop its benchmarking and modelling, and is using external consultancies to support this. One of the challenges is obtaining accurate and reliable data sets to support meaningful comparison with other councils.

**Amber**  
No significant weaknesses in arrangements identified, but improvement recommendation made



# Financial sustainability

## We considered how the Council:

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

## Commentary on arrangements

The Council has robust arrangements for linking its capital programme to its objectives. The 2024-25 budget setting report sets out the pipeline of capital projects, and how they link to the Council's objectives, including climate change. Projects include improving the energy efficiency of swimming pools; reducing carbon emissions from Council buildings in a number of ways; and developing Green Neighbourhoods. The report explains the process for prioritising and then overseeing capital projects. Bids are scored based on a number of criterion including – how the schemes meet key service objectives; whether it is essential to meet statutory responsibilities; and risk. This is good practice. In our prior year report we made an improvement recommendation that detailed costings for each planned action in the Climate Strategy should be prepared and compared to the cost of inaction. Costings and appraisals are conducted where appropriate. A methodology to assess the cost of inaction is ongoing. As the Council is actioning this point we have closed the recommendation.

The final 2023-24 capital programme budget of £224.1m, included housing and the Housing Revenue Account (HRA), was 95% delivered with £213m spending. The £11.2m underspend comprised £8.6m carried forward as slippage and £2.6m net underspend. There are explanations for each are of over / under spend and slippage, all of which are reasonable and appropriate.

The Council has an ambitious capital programme. For 2024-25 the programme is £318.3m; 2025-26 is £335.5m; the plan then tails off sharply with £90.5m in 2026-27 and £46.1m in 2027-28. The total programme from 2023-24 to 2027-28 is £1,011.2m, of which £637.8m is funded through prudential borrowing. Minimum Revenue Provision (MRP) will be £24.3m in 2027-28, by which time the 2024-25 budget setting report shows that financing costs will be £59.3m, representing 14.2% of net revenue. The capital programme recognises that it is ultimately more cost effective to maintain property regularly. Officers recognise that it is highly unlikely the capital programme will be delivered as planned. This means that capital expenditure and associated financing costs will be lower. Officers recognise that slippage is likely with multi-year projects which will likely result in lower capital expenditure and associated financing costs will be lower in the short-term.

## Assessment

### Green

No significant weaknesses in arrangements identified or improvement recommendation made

# Financial sustainability

## We considered how the Council:

## Commentary on arrangements

## Assessment

Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Financial monitoring reports to Cabinet include an overview of the risks and challenges, noting that any overspend not dealt with in 2023-24 is likely to carry over into 2024-25, meaning further savings are required, with impact on reserves. Reports summarise the key cost pressures including Children's and Adult Social Care packages and homelessness. A £13m overspend was forecast despite the introduction of spending controls and Budget Assurance Panel. Actions taken to contain expenditure are set out.

For each Directorate there is a detailed report which includes "risks and uncertainties". For Adult Social Care these are primarily demographic and inflationary pressures. For Children's Services, recruitment and retention of skilled and experienced social workers and the volatility of placement costs are key risks. For temporary accommodation the increase in demand and reduction in supply are key risks.

The strategic risk register includes a general risk "Financial Resilience and Sustainability" as well as specific risks which are consistent with those included in finance reports – cost of living crisis; High Needs Block (Dedicated Schools Grant); lack of affordable accommodation; and an increase in the use of temporary accommodation. For each risk there is summary, update, score, controls and mitigating actions and an action plan.

**Green**

No significant weaknesses in arrangements identified or improvement recommendation made

# Financial sustainability

## Financial sustainability areas for improvement

### Revenue investments in services – linking to Brough Plan Priorities

The Council demonstrates good practice by clearly showing how potential capital projects will support delivery of its Priorities or statutory requirements. Whilst the reasons for revenue investments in service areas are explained, for example, increasing demand or inflationary pressures, there is scope to more clearly demonstrate how these will support delivery of the Priority areas. This particularly the case where improvements are being made to service delivery.

**Improvement recommendation 1:** To further enhance budget setting reporting the Council should demonstrate how revenue investments in services will support delivery of its five Borough Plan Priorities.

### Ongoing prior year recommendations

Our prior year report raised two financial sustainability improvement recommendations:

1. "The Council should undertake a cumulative Equality Impact Assessment (EIA) covering the impacts assessed across the full life of the MTFs and establish review dates for all EIAs to monitor the actual impacts and adjust actions accordingly". Management responded "This will be dealt with as part of the 2025-26 budget setting process. The final budget for 2025-26 will be presented to Cabinet in February 2025, where the cumulative EIA is presented". Our recommendation is therefore carried forward.
2. "The Council should set out options for how it would plan to address any budget shortfall arising from its worst-case scenario planning. It would also benefit from specifying whether savings achieved are recurrent v non-recurrent savings in its plans and reporting". Officers advised "This will be dealt with as part of the 2025-26 budget setting process. The draft budget for 2025-26 will be presented to Cabinet in November 2024, where a range of budget options will be presented". Our recommendation is therefore carried forward.

## Area of focus – Dedicated Schools Grant

2023-24 saw a £0.6m underspend on Dedicated Schools Grant (DSG), and the overall DSG deficit has reduced from £13.8m to £13.2m. Actions to ensure financial stability include ceasing Education Health Care Plans (EHCPs) where appropriate, developing alternative provision and increasing the amount of special provision. In 2023-24 the cost avoidance achieved was £2.6m. At quarter one of 2024-25 the Council forecasts that the DSG, including the High Needs Block, will breakeven. The Council is part of the Department for Education (DfE) programme "Delivering Better Value" and has received a £1m grant covering 2023-24 and 2024-25 to deliver actions in the Management Plan. The Plan includes reasonable assumptions with the number of EHCPs increasing from 3,430 in 2023-24 to 4,085 in 2027, and an additional 427 school places. The Council processes 83% of EHCP requests within the national target of 20 weeks, which is well above the national average of 50%, and there is no backlog. Governance arrangements include quarterly reporting to Corporate Management Team, Cabinet, the Schools Forum and DfE. Therefore, arrangements are appropriate.



# Governance

## We considered how the Council:

### Commentary on arrangements

### Assessment

**Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud**

The Council's updated Risk Management Strategy aligns with corporate objectives and has been effectively implemented, with ongoing improvements to the risk management framework. The addition of a risk appetite statement and the inclusion of climate-related risks into the Strategic Risk Register reflect the Council's commitment to effective risk management. Improvement areas were identified for further enhancement of risk management, and the Council completed recommendations to review and update the strategic risk register and incorporate action plans. These actions demonstrate a commitment to effective risk management and strategic alignment.

The Head of Internal Audit Opinion for 2023-24, was one of "Reasonable Assurance". The Annual Internal Audit Plan was adjusted during the year to address emerging risks, with a focus on completion rates, risk categorisation of findings, and implementation of audit actions. The new Internal Audit Charter and Strategy for 2024-2027 align with global standards and emphasise flexibility in audit planning and delivery. Follow-up reviews showed a decline in the rate of implementation of agreed actions, prompting a need for improvement, particularly at the operational level. The Internal Audit function has identified the need for improvement in implementing audit actions and increased oversight of overdue actions in 2024-25. We recognise that the Council Internal Audit function is moving to a cyclical rolling programme for 2024-25, and this something we see at increasing numbers of councils.

Our work confirmed the Council has adequate arrangements in place in respect of the prevention and detection of fraud.

**Green**

No significant weaknesses in arrangements identified or improvement recommendation made

**Approaches and carries out its annual budget setting process**

The Council has sound budget setting arrangements. This includes meetings between Cabinet and the Corporate Management Team to consider key issues; development of proposals by Officers and Lead Members within the context of the Borough Plan; consideration by Cabinet in November; publication of savings proposals for consultation; consideration by scrutiny committees; public meetings; consideration of feedback; and equality impact assessments. There were five public events; online consultation; consultation with small business organisations; a newsletter sent to businesses in Brent; and engagement with the voluntary sector, including through a newsletter. The Budget Scrutiny Task Group Review also plays a key role – appropriate Lead Members, Portfolio Holders, and key Directors attended and the sessions covered the key areas, including deep dives and detailed scrutiny of proposed savings.

The budget setting process starts early, with a 2025-26 draft budget presented 12 November 2024. This provides time for engagement and consultation but means significant changes can occur before the start of the financial year. In the financial sustainability section of this report we made a key recommendation regarding unplanned use of reserves to meet expenditure, which particularly relates to the homelessness budget.

**Green**

No significant weaknesses in arrangements identified or improvement recommendation made





# Governance

## We considered how the Council:

## Commentary on arrangements

## Assessment

Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

Finance reports to Cabinet are clear and highlight the key issues. For each Directorate there is a detailed report which includes "Risks and uncertainties" as well any mitigating actions. The 2023-24 Outturn Report clearly states that £13.5m of reserves were used to achieve breakeven. This is consistent with the position reported at Quarters Two and Three of 2023-24.

**Green**

No significant weaknesses in arrangements identified or improvement recommendation made

Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Council has taken proactive steps to manage the workload of committees by arranging additional meetings and pre-agenda planning meetings. The Council also identified the need for improved training for Members. Cabinet papers and minutes show that reports provide essential information for decision-making and confirm clear identification of agenda items requiring a decision, with no evidence of unlawful decision-making or significant financial risk. The Council has three Overview and Scrutiny Committees responsible for scrutinising Cabinet and has a documented Call-In protocol for calling-in decisions, promoting transparency and accountability. The Audit & Standards Committee and the Audit & Standards Advisory Committees both play crucial roles in ensuring good governance, with plans for improved Member training and an annual review of the Member Development Programme.

**Green**

No significant weaknesses in arrangements identified or improvement recommendation made





# Governance

## We considered how the Council:

## Commentary on arrangements

## Assessment

Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

In 2023-24 the Council reported one data breach that did not need to be escalated to the Information Commissioner's Office. Six Members' Code of Conduct complaints were received, with no breaches upheld. Cyber security arrangements were reviewed, identifying high and medium-risk recommendations. All Members completed mandatory training as required, with regular updates on training completion reported. The Member Development Programme undergoes an annual review.

Complaints are monitored through a Complaints Risk Management System, with regular reporting to senior management and relevant committees. An annual report on complaints is produced, reviewed, and discussed at Corporate Management Team, Cabinet, and Scrutiny meetings, and subsequently published on the Council's website. However, key policies such as the Procurement Strategy and Social Value Ethical Procurement policy were found to be out of date on the Council's website. It is important that organisations wishing to do business with the Council can easily access the latest relevant policies. We have raised two improvement recommendations.

Adequate arrangements are in place for recording Members' Gifts and Hospitality. However, the Council should consider strengthening these further by enhancing the Gifts and Hospitality Register to include more information for 'exceptional items' to ensure transparency and ensure that Members are fully informed about the gifts received. This will provide members of the public with full information, avoiding the need for Freedom of Information requests. We have made an improvement recommendation.

### Amber

No significant weaknesses in arrangements identified, but improvement recommendations made



# Governance

## Governance areas for improvement

### Out of date policies

Key policies such as the Procurement Strategy and Social Value Ethical Procurement policy were found to be out of date on the Council's website. Outdated policies can leave the Council at risk and may not address new principles or guidance. It is also important that organisations wishing to do business with the Council can easily access the latest relevant policies. With the New Procurement Act taking effect in February 2025, it is crucial to update procurement policies for compliance.

**Improvement recommendation 2:** The Council should ensure that out of date policies are removed from the Council's website and replaced with current policies if available.

### Procurement Strategy

The refresh of the Procurement Strategy 2020-2023 is not complete, it is awaiting revision to align with the Borough Plan. The process has begun but delayed due to an internal restructure and staffing changes.

**Improvement recommendation 3:** The Council should prioritise the revision of the Procurement Strategy in line with the Borough Plan, taking into account the recent restructure and the new Director's focus on community wealth building and social value.

As part of the review, the Council should ensure that arrangements to meet the requirements of the new Procurement Act 2023 are outlined as part of the refresh of its Procurement Strategy. This will help align the strategy with the latest legislative developments and the Council's current priorities.

## Gifts & hospitality

Exceptional gifts and hospitality items are discussed at Audit and Standards Advisory Committee. However, the Gifts and Hospitality register does not contain the detail behind those high value items. Our further enquiries indicate that there is a sound rationale behind the gifts and their acceptance. However, not fully reporting this publicly raises the risk of Freedom of Information requests or of members of the public drawing inaccurate conclusions regarding Member conduct.

We also suggest that the Council documents why it is acceptable for Members to make use of football tickets themselves, rather than, for example, donating them to worthy local causes or charities. It is important to manage public perception of Member conduct.

**Improvement recommendation 4:** The Council should enhance its Gifts and Hospitality register to include additional information for 'exceptional items' to ensure transparency. This will provide a clear and comprehensive overview, ensuring that members of the public are fully informed about the gifts received.



# Improving economy, efficiency and effectiveness

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## We considered how the Council:

## Commentary on arrangements

## Assessment

Uses financial and performance information to assess performance to identify areas for improvement

The Council's Corporate Performance Report is organised by Borough Plan themes, which is good practice. However, it lacks specific key Directorate key performance indicators (KPIs). Operational level KPIs are collected and reported internally, including to Portfolio Holders and informal Cabinet. Best practice would be for a suite of appropriate operational KPIs, covering all key service areas, to be publicly reported. We have made an improvement recommendation. The Council is currently reviewing its performance management framework and developing a balanced scorecard approach for 2024-25. It is also working on a data catalogue to ensure consistent data quality assessment and validation processes across the organisation.

The Quarter Four 2023-24 performance report highlighted mixed results in housing-related KPIs, with challenges in meeting targets for affordable homes, council homes, and multiple occupancy licensing. Internal Audit also identified issues in regard to fire risk assessments and supporting documentation. The Council is addressing the issues raised. Children's Services faced challenges in youth inspections and care participation, whilst Adult Social Care faced difficulties in completing Care Act assessments and new birth visits within specified timeframes. However, positive outcomes were achieved in the reablement service and structured treatment for adults. There are no significant performance related issues to highlight.

### Amber

No significant weaknesses in arrangements identified, but improvement recommendation made

Evaluates the services it provides to assess performance and identify areas for improvement

Council complaints, Ombudsman findings, and compensation payments are reported to Cabinet. The Council's annual performance indicates that 88% of complaints were upheld, which is consistent with the Council's peer group. The Local Government Ombudsman annual report did not raise concerns.

In February 2023 Ofsted inspected the Council's Children's Services, rating them as "Good", with an action plan addressing recommendations, which has been completed. However, the Care Quality Commission (CQC) report, published in August 2024, rated Adult Services as 'Requires Improvement', and an improvement plan is being developed with oversight by the Community Wellbeing Scrutiny Committee. The report recognised the Council is making 'significant improvements' and having 'focused leaders'. The report also noted that adult safeguarding is 'working effectively in Brent'. Additionally, the report highlighted strengths in areas such as care and support planning, organisation, and financial assessments. The report acknowledged that the Council had made significant improvements and was undergoing a wide-scale transformation of services, with some areas further along the journey than others. Five out of nine assessment domains were rated as requiring improvement, while four domains were rated good.

### Green

No significant weaknesses in arrangements identified or improvement recommendation made



# Improving economy, efficiency and effectiveness

## We considered how the Council:

## Commentary on arrangements

## Assessment

Evaluates the services it provides to assess performance and identify areas for improvement (continued)

The Council is dedicated to addressing the climate and ecological emergency, a key priority for the administration as outlined in the 'Cleaner, Greener Future' theme within the Borough Plan (2023-2027). This involves commitments to establish a climate-friendly and sustainable borough and to prioritise sustainability in the growth of the local economy. Supporting the Borough Plan commitments, Brent's Climate Strategy and associated Climate Programme represent one of the most extensive initiatives within the Council. The Strategy's primary objectives are to strive for carbon neutrality by 2030 and to position Brent as one of the greenest, most biodiverse, and climate-resilient boroughs in London, fostering improved connectivity to nature for residents.

**Green**  
No significant weaknesses in arrangements identified or improvement recommendation made

Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Council's Strategy and Partnerships service supports various statutory and non-statutory local partnership arrangements, ensuring stakeholder engagement and good governance. The Council has embedded equity, diversity, and human rights considerations in its processes and approved an Equity, Diversity, and Inclusion strategy. It also adopted a Black Community Action Plan in 2020, which is currently under review.

The Council intends to refresh its engagement methods with partners through a new community engagement framework in 2024. The Council currently manages partnerships within individual departments, with the Multi-Agency Migration Coordination Group overseeing financial implications and value for money outcomes from partnerships. However, it is unclear if the Council has a formal partnerships governance policy. We have updated our prior year recommendation to support the Council in developing a partnership register to provide an accurate overview of partnerships and implementing a structured approach for entering into new partnerships and governing existing ones.

The Council's ASAC receives reports on i4B and First Wave Housing's (FWH) progress in delivering their 2023-24 business plan and outlining the upcoming 2024-25 plan. The reports also cover the Council's oversight of governance and performance, aligning with CIPFA's guidelines. Bi-annual reports provide details on governance arrangements and present the annual business plan and accounts. Moving forward, the Community & Wellbeing Scrutiny Committee will assess operational performance.

**Amber**  
No significant weaknesses in arrangements identified, but improvement recommendation made



# Improving economy, efficiency and effectiveness

## We considered how the Council:

## Commentary on arrangements

## Assessment

Commissions or procures services, assessing whether it is realising the expected benefits

The Council has made changes to its waiver review process, conducting reviews quarterly instead of annually. However, waivers are not reported publicly, and we have made an improvement recommendation that this would enhance arrangements. An internal audit highlighted areas for improvement in procurement, such as ensuring value for money and robust supplier selection.

The Council has established arrangements for overseeing key contracts and reporting outcomes annually. The Council has comprehensive oversight and reporting mechanisms in place for i4B Holdings Ltd, ensuring that its progress and risk management are subject to regular review and scrutiny by relevant committees and stakeholders.

**Amber**

No significant weaknesses in arrangements identified, but improvement recommendation made



# Improving economy, efficiency and effectiveness

## 3Es areas for improvement

### Partnership governance

In our prior year report we raised an improvement recommendation that “*The Council should review how it measures and monitors the success and value for money achieved from partnership working initiatives*”. This was not addressed and we have updated the recommendation.

**Improvement recommendation 5:** The Council should consider enhancing its partnership governance arrangements by:

- Developing a partnership register to provide a more complete overview of partnerships. For each partnership, this could include: aims and objectives; expected outcomes; links to the Council’s strategic objectives; commitment of resources; governance arrangements (terms of reference /service level agreement); financial reporting arrangements; and performance monitoring arrangements. The register should be reviewed on a regular basis to ensure it remains up-to-date.
- Implementing a partnership governance policy, providing information on: what partnership working is; how to enter into and set up a new partnership; how to maintain governance and monitoring arrangements for existing partnerships; and how to exit from a partnership.

### Public reporting of procurement waivers

The Council's waiver information shows that, for the period January 2022 to July 2023, there were 92 waivers, totalling £10.7m. Of these, 45 were over £0.1m, and totalled £8m. The highest individual waiver was £0.7m. Our review of ASAC papers indicates that when the Council needs to raise a waiver for procurement purposes, these are not reported. Best practice would be to transparently document and report instances where a waiver for procurement rules or procedures is necessary on a quarterly basis. This can include providing detailed justifications for the waiver, outlining the specific circumstances that led to the need for the waiver, and ensuring that the decision-making process is clearly documented and approved by the

appropriate senior officers. Additionally, it is important to ensure that waivers are reported in a timely manner and that they are subject to appropriate oversight and review to maintain transparency and accountability in the procurement process.

**Improvement recommendation 6:** To enhance transparency, the Council should consider reporting waivers to a public committee on a quarterly basis. This should include the value of the waiver and justification.

### Reporting of key performance indicators

The Council is developing its public performance reporting. Including more Directorate level operational metrics will support Members and service users in determining how well the Council is performing in key areas. This can also help to focus on areas requiring improvement. The Council should retain the current indicators which support delivery of the Borough Plan.

**Improvement recommendation 7:** As part of the ongoing review of its performance management framework and the implementation of a balanced scorecard approach for 2024-25, the Council should ensure that specific Directorate KPIs are included in the Corporate Performance Report and reported publicly. This will enhance provide Members and service users of a better understanding of how the Council is performing in key service areas.

# Value for Money recommendations raised in 2023-24





# Recommendations raised in 2023-24

Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p><b>Key recommendation</b></p> <p>The Council needs to urgently take the difficult decisions needed to ensure that a realistic budget can be set for 2025-26 and that this can be delivered without the need to further draw on reserves.</p>	Key	Financial sustainability	Review of finance reports in 2023-24 and 2024-25 indicates that the Council is drawing heavily on reserves to manage unplanned expenditure. This is not sustainable.	Failure to set realistic budgets which can be delivered without the need to use reserves raises a significant risk that, in the medium-term, the Council will be unable to provide essential services without external financial support.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>
<p><b>Improvement recommendation</b></p> <p>To further enhance budget setting reporting the Council should demonstrate how revenue investments in services will support delivery of its five Borough Plan Priorities.</p>	Improvement	Financial sustainability	The Council has good arrangements in place to link capital expenditure to its priority areas. This should be extended to revenue investment in services.	This will provide additional clarity on why investments or disinvestments in services are required and ensure that scarce resources are used effectively.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>
<p><b>Improvement recommendation 2</b></p> <p>The Council should ensure that out of date policies are removed from the Council's website and replaced with current policies if available.</p>	Improvement	Governance	Key policies such as the Procurement Strategy and Social Value Ethical Procurement policy were found to be out of date on the Council's website.	Outdated policies can leave the Council at risk and may not address new principles or guidance. It is also important that organisations wishing to do business with the Council can easily access the latest relevant policies.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>



# Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p><b>Improvement recommendation 3</b></p> <p>The Council should prioritise the revision of the Procurement Strategy in line with the Borough Plan, taking into account the recent restructure and the new Director's focus on community wealth building and social value.</p> <p>As part of the review, the Council should ensure that arrangements to meet the requirements of the new Procurement Act 2023 are outlined as part of the refresh of its Procurement Strategy. This will help align the strategy with the latest legislative developments and the Council's current priorities.</p>	Improvement	Governance	Procurement Strategy	The Procurement Strategy should support the Council in achieving its objectives and ensure compliance with latest legislation.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>
<p><b>Improvement recommendation 4</b></p> <p>The Council should enhance its Gifts and Hospitality register to include additional information for 'exceptional items' to ensure transparency. This will provide a clear and comprehensive overview, ensuring that members of the public are fully informed about the gifts received.</p>	Improvement	Governance	Review of the Gifts & Hospitality Register and Policy.	It is important to manage the public perception of Member conduct.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>

# Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p><b>Improvement recommendation 5</b></p> <p>The Council should consider enhancing its partnership governance arrangements by:</p> <ul style="list-style-type: none"> <li>• Developing a partnership register to provide a more complete overview of partnerships. For each partnership, this could include: aims and objectives; expected outcomes; links to the Council's strategic objectives; commitment of resources; governance arrangements (terms of reference /service level agreement); financial reporting arrangements; and performance monitoring arrangements. The register should be reviewed on a regular basis to ensure it remains up-to-date.</li> <li>• Implementing a partnership governance policy, providing information on: what partnership working is; how to enter into and set up a new partnership; how to maintain governance and monitoring arrangements for existing partnerships; and how to exit from a partnership.</li> </ul>	Improvement	Improving economy, efficiency and effectiveness	Review of documentation relating to partnership working.	The Council recognises the importance of working with partners. To ensure this maximises the benefit to all parties it is important to have appropriate governance and oversight arrangements in place.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>

# Recommendations raised in 2023-24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p><b>Improvement recommendation 6</b></p> <p>To enhance transparency, the Council should consider reporting waivers to a public committee on a quarterly basis. This should include the value of the waiver and justification.</p>	Improvement	Improving economy, efficiency and effectiveness	Review of Committee reports.	Public reporting of waivers, with oversight by Members, can help to protect the Council from allegations of inappropriate procurement practices.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>
<p><b>Improvement recommendation 7</b></p> <p>As part of the ongoing review of its performance management framework and the implementation of a balanced scorecard approach for 2024-25, the Council should ensure that specific Directorate KPIs are included in the Corporate Performance Report and reported publicly. This will enhance provide Members and service users of a better understanding of how the Council is performing in key service areas.</p>	Improvement	Improving economy, efficiency and effectiveness	Review of performance reports and discussions with Directors.	The Council is developing its public performance reporting. Including more Directorate level operational metrics will support Members and service users in determining how well the Council is performing in key areas. This can also help to focus on areas requiring improvement.	<p><b>Actions:</b></p> <p><b>Responsible Officer:</b></p> <p><b>Executive Lead:</b></p> <p><b>Due date:</b></p>

# Appendices

# Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

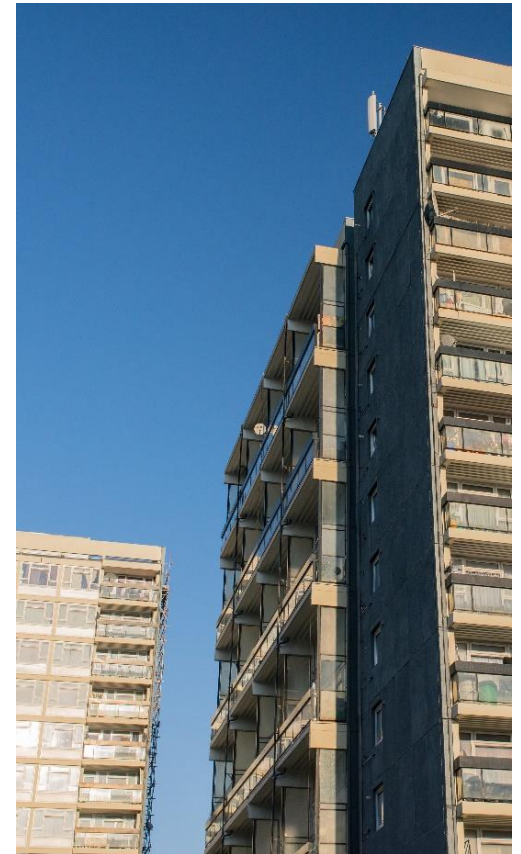
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B: Value for Money auditor responsibilities



## Value for Money arrangements work

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body’s responsibilities are set out in Appendix A. Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice (the Code), requires us to assess arrangements under three areas:

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### Financial sustainability

Arrangements for ensuring the audited body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

### Governance

Arrangements for ensuring that the audited body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the audited body makes decisions based on appropriate information.

### Improving economy, efficiency and effectiveness

Arrangements for improving the way the audited body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023-24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

### Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the audited body’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

### Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

### Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the audited body’s auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full council (or equivalent) and a public response.
- **Key recommendations** – actions which should be taken by the audited body where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the audited body’s arrangements.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p><b>2022-23 Improvement recommendation 1</b></p> <p>The Council should set out options for how it would plan to address any budget shortfall arising from its worst-case scenario planning. It would also benefit from specifying whether savings achieved are recurrent or non-recurrent savings in its plans and reporting.</p>	Improvement	October 2023	The Council has advised - "This will be dealt with as part of the 2025-26 budget setting process. The draft budget for 2025-26 will be presented to Cabinet in November 2024, where a range of budget options will be presented."	No	Implement the original recommendation
<p><b>2022-23 Improvement recommendation 2</b></p> <p>The Council's MTFS should cover the full period of the Borough Plan i.e. until 2026-27.</p>	Improvement	October 2023	The Medium-Term Financial Outlook presented to Cabinet in July 2024 covers the period to 2027-28. The recommendation has therefore been addressed and is closed.	Yes	No
<p><b>2022-23 Improvement recommendation 3</b></p> <p>The Council should undertake a cumulative Equality Impact Assessment (EIAs) covering the impacts assessed across the full life of the MTFS and establish review dates for all EIAs to monitor the actual impacts and adjust actions accordingly.</p>	Improvement	October 2023	The Council has advised - "This will be dealt with as part of the 2025-26 budget setting process. The final budget for 2025-26 will be presented to Cabinet in February 2025, where the cumulative EIA is presented."	No	Implement the original recommendation

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p><b>2022-23 Improvement recommendation 4</b></p> <p>The Council should specify detailed costings for each planned action in its Climate Strategy and compare these to the costs of not taking those actions.</p>	Improvement	October 2023	The Council has advised - "Detailed costings and financial appraisals are undertaken on all actions related to the Climate Strategy, where necessary. The development of the methodology that would enable an assessment of the local costs of inaction is ongoing". We note from the Budget Setting report that as part of its consideration of the draft 2024-25 budget, the Budget Scrutiny Task Group recommended to Cabinet that "...the Council adopt a 'green budget' which clearly outlines the climate and environmental implications of each proposal". The Group would like to see greater alignment between the budget and the borough plan. The report sets out pipeline capital projects, and how they link to the Council's objectives, including climate change. Projects include improving the energy efficiency of swimming pools; reduce carbon emissions from Council buildings in a number of ways and developing Green Neighbourhoods. The level of detail included is appropriate and the Council is taking action on the cost of inaction aspect. The recommendation is therefore closed.	Yes	No
<p><b>2022-23 Improvement recommendation 5</b></p> <p>The Council should review how demand forecasts and future costs are estimated to identify any lessons to be learned for setting future budgets.</p>	Improvement	October 2023	The Council has responded "As part of the 2025-26 budget setting process financial modelling on the Council's major cost drivers (placements for children and adults, homelessness) has been undertaken". This is clear from review of the budget setting report. The recommendation is therefore closed.	Yes	No



# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p><b>2022-23 Improvement recommendation 6</b></p> <p>The Council should consider how it can improve its Council Climate Plan Score for Measuring and setting Emissions Targets.</p>	Improvement	October 2023	The Council has prepared, and will be publishing, a Climate Data Dashboard, which will be presented to the Cabinet in October 2024. We have therefore closed the recommendation.	Yes	No
<p><b>2022-23 Improvement recommendation 7</b></p> <p>The Council should develop a plan for how it will address the 'second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls.</p>	Improvement	October 2023	This has been addressed in the Annual Governance Statement 2023-24 and the Internal Audit Annual Report 2023-24. The Council has made several improvements to its monitoring, reporting, and oversight of first-line controls at a corporate level, as highlighted by Internal Audit. These enhancements include the implementation of a new performance management framework and balanced scorecard at both corporate and directorate levels, as well as the expansion of the Brent Assurance Board's scope to review key risk areas on a quarterly basis.	Yes	No
<p><b>2022-23 Improvement recommendation 8</b></p> <p>The Council should review the strategic risk register to assess if risks to its Climate Strategy are adequately addressed.</p>	Improvement	October 2023	The Strategic Risk Register now includes two strategic risks relating to climate.	Yes	No

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p><b>2022-23 Improvement recommendation 9</b></p> <p>The Council should review how it measures and monitors the success and value for money achieved from partnership working initiatives.</p>	Improvement	October 2023	Partnerships are currently managed by individual departments.	Partially	We have raised a new 2023-24 improvement recommendation to replace this recommendation
<p><b>2022-23 Improvement recommendation 10</b></p> <p>The Council should agree a process by which the strategic risk register is updated to reflect actions and issues arising from the monitoring of performance and financial data.</p>	Improvement	October 2023	Action plans now form part of each risk within the strategic risk register.	Yes	No
<p><b>2022-23 Improvement recommendation 11</b></p> <p>The Council should review how it measures and monitors the success of the new 'Gateway 4' procurement process.</p>	Improvement	October 2023	The Gateway 4 process has been updated to streamline the information required and also change its requirement to create more challenge when contracts are up to renewal or extension to encourage more thought on how efficiencies can be made.	Yes	No



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	A	E	F	G	H	I	J	K
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	31-Oct-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
10	Audit Findings Report Council & Pension Fund Accounts 23-24				X		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				
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			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 & Committee			X				
43								
44	* Requires approval by Audit & Standards Committee							

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