



Audit and Standards Advisory Committee

Wednesday 23 July 2025 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 (Independent 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

Sebastian Evans, Rhys Jarvis and Stephen Ross

For further information contact: Harry Ellis, Governance Officer
Tel: 020 8937 3287; Email: 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 of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

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

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

Agenda

Introductions, if appropriate.

Item	Page
1 Apologies for absence and clarification of alternate members	
2 Declarations of Interest	
Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
3 Deputations (if any)	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
4 Minutes of the previous meeting and Action Log	
4.1 To approve the minutes of the previous meeting held on Monday 16 June 2025 as a correct record.	1 - 20
(Agenda pack republished to include this item on the 22 July 2025)	
4.2 To note the updated Action Log from previous meetings of the Audit & Standards Advisory Committee.	21 - 26
(Agenda republished to include an updated version of the Action Log on 23 July 25)	
5 Matters arising (if any)	
To consider any matters arising from the minutes of the previous meeting.	
Governance Items	
6 Procurement Review Update	27 - 38
To receive a report from the Director Strategic Commissioning, Capacity Building and Engagement providing an update on progress with the Procurement Review.	

Finance Items

7 Treasury Management Outturn Report 39 - 72

This report sets out the outturn for the Council's Treasury Management Activities for 2024-25 updating members on both borrowing and investment decisions in the context of prevailing economic conditions and the Council's Treasury Management performance.

8 FM Code Update 73 - 86

To receive a report providing an update on implementation of the FM Code.

Audit & Risk Items

9 Emergency Preparedness Report 87 - 94

This report continues the cycle of regular updates that the Emergency Planning team provide for the Audit and Standards Advisory Committee. The report provides the Committee with an update on the work and priorities of the team since the last update in September 2024.

10 Evaluating the Effectiveness of the Audit and Standards Advisory Committee 95 - 100

This report summarises the outcomes of the evaluation of the effectiveness of the Audit and Standards Advisory Committee for the municipal year 2024-25.

11 External Audit Progress Report and Sector Update 101 - 132

The paper provides the Audit and Standards Advisory Committee with a report on progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It also includes a summary of emerging national issues and developments that may be relevant to Brent as a local authority.

12 Audit & Standards Advisory Committee Forward Plan & Work Programme for 2025-26 133 - 134

To consider and note the Committee's Work Programme for the 2025-26 Municipal Year.

13 Any other urgent business

Notice of items to be raised under this heading must be given in writing to

the Deputy Director Democratic & Corporate Governance or their representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: Thursday 25 September 2025



- Please remember to ***SWITCH OFF*** your mobile phone during the meeting.
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Brent

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE

Held in the Conference Hall, Brent Civic Centre on Monday 16 June 2025 at 6.00 pm

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

Independent Co-opted Members: Rhys Jarvis & Sebastian Evans

Also Present: Councillor Milli Patel (Deputy Leader and Cabinet Member for Finance & Resources), Sophia Brown (Grant Thornton) and Asad Khan (Grant Thornton).

1. Apologies for absence and clarification of alternate members

Apologies for absence were received from Independent Member Steven Ross.

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 and action log

RESOLVED that the minutes of the previous meetings held on Tuesday 25 March 2025 be approved as a correct record, subject to the following amendment:

Min 12: Strategic Risk Review – 3rd bullet point page 18 of agenda pack final sentence being amended to read:

“In noting the Committee’s focus around the management of risk at a strategic level across the Council 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, these were subject to regular and ongoing review to ensure risks could be escalated to the Strategic Risk Report via the Corporate Management Team (CMT) where appropriate.”

Members noted the updates provided in relation to the Action Log of issues identified at previous meetings with specific updates provided in response to the following matters:

- (a) Strategic Risk Report (25 March 25) – members were advised that the next meeting between the Committee Chair, Vice Chair and Scrutiny Chair’s had been arranged for June and would include a review of the Strategic Risk Heat map and approach towards monitoring risk.

- (b) Evaluating the effectiveness of the Audit & Standards Advisory Committee 2024-25 (25 March 25) – the outcome of the self-assessment questionnaire would be presented to the Committee in July 2025 for further review.

In considering the Action Log, members identified a need to ensure that the content was subject to ongoing review in order to update progress and (where available) include due dates for actions. In response, the Chair advised he would be willing to undertake a more detailed review of the log with the Vice-Chair and officers in order to ensure the actions listed remained relevant and were as clear as possible in terms of their allocation and progress.

5. Matters arising (if any)

None.

6. Self-Referral to Regulator of Social Housing

The Chair welcomed Thomas Cattermole (Corporate Director Residents and Housing Services) and Spencer Randolph (Director Housing Services) who he advised had been invited to update the Committee on the circumstance surrounding the Council's self-referral to the Regulator of Social Housing for potential breaches in compliance relating to the Quality and Safety Standard and on the measures being taken in response in order to develop a Performance Improvement Plan.

In introducing the report, members were advised of the background to the self-referral as a result of it having been identified that the True Compliance software utilised by the council had been updated incorrectly. This included up to 12,500 fire actions having been identified as wrongly updated to indicate that works had been completed, but which were missing the required supporting evidence. In addition, the council had been unable to reconcile performance data on asbestos management, water safety and detectors for smoke and carbon monoxide. Having identified the issue, advice had immediately been sought on appropriate corrective steps from a building safety specialist who dealt with the management and recovery of regulatory breaches and, in line with the requirements of the Social Housing (Regulations) Act 2023 around transparency, the advice had been to self-refer to the Regulator of Social Housing. Having made the referral, further details had been sought by the Regulator on performance data relating to building safety and stock condition, which the council had been unable to provide in a comprehensive manner. Whilst the council reported it held stock data on 95% of its homes it had subsequently been identified that it did not hold recorded survey information on over 50% of these properties.

As a result of the issues highlighted the Regulator had therefore issued a regulatory judgement with the Council graded C3 (Serious failings identified, and significant improvements needed).

In response to the position identified and judgement issued the council had initiated a number of actions, which the Committee were advised had included:

- appointing advisors that specialised in building safety and assisting landlords in meeting the requirements and outcomes set out in the Social Housing

(Regulations) Act 2023, in particular The Quality and Safety Standard. The specialist advisors were now in the process of undertaking an initial assessment of the council's compliance arrangements, in preparation for an audit to confirm the true position on the 'Big 8' areas of compliance – Fire Safety, Gas Safety, Electrical Safety, Water Safety, Asbestos Management, Mechanical and Engineering (Lifts), damp and mould & Smoke and Carbon Monoxide (CO) detectors. Members were advised that the audit would comprise the first part of three pieces of work required to return the council to a position of compliance.

- The second piece of work would consist of a Root Cause Analysis (RCA) of the working practices and arrangements that had resulted in the breaches.
- The third piece of work, which was due to commence shortly and run alongside the audit and the RCA, was the development of a Compliance Recovery Programme with each element of activity identified contributing towards the establishment of a Performance Improvement Plan, as required by the Regulator. It was noted this would be subject to ongoing review with the Regulator to track progress and provide assurance on the improvements needing to be delivered.

Following the update, the Chair thanked Thomas Cattermole and Spencer Randolph for their report. In welcoming the transparency provided and noting the Committee's role in seeking the necessary assurance on the measures established to address the compliance issues and risks identified, questions and comments were then sought from the Committee, with the highlights of the discussion summarised below:

- Further details were sought on the scale of the data collection issues identified, given the problems highlighted in the way the council had been recording data and reporting actions as complete without the necessary supporting evidence. In response, members were advised that this would form part of the work being undertaken through the compliance audit and subsequent compliance recovery programme, with an initial focus on those case identified as most urgent or with the highest risk. Members were assured that the completion of those actions subject to review had not involved any risks assessed as intolerable with a further assessment on all 33 of the Council's high-rise blocks being undertaken in order to pick up any immediate actions required. In terms of the Fire Risk Assessments, members were advised that the key focus remained on those actions identified as having been completed but for which there was no supporting evidence and whether this was a case of missing data or work not being completed.
- Whilst recognising that the issues identified had been inherited by the current housing management team, members were concerned at the nature of the compliance issues identified given what was perceived to be a lack of specific overview, tenant engagement or scrutiny of housing as one of the most important functions delivered by the Council (especially given the increasing challenges in relation to supply and demand) and whether the lack of dedicated housing scrutiny was felt to be an issue and supported the need for reestablishment of a Housing Scrutiny Committee. Whilst recognised as an option, members were advised that the key issue related to the management

and operational oversight of the way in which data was being recorded along with the use and training available to staff on the True Compliance System, which would all be assessed as part of the wider root cause analysis being conducted as part of the audit process. It was also pointed out that the work being undertaken to address the issues identified was already subject to review by both existing Scrutiny Committees with oversight on delivery of the Improvement Plan being led by the Housing Management Improvement Board.

- As further assurance in relation to the approach adopted by the Council, members were advised that the Regulator had recognised the Council's proactive approach with regards to engagement in respect of the engagement with tenants, members and the wider community. This included the establishment of an engagement team and communications having been issued regarding the self-referral and the subsequent judgement and the media and residents being kept informed as plans were progressed with the next key milestone being the completion of the audit to provide a clear understanding of the full scope of work required. The Committee acknowledged this was a significant journey, requiring sustained commitment from housing services with it highlighted that many other local authorities were facing similar issues and had received similar regulatory gradings under the new regulation framework, reflecting not only the specific issues highlighted but also, on a sector wide basis, challenges in terms of investment in an ageing stock and levels of rent. Officers confirmed that whilst an industry-wide challenge this context did not diminish the Council's commitment to achieving the highest standards.
- In recognising the extent of the issues identified, further details were sought on the potential resource implications arising in seeking to address and implement the Improvement Plan and any additional compliance measures following completion of the audit. In response, officers advised that that whilst the audit was ongoing the full extent of any additional resource requirements remained uncertain. The audit was expected to take 6-8 weeks to complete, and while aware of the current pressures in relation to the Housing Revenue Account (HRA), members were advised that the Regulator would expect a fully costed Action Plan to be provided aimed at achieving compliance within the next 2 -3 years. Confirmation was provided that the costs being incurred as a result of the process to date would need to be managed within the HRA. Clarification was also sought on the potential impact in terms of wider grant funding being made available to support social and affordable housing development schemes until compliance was achieved, with members advised that at this stage officers were not aware of any grant funding being impacted although this had been identified as a potential risk corporately.

In terms of funding, the challenges in relation to management of the HRA were acknowledged given the reliance on rental income and the costs involved in delivering the housing service as a landlord. It was noted any additional funding required would therefore involve a stringent approach focussed on where it would be possible to make savings, achieve better contract management, maximise rental income and payments from leaseholders for works being undertaken, which members were advised had already been identified as actions within the HRA Business Plan, Given the need identified to ensure compliance it was not felt that

decisions could be delayed and it felt that with prudent financial management and a realistic timetable it would be possible to budget for the required action within the existing HRA budget.

Highlighting completion of the audit as the first stage in the process, members were advised that the need to review governance and officer structures, as well as data control and policy frameworks had also been recognised as part of the comprehensive package of improvement activity in relation to housing compliance with a new Strategic Compliance Manager having been recruited as well as an interim Head of Service to support the Compliance Team.

- Following on, details were sought on the timescale to move from a C3 to C2 grading and ambition to achieve C1. In response, confirmation was provided that it was expected take around 12 to 18 months to satisfy the Regulator of Social Housing that Brent had a firm grip on its management of building safety compliance and that until this was done it would not be able to attain a C2 grading with the commitment to then work towards full compliance.
- As additional issues highlighted during the discussion reference was also made to contract management (given concerns over the current housing repairs service) with concerns also raised on the position regarding data held in relation to the Council's housing stock and percentage of fire safety actions that had not been carried out, which it was noted may have dated back as far as 3 years.
- Communication, community management and managing reputational risk were also identified as key issues with officers again highlighting the proactive communication strategy implemented which had been approved by stakeholders and commended by the Regulator including direct engagement through area tenancy managers.

With no further comments or questions raised the Chair thanked Thomas Cattermole and Spencer Randolph for the clear update provided along with members for the comments raised in response. Members advised they would be keen to ensure a further update was provided following completion of the initial audit process and on this basis, it was **RESOLVED**:

- (1) To note the contents of the report.
- (2) To note the Regulator of Social housing had issued a Regulatory Notice requiring the council to address the breaches in compliance with the required outcomes of the Quality and Safety Standard.
- (3) To note the appointment of specialists to assist with the recovery of the compliance breaches identified along with the activity outlined in developing the accompanying Performance Improvement Plan.
- (4) That a further update be provided by the Director of Housing in September 2025 on the outcome of the initial audit and progress in developing and implementing the associated Performance Improvement Plan.

7. Standards Report (including gifts & hospitality)

Bianca Robertson (Principal Lawyer, Constitution Governance and Finance) introduced a report from the Corporate Director Finance and Resources updating the Audit and Standards Advisory Committee on gifts and hospitality registered by Members and a recent standards decision involving King's Lynn and West Norfolk Borough.

In reviewing the content of the report, the following key issues were highlighted:

- During the first quarter of 2025-26 there had been five councillors who had declared gifts and hospitality as detailed in Appendix A of the report. Since the report had been published members were advised that an additional declaration had been made by Councillor Kelcher.
- Updating the Committee on changes to the Members Code of Conduct members were advised of the change made in response to the recommendation included within the External Auditors 2023-24 Value for Money (VFM) report concerning the registration of gifts and hospitality to include more information for "exceptional items" to ensure transparency. Having reviewed the Code and following discussion at the Constitutional Working Group (CWG) it had been agreed to amend the gifts and hospitality provisions of the Code to require members accepting any gift or hospitality valued as £500 or more to provide reasons to the Monitoring Officer as to why they consider it appropriate to accept the gift or hospitality. This agreement had been approved at the Annual Council Meeting in May 2025 with a copy of the amendment to the Members Code of Conduct set out within Appendix B of the report.

Having considered the update, as set out within the report without further comment the Chair thanked Bianca Robertson for the update provided and it was **RESOLVED** to note the contents of the report including the change to the provisions of the Members Code of Conduct concerning gifts and hospitality (G&H).

8. **Internal Audit Annual Report 2024-25 (including Annual Head of Internal Audit Opinion)**

Darren Armstrong (Deputy Director Organisational Assurance and Resilience) introduced a report from the Corporate Director Finance & Resources which outlined the activity undertaken by Internal Audit during 2024-25 (and work undertaken since the previous update in December 2024) and included the Annual Audit opinion provided by the Deputy Director Organisational Assurance and Resilience (as Head of Internal Audit) on the adequacy and effectiveness of the Council's framework for governance, risk management and internal control used to support the Annual Governance Statement.

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

- There had been no actual or perceived threats to the independence and objectivity of the Internal Audit function in relation to the work carried out to deliver the 2024-25 internal audit plan. The Head of Internal Audit and all internal auditors had continued to receive unrestricted access to senior management, officers and all information and records necessary to undertake

their work. This was supported by the internal audit function having also received an External Quality Assessment (EQA) during 2022-23, which identified no concerns regarding to the independence or objectivity of the function.

- The summary relating to delivery of the internal audit plan during 2024-25 contained within section 4 of the Annual Report attached as Appendix A to the report. This had included the conclusion and issuing of 51 separate audit reports which was felt to represent a notable achievement given that the team had operated at approximately 75% capacity for most of the year with the team praised for their dedication and hard work. In terms of outcome, this activity had led to a total of 122 findings being raised, comprising 39 classified as high risk, 56 medium risk, and 21 low risk and with all recommendations being accepted by management.
- Section 5a within the Audit Plan detailed the core assurance work undertaken during 2024-25 focussed around the Council's core systems and controls based on a rolling three-year cyclical plan. This had included the completion of 13 core assurance audits (representing 100% of the planned work for 2024-25). These audits had generated 52 findings, with 14 classified as high risk, 24 as medium risk, and 14 as low risk. The outcomes had included nine opinions of moderate assurance and four opinions of limited assurance with all recommendations having been accepted by management. Section 5b of the Annual Report provided a summary of the outcomes from each core assurance audit, while section 5c provided a headline summary of the key findings.
- Under the agile risk focussed element of the Internal Audit Plan, the team had adopted a more fluid, flexible, and adaptive approach to providing assurance on emerging risks and issues. As part of the agile risk-based work undertaken during 2024-25 10 audits had been completed, with 6 providing moderate assurance and 4 providing limited assurance opinions. This work had generated 50 findings, comprising 17 classified as high risk, 26 as medium risk, and 7 low risk findings. Section 6b of the Annual Report provided a summary of the outcomes from each risk-based audit, while section 6c provided a headline summary of the key findings.
- The summary of consultancy and advisory and School Audit activity delivered by the audit function during 2024-25 as detailed within sections 7 and 8 of the Annual Report.
- The outline of follow up activity undertaken during 2024-25 in relation to previous audit reviews as detailed within section 9a of the Annual Report. The Committee was advised that 150 actions had been followed up during 2024-25 including 42 classified as high risk, 86 as medium risk and 22 as low risk and with the rate of implementation within original timescale having increased from 46% in the previous year to 67% during 2024-25. While this had remained short of the 75% target, it the Committee noted this represented a marked improvement and positive upward trend. The Annual Report also included an outline of actions partially or still to be implemented.

- As detailed within section 10 of the Annual Report, the Head of Internal Audit had been satisfied that the work undertaken by Internal Audit during 2024-25, as well as wider governance arrangements, had enabled a “reasonable assurance” audit opinion to be provided on the Council’s control framework, risk management and governance arrangements. In noting the basis of the opinion provided, which had been primarily supported by internal audit activity undertaken during 2024-25 the Committee were also advised of the limitations identified given it was not possible for the Plan to address all risks facing the Council and represented the deployment of a limited audit resource. In addition, it was recognised that the assurance provided could never be absolute given the difficulty in internal audit being able to identify and address all issues and weaknesses that may exist and the responsibility for maintaining adequate and appropriate systems of control residing with management as opposed to internal audit. In outlining the basis of the opinion, the Committee were also advised of the other sources of assurance which had been considered which included the Corporate Peer Challenge, External Audit Annual Report, Procurement Peer Review, counter fraud activity and assessment of the Council’s framework of governance against the Delivering Good Governance in Local Government guidance.
- In determining the annual opinion, the Head of Internal Audit had considered which key themes from audit work undertaken in 2024-25 could be enhanced in the future to better support the Council’s governance, risk management and internal control frameworks. The areas of improvement identified as a result had been detailed within section 10 of the Annual Report and included:
 - The rate of implementation of audit recommendations/actions within original timescales.
 - The need to continue addressing “second line” gaps in control identified at departmental and operational level including compliance issues identified as a result of the Council’s self-referral to the Regulator for Social Housing.
 - The need to review delivery of the recommendations made by External Audit and through the Corporate Peer Challenge in relation to strengthening the Council’s financial resilience and sustainability.
- The continued compliance of the Internal Audit function with the Public Sector Internal Audit Standards and quality assurance improvement programme along with outline of key performance indicators, as detailed within section 11 of the Annual Report.

The Chair thanked Darren Armstrong for the report along with the internal audit team for their work over the year recognising the level of activity undertaken and outcomes achieved within the resource available before inviting comments on the outline provided of the Internal Audit Annual Report, with the following issues raised by the Committee:

- In seeking assurance regarding independence of the core assurance audit completed on the Council’s insurance arrangements given this function fell within the remit of the Deputy Director Organisational Assurance and Resilience, confirmation was provided that those appropriate procedures had been in place to ensure that the audit was conducted independently. This had involved PWC as the internal audit co-sourced partner undertaking the audit

work with the findings reported directly to the Corporate Director Finance & Resources.

- In noting the range of common audit findings which would have either a direct or indirect impact on the Council's procurement arrangements and wider performance management framework (including policies and procedures and documentation) and may assist in the strategic procurement review currently being undertaken, details were sought on how these could be used to inform the process. In response, Darren Armstrong advised that discussions had already taken place regarding coordination with the procurement review, including how best relevant audit findings could feed into the process and how internal audit could provide assurance over progress moving forward.

Concern was also highlighted at the potential risk in relation to the number of open purchase orders identified as part of the core assurance audit on procurement. In recognising the inherent risk this posed in terms of data accuracy and integrity, as well as increased risks of inappropriate expenditure and fraud members were advised of the recommendation that as best practice, long-standing purchase orders should be closed to prevent prolonged risk of inappropriate or unauthorized expenditure.

- In recognising that a high number of audit findings also related to data management and compliance issues, members felt it may be useful to consider a wider review of data quality culture across the Council, which Darren Armstrong advised could be fed into the improvement activity already identified as part of the Head of Audit Opinion regarding second line controls. In view of the identification of data quality and integrity as a theme across core and risk focussed audit activity in terms of gaps and weaknesses in the Council's second line of defence, members also felt it may be useful to consider the potential scope for a more cross cutting review of the arrangements in place across individual departments to ensure the necessary oversight has been embedded and was being monitored across the Council as a whole.
- Further clarification was sought on the implementation of follow up actions within original target dates. Whilst recognising and welcoming the improvement in performance outlined with the report and action being taken to address actions arising from audits that remained partially or not implemented (particularly in relation to second line gaps in control) further details were sought on how performance in this area could be further enhanced moving forward. In response, members were advised of the measures in place to support and remind departments of the importance that needed to be placed at an operational level on the implementation of audit actions based on realistic achievable target dates and enhanced engagement and monitoring at departmental level to ensure issues with non-implementation of actions were highlighted and addressed prior to escalation to the Council Management Team, Brent Assurance Board and ultimately (should it be identified as required) utilising the powers available to the Audit & Standards Advisory Committee.

Members also sought further details on benchmarking undertaken in relation to performance on the target for implementation of follow up actions. Whilst noting

that the 75% target had been agreed as part of the Audit Plan it was recognised that some slippage would be inevitable given the capacity of resources available and multiple competing priorities. However, the Council maintained a 100% target for all actions being implemented, with a staged process monitoring actions through original target dates, revised target dates, and then overdue status for those requiring more scrutiny and internal audit continuing to work closely with management to monitor implementation of recommendations and actions arising from individual audit reviews, including thorough follow-up review. In addition to the overall improvement identified, members were also advised that the rate of High risk actions implemented within original target dates has also risen from 48% in 2023-24 to 64% in 2024-25 with clear support provided at a corporate level and work ongoing (as an identified area of improvement) to further increase the rate of implementation, within original target dates, to the target of 75%.

- Highlighting the importance attached to the improvement activity identified in relation to the Council's Financial Sustainability arrangements, further details were sought on the role of internal audit in supporting this process. In response, members were advised that internal audit had recently completed a Financial Resilience and Sustainability Consultancy/Advisory review using subject matter experts from PWC. The main aim was to evaluate the Council's ability to maintain robust financial health in a volatile environment with the review including a self-assessment by the finance team against CIPFA criteria and a workshop to validate and refine the insights provided. The outcome of this process had identified a number of key finding and suggested areas for consideration including best practice from across the local government sector that would be followed up in order to assess how they had been translated into the resulting action plan and could be used as a basis for providing further assurance. Minesh Patel (as Corporate Director of Finance & Resources) advised members that the review had been a useful process in supporting development of the action plan to address the Council's financial resilience as part the wider Medium Term Financial Strategy.
- In response to further details being sought on the findings identified within the core assurance audit on the General Ledger relating to discrepancies in the process for provisioning and revoking staff access to the system members were advised that further details would need to be sought from the relevant department on the specific checks and security arrangements in place. As further assurance, confirmation was provided that all audit findings had been accepted by management with a response due to be provided as part of the next interim update on progress against the Audit Plan for the Committee.

With no further issues raised, the Chaired once again thanked Darren Armstrong and the Internal Audit team for the work undertaken to deliver the Plan whilst also recognising the ongoing challenges and risks identified involving not only core assurance activity but also identified through the more agile risk based approach and Council's Strategic Risk Register, including the ongoing focus on issues relating to the second line of defence and implementation of audit findings.

Having commended and welcomed the update provided the Committee **RESOLVED** to note:

- (1) the outcomes of the internal audit work completed in 2024-25.

- (2) the Annual Internal Audit opinion on the adequacy and effectiveness of the Council's framework for governance, risk management and control.

9. **Annual Counter Fraud Report 2024-25**

Darren Armstrong, Deputy Director Organisational Assurance & Resilience, introduced a report from the Corporate Director Finance & Resources presenting the Council's Annual Counter Fraud Report for 2024-25, which summarised the counter fraud activity undertaken across multiple fraud types (including internal fraud, housing tenancy fraud, external fraud and proactive work) and had been designed to support the Committee in obtaining assurance on the robustness of the Council's counter fraud arrangements. The report also fulfilled the requirements of the Local Government Transparency Code 2015, which required local authorities to publish details of their counter-fraud activity.

In considering the report the following key issues were noted:

- The high priority identified in terms of counter fraud activity given the inherent and significant level of risk posed by fraud to the Council, with the Council having established a well developed approach towards tackling fraud and corruption based on a combination of reactive and proactive prevention and detection activities in line with best practice.
- The Annual Counter Fraud Plan had been designed to ensure that resources were being effectively targeted and deployed to prevent and detect fraud, underpinned by the Council's Anti-Fraud and Bribery & Whistleblowing policies. A summary of all reactive and proactive counter fraud activity undertaken in 2024-25 had been detailed within the Annual Counter Fraud Report attached as Appendix 1 to the report.
- The outline of the Counter Fraud Plan, which had been included as Appendix 2 of the report, which summarised how resources would be deployed and targeted to achieve the aims and objectives within the Council's anti-fraud policies developed based on previous outcomes, stakeholder engagement, known and emerging risks. Members were advised this also included the Fraud Awareness Plan which summarised the activities being undertaken to raise awareness of fraud risks and help ensure that the Council's assets were adequately protected.

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

- Noting the continued level of referrals relating to Blue Badge Fraud, the Committee sought further details on the lobbying being undertaken in support of the introduction of a virtual blue badge scheme which it was felt would make the badges less vulnerable to theft and fraudulent use. In response, members were reminded that the counter fraud activity was focussed on the misuse of blue badges rather than administration of the system which would be a matter for the Healthy Streets and Parking Team to pursue. Whilst aware of work being undertaken in terms of the implementation of a virtual scheme it was noted that any more detailed update would need to be sought from the Healthy Streets and Parking Team.

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

10. Chair's Annual Report

David Ewart, as Chair, introduced the Annual report produced by the Chairs of both Committee's providing a summary of the work undertaken by the Audit & Standards Advisory Committee and the Audit & Standards Committee during the 2024-25 Municipal Year, in line with the requirements and principles set out within CIPFA's Position Statement regarding Audit Committees.

In noting the report was the third annual report produced under the current requirements David Ewart (as Chair) highlighted the following as key issues identified through the work undertaken across both Committee's during 2024-25 which included a focus on:

- The high and increasing level of risks being faced by the Council and across local government as a whole, given the continuing pressures on local authority finances and need to ensure robust system of governance and financial control were maintained.
- The Council's financial resilience and sustainability. Whilst noting that Brent remained in a relatively good position with regard to financial sustainability, with an adequate level of reserves, it was recognised that the Council had not been able to contain expenditure within budget. In commending the efforts made to ensure Brent had been one of the few authorities to have the external audit of its accounts signed off before the backstop date, the Committee had noted there remained a number of ongoing issues which may lead to future problems in terms of the Council's financial resilience. These included ongoing pressures on demand for Council services (which had been recognised as a key issue by the External Auditors in their annual (Value for Money) report and accompanying recommendation for action) along with level of external debt given the impact of higher interest rates.
- The Council's governance and internal control arrangements. Whilst confirmed as sound within both the External Auditor's Value for Money report for 2023-24 (with the exception of their findings concerning Financial Stability) and Head of Internal Audits report and opinion issued in June 2024 a number of areas had been identified for ongoing review particularly in relation to the continuing need to address the 'second line' of defence (i.e. the monitoring and reporting of information and data, by management, in respect of the effectiveness of the 'first line' of defence); implementation of internal audit recommendations/actions, the need to review procedures where staff reductions may have weakened existing procures or controls and the continuing need to strengthen the oversight of contract and procurement management.
- The continuing need for both Committees to review and improve their own performance, to further improve the Council's risk management. As part of this process, a self-assessment had been completed by members at the end of 2024-25 with the results, it was noted, due to be reported to the July

meeting of the Audit & Standards Advisory Committee for more detailed review and reflection.

In support of the issues identified, Councillor Chan (as Vice Chair and Chair of the Audit & Standards Committee) felt it important to reflect on the nature and wider context of the issues which had been highlighted given the challenging financial position in which local authorities continued to operate and the ongoing level of demand for key services impacting on the financial resilience on many authorities, including Brent. Given the reputational issues identified the need to continue lobbying for reform of local government finance was seen as key which was an issue that would be highlighted when the report was presented to Full Council in July 2025.

The Committee welcomed the report which was felt to provide a good summary of the activity undertaken and in thanking all members and officers involved for their ongoing support in the work across both Committees it was **RESOLVED** to note the contents of the Annual Report ahead of it being presented to Full Council on 7 July 2025.

11. **Annual Governance Statement 2024-25**

Marsha Henry, Director of Law, introduced a report from the Corporate Director finance & Resources that set out the draft Annual Governance Statement (AGS) for 2024-25 as required by the Accounts and Audit Regulations 2015.

In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.5 of the report.
- That no significant governance issues had been identified relating to 2024-25, however some areas of improvement had been identified, as detailed in section paragraph 5 Table 1 within the Annual Governance Statement. The AGS had also included reference to the outcome of the Corporate Peer Challenge and comprehensive action plan produced in response, the Procurement Review as well as the Council's self-referral to the housing regulator along with work being undertaken to deliver a refreshed People Strategy accompanied by an updated Equity, Diversity & Inclusion (EDI) Strategy and introduction of the "embrace change" programme. Details were also provided in relation to progress made in delivery of the Improvement Plan from 2023-24, as set out in section 3.11 of the report.
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, with the review of effectiveness in relation to governance related issues an ongoing process involving officers responsible for key elements of the governance framework as well as members of the Corporate Governance Group, who throughout the year have oversight of governance related issues, supported by the Code of Corporate Governance which had been adopted by the Council and was included as Appendix B to the report.

Having thanked Marsha Henery for presentation of the report, the Chair advised members that they were being invited to comment on the draft AGS in advance of its formal consideration and approval by the Audit and Standards Committee. As a result, the following issues were highlighted:

- In noting the assurance included relating to the role of the Audit & Standards Advisory Committee, the Committee were pleased to note that no significant governance issues had been identified within the AGS although reference was made to the need to ensure paragraph 4.13.3 was updated to reflect the key recommendation and areas for improvements identified as part of the External Audit of the Council's 2024-25 Statement of Accounts (as opposed to 2022-23 currently referenced in the AGS) and improvement actions identified as a result of the annual review of governance.
- Members were also keen to ensure that a review of section 5.4 within the AGS was undertaken in relation to the Council's Self-Referral to the Regulator of Social Housing which it was felt should also include reference to the recorded survey information held in relation to Council Stock. The Committee were reminded that whilst the council had reported it held stock data on 95% of its homes it had subsequently been identified that it did not hold recorded survey information on over 50% of these properties.
- Following reference to the action plan developed in response to the Corporate Peer Challenge and support expressed for the reference included with the AGS to the focus on activity designed to break down the silo culture and enhance collaboration and communication between departments, especially in relation to development of the radical place leadership programme and delivery of the Medium Term Financial Strategy, members requested that they be provided with a copy of the Corporate Peer Challenge Action Plan (presented to Cabinet 7 April 25) & Radical Place Leadership update (presented to Health & Wellbeing Board on 2 April 25) – for reference purposes.

As there were no further comments raised, the Chair thanked officers for the report and it was **RESOLVED** to recommend the Annual Governance Statement to the Audit & Standards Committee for formal approval, subject to:

- (1) review and amendment (as felt necessary) of reference to the key recommendations and improvement actions from External Audit VFM report for 23-24 in section 4.13.3 of the AGS; and
- (2) review of section 5.4 relating to the Council's referral to the Regulator of Social Housing and data held on the Council's stock condition surveys.
- (3) confirmation being provided in paragraph 4.9.1 that the Audit & Standards Advisory Committee had met on 8 rather than 7 occasions during 2024-25.

12. **Update on 24-25 Statement of Accounts**

Ravindar Jassar (Deputy Director Corporate and Financial Planning) introduced a report from the Corporate Director Finance & Resources providing an update on the Statement of Accounts for 2024-25 report.

In presenting the update members were reminded that the Committee had received an update on the preparation of the 2024-25 Statement of Accounts in March 2025 with the following identified as the main significant issues likely to impact on completion of the accounts:

- the implementation of lessons learned from the 2023-24 accounts in relation to the accounting for assets and valuations; and
- the adoption of IFRS 16, where the new standard required changes for most leases to be recognised on the balance sheet impacting both assets and liabilities.

In relation to assets and valuations, members were advised this had been a significant concern for the 2023-24 audit which had caused delay in sign off the accounts. As part of the preparation for the 2024-25 accounts, a number of cross council working groups had therefore been established in order to address the issues raised, ensure services held accurate information on the assets they were responsible for to enable accurate valuations, and ensure the asset register reconciled to these valuations with over 15,000 assets having been identified across property, housing and regeneration. The Committee was advised that whilst resource had been dedicated to support this project, it had also created additional work from a finance and service perspective which had led to some delays in validating all of the data required to ensure accurate valuations. The Committee were advised that whilst significant progress has been made, further refinements and developments were expected to continue beyond year-end as Council-wide processes become more robust and consistently applied creating a risk that some residual issues may arise as part of ongoing efforts to ensure consistent practices and high-quality data across services.

In addition, the adoption of IFRS 16 had also represented a significant change for the 2024-25 financial statements with the key issues noted within the report. As with assets and valuations, a dedicated resource had been provided to support the project, working with legal and relevant service areas to undertake the necessary reviews to support publication of the accounts.

Members were advised that to date, two review meetings had been held between Grant Thornton and the finance team with the External Auditors having expressed satisfaction with the progress being made although the scale and complexity of the work being undertaken had been recognised as creating some delay in validating the data required by valuers and in processing the necessary accounting adjustments to the financial statements, which it was noted remained a substantial undertaking.

As a result of the work and delays identified and in recognising the importance in undertaking a comprehensive review of the accounts before they were published, the Committee was advised that it was proposed to delay publication of the accounts by three weeks, from 30 June 2025 to 18 July 2025.

The Committee was assured that discussions had been undertaken with Grant Thornton in relation to the revised publication date with a plan also in place to audit those sections of the accounts that had been completed and were ready for audit in

order to limit the impact on the overall audit timetable, with a further update to be provided for the Committee at its July 2025 meeting.

In commending the close work between the Council's finance team and External Audit, members noted the amended key dates for the production of the accounts for 2024-25, as set out set out in section 3.11 of the report along with the need identified to publish a notice and inform the Secretary of State outlining the reasons, should the deadline for publication of their accounts be missed. Members were advised that the approach outlined in terms of the delay in publication of the accounts had been endorsed by Grant Thornton with confirmation provided by Sophia Brown of the work already underway in terms of the fieldwork to support the audit process and of the close engagement with the Council's finance team to ensure the necessary quality assurance checks were in place to support the provision of as complete and accurate a statement of accounts as possible.

As final consideration, members were advised that publication of the Annual Governance Statement and Narrative Report would also need to be coordinated alongside publication of the Council's draft unaudited financial statements in order to ensure the requirements in relation to their inspection were complied with.

In support of the approach outlined within the report, the Committee **RESOLVED** to note the delay in publication of the Statement of Accounts for 2024/25.

13. **Draft External Audit Plan (incl Pension Fund) year ending 31 March 2025**

Sophia Brown (Key Audit Partner - Grant Thornton) introduced a report providing the Committee with an update on progress with completion of the initial planning for the 2024-25 audit of the Council's financial statements and Brent Pension Fund.

In presenting the indicative audit plan for the London Borough of Brent report the Committee noted:

- The key developments identified as impacting on the current audit approach which included the proposals for reform of the local audit system, the wider national context in relation to the economic, social and health challenges impacting on local government alongside the local context in relation to the financial position in Brent and impact arising from the new accounting standards and reporting developments including IFRS16.
- The backstop arrangements for the publication of audited financial statements for the year ended 31 March 2025 had been set as 27 February 2026.
- The scope of the audit process and outline of significant risks to be considered which had included management of override controls, valuation of land and buildings as well as council dwellings, IFRS16 leases implementation and risk of fraud in revenue and expenditure recognition.
- The planning financial statement materiality had been determined as £22.624m (PY £16.1m) for the Group and £22.524m (PY£16.1m) for the Council, which equated to approximately 2% of the prior year gross operating costs. In addition, members were advised the External Auditors were required to report uncorrected omissions or misstatements other than those which were

'clearly trivial' to those charged with governance. Clearly trivial had been set at £1.131m (PY £0.830m) for the Group and £1.126m (PY £0.805m) for the Council and with a specific lower materiality of £20,000 per individual, for senior officer remuneration and termination benefits.

- At the time of preparing the report it was reported that Grant Thornton had not concluded the detailed VFM planning and risk assessment procedures with a further update to be provided for the Committee on the outcome of the planning procedures, resulting risk assessment and planned responses to identified risks of significant weaknesses (including those relating to the Council's financial resilience) at the next Audit & Standards Advisory Committee meeting in July 2025. The Committee was advised this would also include consideration of the Council's self-referral to the Regulator of Social Housing as a potential additional significant weakness under the VFM work.
- The update provided on progress against prior year audit recommendations including the management actions identified in response on which a final update would be included as part of the External Audit Annual Report due to be presented to the Committee in September 2025 as well as scope of the IT audit strategy.
- The initial outline of audit logistics and timescales as detailed on page 41 of the report with the initial planning and risk assessment audit visit having taken place in April 2025 and final visits scheduled from July to September 2025.

The Chair thanked Sophie Brown for the update prior to seeking comments from the Committee with the following issues highlighted:

- Further details were sought on the inclusion of the Council's self-referral to the Regulator for Social Housing as an issue for potential consideration under the VFM review and any delays likely to be incurred in the VFM audit process as a result, given the timescale for completion of the compliance audit and establishment of the Performance Improvement Plan. In outlining the reasons for consideration of this as a potential weakness in terms of the wider VFM review, Sophia Brown advised this related to the impact on the arrangements in place across the Council for securing economy, efficiency and effectiveness and to ensure that proper arrangements were in place for the conduct of business in terms of necessary oversight and governance controls around the management of resources and data. At this stage it was not anticipated the inclusion of this work as an additional area of review would impact on the final timescale for completing the Annual External Audit and VFM report by September 2025.
- In response to a query, further clarification was provided on the basis of the determination outlined in relation to materiality and its impact on the audit scope. In noting the audit fees also outlined within the report, confirmation was provided (in relation to ongoing concerns expressed by members on the need to monitor and keep any fee variations under review) that the current fee did not include the additional work that may be required as a result of the change in accounting standards and reporting relating to IFRS16. Whilst recognising that the audit fee was set through PSAA as part of their national

procurement exercise, members remained keen to ensure this was kept under close review.

With no further issues raised the Committee then moved on to consider the indicative plan for the audit of Brent's Pension Fund, which was presented by Asad Khan (Pension Fund Engagement Manager, Grant Thornton).

In presenting the indicative audit plan the Committee noted:

- The key national and local context impacting on the audit approach with the Plan remaining largely consistent with that undertaken in previous years.
- The scope of the audit process and outline of significant risks to be considered which had included management override of control, valuation of Level 3 investments and the revenue cycle including fraudulent transactions – rebutted.
- The determination of planning materiality at £23.9 million (PY £18.6 million) for the Pension Fund, which equated to 1.9% of the gross investment assets as of 31 March 2024. A lower specific planning materiality had been determined for the Fund Account of £6.4 million (PY £5.9 million), which equated to 10% of prior year gross expenditure on the fund account. In addition, members were advised that the External Auditors were obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance which had been set at £1.1 million (PY £930,000).
- The update provided on progress against prior year audit recommendations including the management actions identified in response as well as scope of the IT audit strategy.
- The initial outline of audit logistics and timescales as detailed on page 10 of the report with the initial planning and risk assessment audit visit having taken place in between February & March 2025 and final visits scheduled from July to September 2025.
- The outline of the audit fee, which members were advised would be subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that required additional time and/or specialist input.

The Chair thanked Asad Khan for the update prior to seeking comments from the Committee with the following issues highlighted:

- Further details were sought in relation to the potential risk identified in relation to the valuation and security of Level 3 investments. In response Asad Khan advised that whilst this was not related to a specific issue the risk identified reflected the nature of Level 3 investment valuations given their lack of observable inputs. The valuations had therefore been assessed as representing a significant accounting estimate by management in the financial statements due to the size of the balance (£122.7 million as of 31 March 2024) and the sensitivity of the estimate to any change in key assumptions hence their identification as a potential significant risk.

With no further questions or comments raised, the Chair concluded the discussion and thanked Sophia Brown and Asad Khan for their update and work in support of

the audit process. The Committee then **RESOLVED** to note the indicative audit plans for the London Borough of Brent and Brent Pension Fund.

14. **Audit & Standards Advisory Committee Forward Plan & Work Programme for 2025-26**

It was **RESOLVED** to note the Committee's Forward Plan and Work Programme for the 2025-26 Municipal Year with the dates for further meetings noted as:

- Wednesday 23 July 2025
- Tuesday 25 September 2025
- Wednesday 3 December 2025
- Tuesday 3 February 2026
- Tuesday 24 March 2026

It was noted that development of the Committee's work programme would continue to be kept under close review with the Chair and Vice Chair working closely with officers to ensure sufficient capacity was maintained to allow for the appropriate consideration of each item at future meetings.

As part of this process, it was **AGREED** that a further update be scheduled on the working programme for September 25 on progress with the audit of the Council's compliance arrangements relating to the self-referral to the Regulator of Social Housing and development of the associated Performance Improvement Plan.

15. **Any other urgent business**

There were no items of urgent business raised for consideration at the meeting.

The meeting closed at 8.04 pm

David Ewart
Independent Chair

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London Borough of Brent
Audit & Standards Advisory Committee – Action Log July 2025

Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
16 Jun 25		ASAC Action Log	To review content of ASAC Action Log in order to update progress and (where available) include due dates for actions	Chair & Vice-Chair & lead officers with Harry Ellis	In progress
16 Jun 25	6	Self-Referral to Regulator of Social Housing	Further update to be provided for ASAC in September 25 on progress with audit of Council's compliance arrangements and any further action identified in relation to the Performance Improvement Plan	Spencer Randolph	In progress – update report scheduled on ASAC work programme for September 25
16 Jun 25	11	Annual Governance Statement	<ul style="list-style-type: none"> As part of referral to ASC for formal approval to ensure this is subject to minor amendments in relation to reference to the External Audit VFM report 23-24 and also review of section 5.4.2 re the Council's referral to the Regulator of Social Housing. Members of the Committee be provided with a copy of the Corporate Peer Challenge Action Plan (presented to Cabinet 7 April 25) & Radical Place Leadership update (presented to Health & Wellbeing Board on 2 April 25) – for reference purposes 	Harry Ellis	Completed – referred to ASC and approved on 16 June 25 (subject to amendments identified). Cabinet & HWB report circulated to Committee on 1 st June 2025
25 March 2025	11	Strategic Risk Report	<ul style="list-style-type: none"> To review Climate Change and Environmental considerations within future cover report to ensure they reflect any related risks identified within the register 	<ul style="list-style-type: none"> Darren Armstrong 	Ongoing
			<ul style="list-style-type: none"> Risk to Council arising from change in Employer National Insurance 	<ul style="list-style-type: none"> Minesh Patel/Rav Jassar 	Ongoing

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			contributions impacting on to 3 rd Party suppliers to be kept under review as part of general risk already included on register relating to Financial Resilience & Sustainability.		
	14	Evaluating the Effectiveness of ASAC 24-25	Self-evaluation questionnaire to be circulated to all members (incl co-optees) by Governance Team for completion and submission at start of May. Results to then be collated and used to inform Chair's Annual Report.	Harry Ellis	Completed – results to be presented to Committee in July 25
			Outcome of self-evaluation to be presented to ASAC in July 2025 for further review – identified as action by Committee on 16 June 25		In progress
24 Feb 25		Strategic Risk Register Update	<ul style="list-style-type: none"> 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) Additional clarification to be sought on existence of any London wide local authority strategic risk register (Darren Armstrong) 	Rav Jassar/Darren Armstrong	In progress – update to be provided as part of next update on Strategic Risk Register – March 25
04 Dec 24	8	Treasury Management Mid-Year Report 2024-25	In commenting on the report the Committee, in reviewing the Capital Expenditure and Financing requirements at Q2 and slippage in delivery of elements of the Capital Programme, were keen to ensure that regular monitoring and in terms of delivery of the programme and the scheduling of its financing	Amanda Healey/Sam Masters	In progress – review of Capital Programme & Financing Requirements subject to review.

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			requirements continued to be undertaken to minimise the financial risk associated with maintaining the capital finance borrowing requirement.		
04 Dec 24	9	Internal Audit Interim Report – 2024-25	<ul style="list-style-type: none"> Risk owner/manager(s) be required to include details within the future schedule (included as Appendix 4 of the report) of High & Medium Risk overdue actions of the reasons/cause for the delay in implementation of agreed actions to enable trends to be monitored. (Darren Armstrong) In cases of specific non engagement in the audit process or where the risk identified in ongoing non implementation of the action was identified as critical, the risk owner/manager be formally required to attend the Committee. In noting that the non implementation of actions relating to 1 audit included within Appendix 4 of the report had been identified as close to critical it was agreed that should meaningful engagement not be achieved prior to the next meeting, the relevant management representatives should be required to attend the next Committee to provide an update. (Darren Armstrong) 	<p>Darren Armstrong</p> <p>Darren Armstrong</p>	<p>In progress – Details to be included as part of next Internal Audit Update Report</p> <p>In progress – implementation of outstanding actions subject to ongoing review. If required, arrangements to be made for risk owners/managers to be required to attend future meetings.</p>
04 Dec 24	11	London Borough of Brent Auditor's Annual Report 2023-24	An update be sought from the Director Strategic Commissioning & Capacity Building on progress in addressing the Improvement Recommendation included within the Annual Report in relation to review of the Council's Procurement Strategy.	Minesh Patel & Councillor Chan (Vice-Chair)	In progress – update to be provided at July 25 meeting


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24 Feb 25			To consider how any areas of focus identified in relation to preparation of the Accounts need to be incorporated as part of the core assurance work within the Internal Audit Work Programme.	Rav Jassar/Darren Armstrong	In progress
25 Sept 24	6	Report on i4B Holdings Ltd and First Wave Housing Ltd	To review the progress being made in addressing void performance as part of the next update on progress against delivery of the i4B Business Plan.	Minesh Patel	In progress – to be reviewed as part of next Business Plan update for Committee – March 25
24 July 24	6	Dedicated Schools Grant – Deficit Management Plan	<ul style="list-style-type: none"> Officers to feedback to the Committee on the SEND private school initiative. The Committee to be kept updated on progress regarding delivery of the DSG deficit recovery plan. 	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 supported in relation to Council Tax Single Person Discount.	Darren Armstrong	In progress
6 Feb 24	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 – update to be provided at July 25 Committee
6 Feb 24			Further update to be provided for Committee on progress in implementing the areas for	Rav Jassar	In Progress – update scheduled to be

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			improvement identified within the report as part of the ongoing development and implementation of FM Code.		provided for the Committee – July 25
6 Feb 24			Redmond Review – Committee to review the summary of financial information section added to the narrative report within the Statement of Accounts for 24-25.	Rav Jassar	In Progress – to be reviewed as part of 24-25 Statement of Accounts

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	Audit and Standards Advisory Committee 23 July 2025
	Corporate Director Service Reform and Strategy
	Lead Member – Cabinet Member for Climate Action and Community Power
Procurement Review Update	

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	Appendix One: Procurement Review Executive Summary
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Rhodri Rowlands Director Strategic Commissioning, Capacity Building & Engagement Rhodri.rowlands@brent.gov.uk

1.0 Executive Summary

- 1.1 This report provides an update on the Procurement Review and the establishment of a Procurement Improvement Programme to respond to the review and deliver service enhancements.

2.0 Recommendations

That Audit and Standards Advisory Committee:

- 2.1 Note the key recommendations of the Procurement Review and the establishment of the Procurement Improvement Programme in response.
- 2.2 Note and agree that a further progress update on delivery of the Procurement Improvement Programme is provided within six months.

3.0 Background

- 3.1 Effective strategic procurement plays an important role in delivering against strategic priorities and objectives and responsible procurement in particular, can ensure that the Council delivers added social value and impact through its third party spend with tangible and measurable benefits for Brent.
- 3.2 The Council commissioned a review of Procurement in the context of significant external changes such as the implementation of the Procurement Act 2023, the Council's Embrace Change Portfolio and in response to audit findings, including those set out in Grant Thornton's Audit Finding's Report dated February 2025.
- 3.3 The Procurement Service has set a new vision to 'help achieve council priorities by driving VFM and cost savings, optimising spend and creating a culture of innovation and continuous improvement'. As such, there was also a desire to ensure the service is operating effectively.

4.0 Procurement Review - Scope

- 4.1 Specialist external expertise was secured to provide independence and ensure industry best practice could inform the review. The review was carried out between January and April 2025 with the aim of drawing out both areas for improvement and to highlight what works well and current strengths.
- 4.2 The review scope covered the following themes:
- Procurement Processes
 - Governance and Approvals processes
 - Contract Management
 - Engagement and Communications
 - Use of data, information and knowledge sources
 - Procurement Strategy and Policies
 - Team, culture and staff development
 - Collaboration with others

5.0 Procurement Review – Key Findings and Recommendations

- 5.1 The Procurement Review reported in May 2025. Appendix One summarises the key findings and recommendations from the review.
- 5.2 The review made the following key recommendations:
- A culture reset is required to adopt a proactive, "can do" and more commercial approach, build a stronger team ethos and attract the best procurement talent to build enduring relationships. This should be accompanied by a new approach to staff learning and development that nurtures and retains a wider and necessary skill set

- Non-compliant activity within directorates needs to be addressed by providing absolute clarity of expectations, responsibilities and accountabilities between Procurement, directorates and other support services
- Improved relationships between Procurement and service areas can be achieved through more robust governance: at the corporate level through an enhanced Commissioning, Procurement and Contract Management Assurance Board; at directorate level through establishing Directorate Procurement Groups and for Category Managers to have an increased focus on business partnering
- The Contract Register is reported to be only approx. 60% complete and should be refreshed so that directorate contract registers are integrated into it. Given the importance of the data held and the vulnerability of using spreadsheets, a more robust approach should be evaluated.
- The Council's Procurement Strategy and Social Value (SV) Policy both expired in 2023. Both should be updated to reflect the current needs of the Borough and the changed world since 2019/20.
- Responsibilities across all social value activities need to be reviewed and clarified to ensure suppliers are held accountable for delivery and SV is designed and delivered in a way that benefits the borough without the supplier incurring costs that are indirectly passed to the council.

6.0 Procurement Improvement Programme (PIP)

- 6.1 A Procurement Improvement Programme has been established to respond to the review. The PIP has several core workstreams covering the following themes with a cross-cutting focus for communication and engagement of all key stakeholders who are impacted:
- Directorate engagement, governance and compliance
 - Contract management
 - Strategy and policy
 - Staff development, culture and capability
 - Procurement operational excellence
- 6.2 The PIP brings together, and acts as the single vehicle through which delivery of all service enhancements and recommendations in the context of Procurement will be delivered.
- 6.3 The PIP was formally endorsed by Corporate Management Team (CMT) in May 2025 and by Policy Coordination Group (PCG) in June 2025.
- 6.4 The PIP workstreams and summary of key activity and outputs that each workstream will deliver is shown below.



6.5 The scale of the PIP and the level of change and transformation it will deliver means improvements will be phased to be delivered over an 18-24 month period. The approximate and indicative timescale is as follows. A detailed project plan to support delivery is in development.

- **Establishment: 0 to 3 months**

- Approval of the recommendations from the peer review and agreement to the improvement plan
- Secure resources: budget to undertake the review and appropriately skilled individuals to lead workstreams, coordinate the programme and provide subject matter expertise.
- Communication and engagement with impacted staff, in particular procurement.
- Prioritise activities and develop delivery plans for each workstream, noting that operationally workstreams may combine to prevent duplication.
- Set up project working group and agree its remit.
- Undertake initial project risk assessment and develop timing plans.
- Delivery of key aspects such as: new governance arrangements, Annual Procurement Plan, culture reset and leadership development.

- **Stabilisation: 2 to 6 months**

- Initiate workstreams
- Commence delivery of recommendations
- Maintain regular communications and engagement
- Update timing plans and risk register

- **Improvement: 4 to 18 months**

- Implement improvements as ready, monitoring and adapting as required.

- Adapt and re-prioritise delivery based on progress and issues.
- Report on progress and realisation of benefits
- Maintain regular communications and engagement
- **Embedding: 6 to 24 months**
 - Improvement, new processes and practices become settled processes, with minor adaptations once tested in use.
 - Report on benefits realisation.
 - Maintain regular communications and engagement
- **Project Closure: months 23-24**
 - Project outcomes, benefits, costs
 - Improvements outstanding to be rolled into business as usual
 - Project learning review
 - Key responsibilities for the future

6.6 The governance arrangements in place to oversee delivery of the PIP include the following:

- The sponsoring Senior Responsible Officer (SRO) officer will be the Director of Strategic Commissioning, Capacity Building and Engagement.
- A new Commissioning, Procurement and Contract Management Assurance Board (CPCMAB) has been established. The CPCMAB will provide a scrutiny, challenge and assurance role in relation to commissioning, procurement and contract management, including delivery of the PIP. The CPCMAB will operate in 2 parts – an officer only meeting and a member-officer meeting chaired by the Lead Member and Cabinet Member for Climate Change and Community Power
- Regular progress updates through Lead Member Briefings
- A project group and workstream delivery groups reporting to CPCMAB
- Dedicated Project Management capacity has been secured

7.0 Summary of progress to date

7.1 Good progress has been made at pace since endorsement of the PIP:

- **Governance:** The new Commissioning, Procurement and Contract Management Assurance Board (CPCMAB) has been established and has met twice since May 2025
- **Governance and Engagement:** Project delivery briefs and plans setting out key objectives, outputs and activities have been drafted for each PIP workstream – these are being reviewed with the membership of each workstream and will form the basis of the detailed PIP programme plan
- **Engagement:** Cross-council officer representation for each workstream is mostly complete and follows engagement with all Directorate Leadership Teams to secure cross-council support for the PIP

- **Culture and Capability:** New recruitment strategies have been developed to address long standing capacity challenges in the Procurement Service with prioritised and targeted recruitment campaigns shortly to launch
- **Culture and Capability:** A draft training and development offer for procurement and contract management has been developed
- **Governance and Compliance:** A draft RACI (Responsible, Accountable, Consulted, Informed) protocol that clarifies roles and responsibilities across the procurement cycle has been developed and is under officer review
- **Strategy and Policy:** Proposals for the review of the Social Value Policy are in place with draft policy in progress.
- **Governance and Compliance:** The Procurement Act 2023 mandates publication of a Pipeline Notice for all procurements over £2 million within 56 days of the start of each financial year. Supported by the PIP, a Procurement Pipeline and Annual Plan has been developed including all known and anticipated procurement activity through to March 2025

8.0 Financial Considerations

- 8.1 The Procurement Improvement Programme supports the Council's delivery of savings and securing best value from third party spend. Resourcing implications will be kept under review.

9.0 Legal Considerations

- 9.1 The Procurement Improvement Programme support's the Council's compliance with the Procurement Act 2023 and Best Value obligations.

10.0 Additional Considerations

- 10.1 There are no additional considerations in relation to the following areas arising from the report:
- a) Equity, Diversity & Inclusion considerations
 - b) Stakeholder and ward member consultation and engagement
 - c) Climate Change and Environmental considerations
 - d) Human Resources/Property considerations (if appropriate)
 - e) Communication considerations

Report sign off:

Rhodri Rowlands

Director Strategic Commissioning, Capacity Building and Engagement

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PROCUREMENT PEER REVIEW

Executive Summary

Final Version Issue date: 22 April 2025

NK PROCUREMENT
— LIMITED —

	Report to Rhodri Rowlands, Director Strategic Commissioning, Capacity Building & Engagement
	Report from: Nigel Kletz Director, NK Procurement Limited Consultant / Advisor to London Borough of Brent
<h2>Procurement Peer Review – Final Report</h2>	

1. Executive Summary

A peer review of Procurement at the London Borough of Brent was initiated due to senior management concerns about the service, feedback received from directorates and from a Limited Assurance internal audit report. The review took place in the context of significant external changes such as the implementation of the Procurement Act in February 2025, the Council's change programme and Grant Thornton's Audit Findings Report dated Feb 2025.

NK Procurement Limited was engaged to undertake a detailed peer review to independently draw out both areas for improvement and to highlight what works well and current strengths. The scope of the work is detailed in section 4. This "State of the Nation" report provides the outcome of the review in detail with a series of recommendations and proposes an Implementation Plan to deliver the improvements required.

- The predominant factor and the cause of the many issues within Procurement that impact directorates is the extremely high turnover of both permanent and interim staff, with the accompanying inability to retain many staff of a high quality. The likely reasons for the high turnover are outlined though the report.
- The consequences include inconsistent approaches to procurements, poor relationships with directorates at multiple levels and erosion of confidence in and credibility of the service leading to delays to procurements, the need to extend contracts beyond their intended term and the failure to deliver greater value for money from procurement and contract management. .
- There has been consistent and detailed criticism of the leadership of the procurement function from across a wide swathe of the organisation and from external organisation who interact closely with procurement. Respondents acknowledge a deep technical knowledge but referred to a lack of engagement, slow responsiveness and failure to meet expectations.
- Procurement is therefore seen as a compliance and administrative function rather than a strategic enabler which consistently adds value for departments.
- There is a risk of "blame displacement". Procurement is or is perceived to be failing in some areas, therefore delays and poor planning by service areas by not commencing projects in a timely way, or non-compliance within directorates, as detailed within the report, is sometimes erroneously badged

as a further Procurement failing. There are few sanctions, such as holding managers to account or “naming and shaming” of this non-compliant behaviour within directorates which makes it harder to create a complete and accurate picture.

- There are some good examples of strong contract management within directorates though this is not widespread. There were limited examples of proactively seeking improved value from suppliers or evidence that suppliers are fully delivering on their contractual commitments.
The Strategic Contracts list has several contracts that are hard to justify as “strategic” and omits some of the council’s most complex and strategic contracts.
- Within directorates there is little awareness and understanding of processes and tools such as the Gateway Process and Contract Management Handbook which leads to inconsistency and potentially loss of value.

In summary, Procurement must change to become a strategic function, contributing to shaping the future direction of the council, a team with which directorates willingly engage. To enable the change requires leadership of Procurement that a) accepts and understands the need to change, b) understands best practice and c) is capable of leading the change and inspiring others to follow.

Key Recommendations

1. A culture reset is required to adopt a proactive, “can do” and more commercial approach, build a stronger team ethos and attract the best procurement talent to build enduring relationships. This should be accompanied by a new approach to staff learning and development that nurtures and retains a wider and necessary skill set.
2. Non-compliant activity within directorates needs to be addressed by providing absolute clarity of expectations, responsibilities and accountabilities between Procurement, directorates and other support services.
3. Improved relationships between Procurement and service areas can be achieved through more robust governance: at the corporate level through an enhanced Commissioning, Procurement and Contract Management Assurance Board; at directorate level through establishing Directorate Procurement Groups and for Category Managers to have an increased focus on business partnering.
4. The Contract Register is reported to be only approx. 60% complete and should be refreshed so that directorate contract registers are integrated into it. Given the importance of the data held and the vulnerability of using spreadsheets, a more robust approach should be evaluated.
5. The Council’s Procurement Strategy and Social Value (SV) Policy both expired in 2023. Both should be updated to reflect the current needs of the Borough and the changed world since 2019/20.
6. Responsibilities across all SV activities need to be reviewed and clarified to ensure suppliers are held accountable for delivery and SV is designed and

delivered in a way that benefits the borough without the supplier incurring costs that are indirectly passed to the council.

Section 8 outlines a **Procurement Improvement Plan** and the associated governance, structure and budget to achieve the improvements. The following workstreams are recommended as being required in order to achieve this along with project governance and supporting communications and engagement.

1. Directorate engagement, governance and compliance
2. Strategy and policy
3. Contract management
4. Staff development, culture and capability
5. Procurement operational excellence

To fully achieve the desired state the Improvement Plan will take approximately two years to deliver. The outcome will be a modern, strategic Procurement function that meets the needs of the Council and individual directorates, adds value across the whole commissioning cycle, and nurtures and develops talent to ensure the service is robust and capable of delivering within a challenging environment.

If the recommendations that accompanies this report are approved to establish a Procurement Improvement Programme, then it is anticipated that the Improvement Plan can commence as soon as possible in May 2025.

Summary of what will be different – what will improve?

A Procurement service that helps to achieve council priorities by driving value for money and cost savings, optimising spend and creating a culture of innovation and continuous improvement.

1. A more stable team, with better motivated and trained staff
2. Focused on business partnering
3. A better understanding of directorate needs with the ability to meet them
4. Clearer responsibilities and accountabilities across the Council
5. Accountability and reporting which leads to improved compliance
6. Improved project planning and delivery
7. Improved contract management demonstrated through better value for money
8. Strategy and Policies reflect current and anticipated needs.

	Audit and Standards Advisory Committee 23 July 2025
	Report from the Corporate Director, Finance and Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance & Resources (Councillor Mili Patel)
Treasury Management Outturn 2024/25	
Wards Affected:	All
Key or Non-Key Decision:	Non-Key Decision
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	Four: Appendix 1: Economic Commentary Appendix 2: Debt and Investments Portfolio Appendix 3: Average Rate vs Credit Risk Appendix 4: Prudential Indicators
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Nadeem Akhtar, Senior Finance Analyst Capital, Treasury & Commercial Email: nadeem.akhtar@brent.gov.uk Tel: 020 8937 5957 Oliver Simms Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Email: Oliver.Simms@brent.gov.uk Tel: 020 8937 1679

1.0 Executive Summary

- 1.1 This report sets out the outturn for the Council's Treasury Management Activities for 2024/25. The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.

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

1.3 Key emerging points are as follows:

1. The Council has complied with its Prudential Indicators for 2024/25.
2. Borrowing outstanding at 31 March 2025 was £900.02m and had increased from £814.3m over the course of the financial year, a change of £85.8m. The change in debt was due to raising £170.0m of new loans and repaying £84.2m of maturing debt.
3. Cash Investments outstanding at 31 March 2025 was £47.3m and had decreased from £95.3m over the course of the financial year, a change of £48.0m.
4. The Council's Capital Financing Requirement (CFR- representing the underlying need to borrow) changed from £1,254.5m to £1,351.4m, a change of £96.9m.
5. The Council's average debt pool rate was 3.85% as a 31 March 2025 and had changed from 3.89% (31 March 2024), caused by borrowing in rising interest rate environment.
6. The Council's rate of return on cash investments decreased during the year from 5.31% (31 March 2024) to 4.53% reflecting the numerous Bank of England Bank Rate changes during the financial year (3 times – from 5.25% to 4.50%).
7. Minimum Revenue Provision (MRP) charge for 2024/25 for the General Fund was £19.8m in accordance with the Council's approved MRP Policy (date of approval 29/02/2024). The charge comprised of £15.1m that was chargeable on schemes funded by prudential borrowing and £4.7m on finance leases. A further £0.9m was recognised for Service Loans, where no MRP was charged but principal payments reduced the debt liability in accordance with Statutory regulations.

2.0 **Recommendation(s)**

That the Audit and Standards Advisory Committee:

2.1 Note and comment on the overall financial performance for 2024/25.

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

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

- 3.1.1 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its borrowing and investment strategy as approved by Full Council.
- 3.1.2 The Council's treasury management activity is underpinned by Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity.

3.2 Background

- 3.2.1 The Council has borrowed money over the long term to support investment in the Council's infrastructure and invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.
- 3.2.2 The Council has adopted the CIPFA Code which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 3.2.3 The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and Treasury Management Strategy, complying with CIPFA's requirement, was approved by full Council at a Budget and Council Tax Setting Council meeting on 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 2024/25:

- UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period.
- The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak.
- Financial market sentiment was reasonably positive over most of the period, but economic, financial, and geopolitical issues meant the trend of market volatility remained.
- Credit conditions improved during the financial year resulting in investment duration remaining at 100 days.
- Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning.

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

3.4 Balance Sheet Summary

3.4.1 As at 31 March 2025, the Council had a net borrowing position of £852.7m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31 March 2024 Actual (Original) £m	31 March 2024 Actual (Revised) £m	31 March 2025 Actual £m
General Fund CFR	935.7	957.8	1,015.1
HRA CFR	300.9	296.7	342.0
Loan CFR	1,236.6	1,254.5	1,357.1
PFI & Lease Liabilities	32.5	32.5	28.5
Total Loan CFR	1,269.11	1,287.0	1,385.6
External borrowing (Excluding accrued interest) *	814.3	814.3	900.0
Internal Borrowing (Loans CFR less external borrowing)	422.3	440.2	457.1
Less Usable Reserves	(513.3)	(528.7)	(585.6)
Less Working Capital	(4.3)	(6.8)	81.2
Investments (or new borrowing)	95.3	95.3	47.3

3.4.2 The treasury management position at 31st March 2025 and the change during the year is shown in Table 2 below.

Table 2: Balance sheet summary

	31 March 2024 Actual	Movement	31.March 2025 Actual
	£m	£m	£m
Short-term Borrowing	84.2	46.3	130.5
Long-term Borrowing	730.0	39.5	769.5
Total External Debt	814.3	85.8	900.0
Money Market Funds	90.3	(43.0)	47.3
Local Authority Cash Investments	5.0	(5.0)	0.0
Total Cash Investments	95.3	(48.0)	47.3
Net Debt	719.0	133.8	852.7

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

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

3.4.5 Appendix 2 details the debt and investment portfolio as at 31 March 2025.

3.5 Borrowing

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

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

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

- 3.5.4 After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.
- 3.5.5 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans from 4.88% to 5.88%.
- 3.5.6 The cost of short-term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 6% towards the later part of March 2025 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2025.
- 3.5.7 The Council had a borrowing position of £814.3m as at 1 April 2024. This had increased to £900.0m as at 31 March 2025. Table 3 provides the breakdown of loan balances.

Table 3- breakdown of debt

Loan Type	01-Apr-24	New Loans	Repaid loans	31-Mar-25
	£m	£m	£m	£m
PWLB	589.8	100.0	(14.2)	675.5
LOBO	59.5	0.0	0.0	59.5
Private Placement	95.0	0.0	0.0	95.0
Local Authority	70.0	70.0	(70.0)	70.0
Total Debt Outstanding	814.3	170.0	(84.2)	900.0
Accrued Interest	10.0			8.1
Total Debt and Accrued Interest Outstanding	824.3	170.0	(84.2)	908.1

- 3.5.8 The Council raised £170.0m of new loans during the Year. Four long-term loans totalling £100.00m were raised with the PWLB on an Equal Instalment Principal (EIP) and Maturity structure. A further £70.0m of short-term loans were raised with various local authorities to support the Council's daily cashflow activity as cash balances had depleted. This borrowing requirement was driven by the demands of delivering the capital programme not already funded through

grants, contributions, capital receipts or reserves. Local authority loans were raised at an average rate of 4.9% with an average duration of 365 days. The interest rates reflect the current rising interest rate environment.

3.5.9 The four PWLB loans raised for the General Fund consisted of the following:

- £30.0m 9.5-year EIP Loan at 4.90% drawn December 2024
- £43.0m 5-year EIP loan at 4.81% drawn February 2025
- £22.0m 2-year Maturity at 4.87% drawn March 2025
- £5.0m 2-year Maturity at 4.81% drawn March 2025

3.5.10 During 2024/25 the Council repaid £84.2m of loans that were held with the PWLB (£14.2m); and local authorities (£70.0m). The PWLB loans consisted of EIP loans whilst the local authority loans were temporary loans held for cashflow purposes. Overall, the total debt movement was an increase of £85.8m.

3.5.11 The PWLB HRA rate which is 0.4% below the certainty rate is available up to March 2026. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Council's maturing HRA debt. No PWLB loans were drawn for the HRA during the reported period.

3.5.12 **Loan Restructuring:** No loans were restructured during 2024/25. The Council will continue to monitor and evaluate the opportunity to reschedule existing loans.

3.5.13 **LOBO Loans:** As at 31 March 2025 the Council was holding £59.5m of LOBO loans. There were no LOBO loans repaid in 2024/25 but there are five LOBO loans totalling £35.0m that are due for an interest rate review in 2025/26.

3.5.14 **Forward Borrowing:** There were no forward agreed loans as at 31 March 2025.

3.6 Maturity Profile of Debt

3.6.1 As at 31 March 2024 the Council had 72 loans spread over 50 years with the average maturity being 23.7 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year.

Table 4: Debt maturity profile

Maturity Profile at 31 March 2025 (£m)	2024/25
<1 Year	130.5
1-2 Years	62.0
3-5 years	61.0
5-10 Years	97.3
10-15 Years	71.7

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
Debt outstanding	900.0

3.6.2 The Councils average debt pool rate at 31 March 2025 was 3.85%.

3.7 Capital Financing Requirement

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

3.7.2 The Council's external borrowing was £900.0m and was 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. Actual loan CFR as at 31 March 2025 stood at £1,351.4m. This can be split between the General Fund (£1,008.0m) and the HRA (£343.4m). The difference between the Loan CFR and external loans is internal borrowing. Internal borrowing occurs due to timing differences when capital expenditure that is meant to be financed through external debt is instead paid for through cash resources that are intended for other purposes. Cash is replenished later. Internal borrowing at 31 March 2025 was £451.4m as shown in Table 5.

3.7.3 During the year there were a number of assets (land and buildings) that moved between the HRA and the General Fund for the purpose of regeneration and development. In total assets with a certified value of £29.9m were transferred from the General Fund to the HRA, and the respective CFRs were adjusted.

3.7.4 The General Fund CFR was reduced by £19.8m following the application of Minimum Revenue Provision (MRP) charges and service loan repayments. MRP is discussed further below.

Table 5: Capital Financing Requirement

Capital Financing Requirement (CFR)	31/03/2024 (Draft Accounts)	31/03/2024 Revised (Audited Accounts)	31/03/2025 (Draft Accounts)
	£m	£m	£m
General Fund	935.7	957.8	1,015.1
Housing Revenue Account	300.9	296.7	342.0
Loan CFR	1,236.6	1,254.5	1,357.1
Other Debt Liabilities	32.5	32.5	28.5

Total CFR	1,269.1	1,287.0	1,385.6
External Borrowing	814.3	814.3	900.0
Internal Borrowing	422.3	440.2	457.1
2024/25 Council Approved Limits (Capital Strategy)			
Approved Operational Boundary Limit	1,200.0	1,200.0	1,700.0
Approved Authorised Limit	1,400.0	1,400.0	1,500.0
Forecasted CFR	1,125.6	1,125.6	1,442.1

3.7.5 The movement in the Loan CFR of £96.9m between 31 March 2024 and 31 March 2025 can be explained in Table 6.

Table 6: Movement in CFR

	£m
Opening Loan CFR April 2024	1,254.5
Closing Loan CFR 31 March 2025	1,357.1
Change in Loan CFR	102.6
Capital expenditure 2024/25	258.0
Capital expenditure Financing	(110.5)
MRP	(24.9)
Service Loans Repaid	(0.9)
I4B Technical Adjustment	(19.1)
Other	
Total Movements in CFR	102.6

3.8 Minimum Revenue Provision

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

3.8.2 On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

3.8.3 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

3.8.4 The total MRP charge for 2024/25 was £19.8m and consisted of £15.1m for capital programme borrowings (historical supported borrowings and unsupported borrowings); and £4.7m for finance leases. A further £0.9m was received by the Council for service loan repayments. Total debt repayments equated to £20.7m. The Council did not make any voluntary MRP during the year.

3.9 Cost of Borrowing

3.9.1 The Council's debt management and treasury investment income budget is managed centrally. Total budget available during the year inclusive of budget virements was £27.8m. At 31 March 2025 the total interest payable on the Council's debt portfolio and debt related expenses amounted to £35.3m. Total income generated from cash investments and service investments amounted to £17.8m. Net Interest was £17.5m. MRP due on capital programme borrowings equated to £15.1m (excluding PFI; finance leases and service loan repayments). A further £8.9m was used as Revenue Contributions to Capital Outlay to support the financing of the 2024/25 capital programme, resulting a total capital financing cost of £41.5m for the financial year. The budget variance of £13.7m was offset against a drawdown from the capital reserves. Details are provided in Table 7. Growth has been added to the capital financing budget in 2025/26 of circa £7m to recognise the increase in costs of delivering past and future capital programmes and ensuring the current five-year capital programme remains affordable. The increase in cost is due to the current high-interest rate environment; and legislative changes around MRP and the recognition that the two thirds of the Council's capital programme is dependent on debt finance.

Table 7: 2024/25 Capital financing

Capital Financing Costs at Q4 (£m)	2024/25
	Actual
Total Gross External Debt Interest	32.4
Total Interest Payable & Expenses	35.3
Total Interest Receivable	(17.8)
Net Interest	17.5
MRP (Excluding PFI)	15.1
Total Interest & MRP	32.6
Revenue Contributions to Capital Programme	8.9
Total Capital Financing Costs	41.5

3.9.2 Higher interest rates throughout 2024/25 have increased the cost of short-term loans. The Council pursued its strategy of keeping external borrowing lower than its underlying level by temporarily using cash held for other purposes,

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

3.9.3 Interest on treasury cash investments has been generated on cash balances held mainly within money market funds and investments with the Debt Management office. The Council has generated a rate of return of 4.53% for 2024/25 (5.31% for 2023/24). The reduction in the investment return reflects the decrease in the Bank of England's Bank Rate during 2024/25.

3.9.4 Investment income has also been generated on service investments that includes loans advanced to I4B and First Wave Housing, two wholly owned Council companies; Brent schools, Alperton Academy and the West London Waste Authority.

3.10 Investment Activity

3.10.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

3.10.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year, the Council's investment balances ranged between £8.9m and £131.6m due to timing differences between income and expenditure. The investment position is shown in table 8 below.

Table 8: Treasury investment activity

	31-Mar-24	Movement	31-Mar-25
	£m	£m	£m
Local Authority and DMADF Deposits	5.0	(5.0)	0.0
Money Market Funds	90.3	(43.0)	47.3
Total Cash Investments (Excluding accrued interest)	95.3	(48.0)	47.3

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

3.10.4 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

3.10.5 Increasing interest rates have led to improved returns on our short-dated holdings. At 31st March 2025, the Council achieved circa 4.53% from cash investment holdings, which compares to 5.31% a year earlier. Rates have decreased throughout the year in line with the decrease in Bank Rate. Appendix 3 details the average rate earned on investments against credit risk exposure.

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

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

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

Table 9: Investment benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2022	5.06	A+	100%	1	0.52%
31.03.2023	5.03	A+	100%	1	4.08%
31.03.2024	4.91	A+	95%	10	5.31%
31.03.2025	4.88	A+	100%	1	4.53%
Similar Local Authorities*	4.90	A+	73%	13	4.80%
All Local Authorities*	4.77	A+	64%	8	4.65%

*Arlingclose clients only

3.10.9 The Council's investment return and credit risk exposure is broadly the same as other London Councils, and better on average than all local authorities that are advised by Arlingclose. The exception to the 2024/25 benchmarking performance against other London Councils is that Brent is able to access its cash investments for liquidity purposes within 1 day whereas other London Councils require 13 days on average to access their cash investments. Other Local Authorities require on average 8 days. This reflects the type of investment instruments used by Brent in 2024/25 which was money market funds only. However, Brent has 100% Bail-in exposure risk which means that 100% of cash holdings is exposed to some monetary loss in the event that the underlying assets within the fund were to default. Other London Councils have diversified investments that reduce Bail-in risk to 73% through the use of Strategic Funds

and other instruments. Other local authorities have a Bail-in risk exposure of 64%.

3.11 Non-Treasury Investment Activity

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

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

3.11.2 The Council also held £252.6m of such investments as at 31 March 2024:

- Shareholding in subsidiaries: £36.4m (£36.4m in 2024/25).
- Loans to subsidiaries £216.2m (£216.3m in 2023/24).

3.11.3 I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31st March 2025, the Council had provided loan financing of £182.4m to i4B (£182.1m in 2023/24) which are secured against the company's properties. No loans were repaid in 2024/25 as the loans are arranged on a maturity structure and repayable at the end of the loan term. A new loan of £0.3m was raised in 2024/25. The Council received £5.3m (£5.3m in 2023/24) in interest for loans to I4B. The loans are secured against the properties held within the company. The Council also holds an equity investment of £36.4m (£36.4m in 2023/24) that comprises of £1 shares.

3.11.4 First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was formally known as Brent Housing Partnership (BHP). As of 31 March 2025, there were outstanding loans to Brent Council totalling £33.8m (£34.3m in 2023/24) which are secured against the properties held within the company. The Council received £0.7m in interest for loans to FWH (£0.7m in 2024/25) and a capital repayment of £0.4m (£0.4m in 2023/24). There were no new loans advanced to FWH.

3.11.5 These investments generated £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 Treasury Management Training

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

3.12.2 Training for Members is also kept under review. In 2024/25 Officers delivered two treasury management training sessions to the Audit and Standards Advisory Committee (July and December 2024) and one training session to all Members (February 2025)

3.13 Compliance

3.13.1 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.

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

4.0 Stakeholder and Ward Member Consultation and Engagement

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

5.0 Financial Considerations

5.1 The financial implications are noted in the report.

6.0 Legal Considerations

6.1 The legal basis for producing council reports on its Treasury Management Activities is founded on a combination of statutory requirements and professional codes which ensure that local authorities manage their financial resources effectively, maintaining public trust and uphold the principles of good governance.

6.2 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, ensuring transparency, accountability and prudent financial management. 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. As such, this report forms an element of the Council's reporting structure which involves, in due course and following consideration by Cabinet, a report setting out the Council's Treasury Management activity for the year to be submitted to Full Council for approval.

7.0 Equity, Diversity & Inclusion (EDI) Considerations

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

8.0 Climate Change and Environmental Considerations

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

Economic Background

Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%. The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the

forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year, but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

Financial Markets

Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of

4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit Review

In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

Fitch revised the outlook on Commonwealth Bank of Australia (CBA) to positive from stable while affirming its long-term rating at AA-, citing its consistent strong earnings and profitability.

Other than CBA, the last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and also withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating. However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained 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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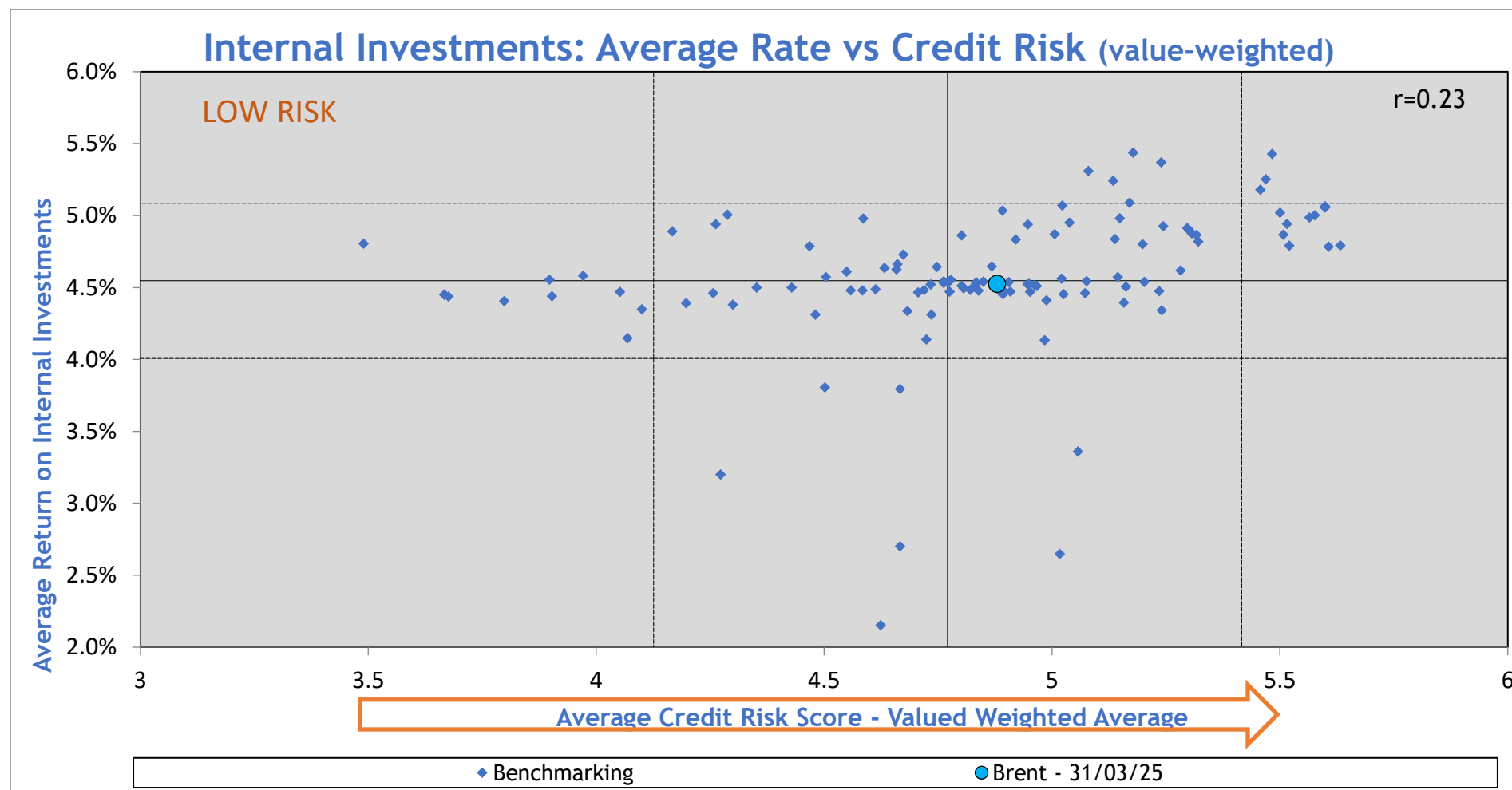
Appendix 2

Debt and Investment Portfolio 31/03/25

	Actual Portfolio as at 31 March 2025 (£m)	Average Rate as at 31 March 2025
External Borrowing:		
PWLB Maturity Loans	405.9	4.0%
PWLB Equal Instalment Principal Loans	269.6	
Fixed Rate Market Loans	95.0	2.8%
LOBO Loans	59.5	4.5%
Short-term Loans	70.0	5.3%
Total External Debt	900.0	
Accrued Interest	8.0	0
Total External Borrowing and Accrued Interest	908.0	
Other Long-Term Liabilities:		
PFI	20.8	9.5%
Finance Leases	7.7	4.1%
Total Long-term Liabilities	28.5	
Total Gross External Debt	936.5	
Investments:		
Money Market Funds	47.3	4.5%
Fixed Term Deposits – LA	0.0	
Total Investments	47.3	
Net Debt	889.2	

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Appendix 3: Internal Investments: Average Rate vs Credit Risk as at 31/03/2025



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 Four –2024/25 Outturn 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 four of 2024/25 (Outturn). Revised budgets have been provided from 2025/26 onwards.

Capital Expenditure & Financing at Q4 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28	Total 2024/25-2027/28
	Actual	Actual	Estimated	Estimated	Estimated	
Corporate Landlord	10.0	11.6	13.0	36.1	24.3	85.0
Housing GF	111.2	98.3	97.7	36.5	2.8	235.3
Schools	11.7	22.1	23.0	28.6	5.8	79.5
Regeneration	4.5	34.6	119.4	39.5	26.1	219.7
Public Realm	25.1	18.1	25.0	4.7	1.6	49.3
South Kilburn	18.9	20.4	25.1	20.2	16.9	82.5
St Raphael's	0.6	0.2	3.5	3.9	12.5	20.0
HRA	31.0	33.6	39.8	86.6	28.0	187.9
Total Capital Expenditure	213.0	238.9	346.4	256.0	118.0	959.3
Financed By:						
Grants	57.3	52.0	33.2	32.9	7.1	125.2
Section 106	8.9	11.9	13.8	29.6	19.1	74.4
Capital Receipts	4.9	17.3	36.3	29.9	35.4	118.9
Earmarked Reserves	0.9	1.2	0.9	0.9	0.9	3.9
Major Repairs Reserve	10.4	16.6	11.1	0.0	0.0	27.7
Revenue Contributions	9.1	11.4	0.6	0.6	0.6	13.2
Borrowing	121.5	128.5	250.5	162.1	54.9	595.8
Total Capital Financing	213.0	238.9	346.4	256.0	118.0	959.3

(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 Q4 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
Opening CFR	1,144.0	1,254.5	1,357.2	1,580.0	1,712.9
Capital Expenditure	213.0	238.9	346.4	256.0	118.0
External Resources	(66.2)	(63.9)	(47.0)	(62.5)	(26.2)
Internal Resources	(25.3)	(46.5)	(48.9)	(31.4)	(36.9)
MRP	(18.1)	(24.9)	(26.7)	(28.3)	(28.5)
Capital Loans Repaid	(0.9)	(0.9)	(1.0)	(1.1)	(1.3)
Use of Capital Receipts	0.0	0.0	0.0	0.0	0.0
Accounting Adjustments	8.0	0.0	0.0	0.0	0.0
Closing CFR	1,254.5	1,357.2	1,580.0	1,712.7	1,738.1

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 Q4 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
External Loans	814.3	900.0	1,201.1	1,292.8	1,302.5
PFI & Leases	36.2	32.5	28.5	24.7	22.7
Total External Debt Liabilities	850.5	932.5	1,229.6	1,317.5	1,325.2
Internal Borrowing	404.1	424.7	350.5	395.4	412.9
Capital Financing Requirement	1,254.5	1,357.2	1,580.0	1,712.9	1,738.1

(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 Q4 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
CFR	1,254.5	1,357.2	1,580.0	1,712.9	1,738.1
LOBO Loans	59.5	59.5	24.5	15.0	5.0
Non LOBO Loans	754.8	840.5	801.8	745.1	715.4
Balance Sheet Resources	(490.1)	(689.2)	(688.2)	(687.2)	(686.2)
Net Loan Requirement	719.0	852.7	806.3	740.1	700.4
Plus Liquidity Allowance	20.0	20.0	20.0	20.0	20.0
Liability Benchmark	739.0	872.7	826.3	760.1	720.4

(d) Authorised limit and Operational Boundary for External Debt

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

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

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

Authorised Limit at Q4 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 four 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.

Upper Limits on one-year revenue impact of a 1% movement in interest rates on Maturing Debt at Q4 2024/25 (£m)	2024/25	2024/25
	Approved Limit	Actual
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 replace 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.

Maturity Structure of Fixed Rate Borrowing at Q4 2024/25	Upper Limit	Lower limit	2024/25	2024/25	2024/25
			Forecast Borrowing at 31.03.2025	Forecast Borrowing at 31.03.2025	Compliance with limits
	%	%	£m	%	
Under 12 months	40.0	0.0	130.5	14.5%	Yes
12 months & within 24 months	40.0	0.0	62.0	6.9%	Yes
24 months and within 5 years	40.0	0.0	61.0	6.8%	Yes
5 years and within 10 years	60.0	0.0	97.3	10.8%	Yes
10 years and within 20 years	75.0	0.0	133.7	14.8%	Yes
20 years and within 30 years	75.0	0.0	133.5	14.8%	Yes
30 years and within 40 years	75.0	0.0	177.1	19.7%	Yes

Over 40 years	75.0	0.0	105.0	11.7%	Yes
Total			900.0	100.0%	

(g) Ratio of Financing Costs to Net Revenue Stream

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

Financing Costs to Net Revenue Stream at Q4 2024/25	Limit	Actual	Forecast	Forecast	Forecast
	2024/25	2024/25	2025/26	2026/27	2027/28
Financing Costs (Interest & MRP) (£m)	39.1	32.6	40.5	46.1	46.2
Net Revenue Stream (£m)	383.3	387.0	431.4	448.7	465.8
Proportion of net revenue stream (%)	10.2%	8.4%	9.4%	10.3%	9.9%

Financing costs can be further broken down as follows.

Capital Financing Costs at Q4 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
Total Gross External Debt Interest	30.3	32.4	51.5	57.5	59.9
Total Interest Payable & Expenses	33.6	35.3	53.3	58.7	61.0
Total Interest Receivable	(24.5)	(17.8)	(29.9)	(32.0)	(35.9)
Net Interest	9.1	17.5	23.4	26.7	25.2
MRP (Excluding PFI)	13.4	15.1	17.1	19.4	21.1
Total Interest & MRP	22.4	32.6	40.5	46.1	46.2
Revenue Contributions to Capital Programme	8.0	8.9	8.6	3.5	3.5
Total Capital Financing Costs	30.4	41.5	49.1	49.6	49.7

(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 because of the Council having to seek early repayment of the sums invested.

Upper Limit for Total Principal Sums invested over 364 Days at Q4 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 Q4 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 Q4 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	47.3

(k) Investment Forecast

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

Total Investment Exposure Indicator at Q4 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
Treasury management cash investments	95.3	47.3	20.0	20.0	20.0
Service investments	285.6	284.6	323.4	322.2	321.0
Commercial investments: Property	0.0	0.0	0.0	0.0	0.0
Total Investments	380.9	331.9	343.4	342.2	341.0
Commitments to lend	50.0	50.0	50.0	50.0	50.0
Total Exposure	430.9	381.9	393.4	392.2	391.0

Service investments are further broken down in the table below.

Loans & Investments for service purposes: Category of borrower at Q4 2024/25 (£m)	2023/34	2024/25	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Limit	Actual	Estimated	Estimated	Estimated
I4B Subsidiary Loans	182.1	400.0	182.4	222.4	222.4	222.4
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	0.0	0.0	0.0	0.0
Schools, Academies and Colleges	17.9	55.0	17.6	17.4	17.1	16.8
West London Waste Authority	14.8	20.0	14.4	13.9	13.5	13.0
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
Total	285.6	550.0	284.6	323.4	322.2	321.0

(I) Investment Funding

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

Investments Funded by Borrowing at Q4 2024/25 (£m)	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
I4B Loans	182.1	182.4	222.4	222.4	222.4
I4B Equity	36.4	36.4	36.4	36.4	36.4
First Wave Housing (FWH)	34.3	33.8	33.4	32.9	32.5
Total Service investments	252.7	252.6	292.1	291.7	291.2
Total Funded by Borrowing	252.7	252.6	292.1	291.7	291.2

(m) Investment Rate of Return


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

Investments net rate of return at Q4 2024/25	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
Treasury management investments	5.31%	4.53%	3.94%	3.75%	3.75%
Service investments	2.4%	2.4%	2.6%	2.6%	2.6%

(n) Other Investment Indicators

Other investment indicators	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Estimated	Estimated	Estimated
External Debt (Loans)	814.3	900.0	1,220.0	1,311.6	1,321.0
Net Service Expenditure	358.4	387.0	431.4	448.7	465.8
Debt to net service expenditure ratio	2.3	2.3	2.8	2.9	2.8

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	Audit and Standards Advisory Committee 23 July 2025
	Report from the Corporate Director, Finance and Resources
	Deputy Leader and Cabinet Member for Finance and Resources – Cllr Mili Patel
Progress on implementation of CIPFA Financial Management Code	
Wards Affected:	ALL
Key or Non-Key Decision:	KEY
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
List of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel Corporate Director, Finance and Resources Email: Minesh.Patel@brent.gov.uk Tel: 020 8937 6528 Rav Jassar Deputy Director, Corporate and Financial Planning Email: Ravinder.Jassar@brent.gov.uk Tel: 020 8937 1487

1. Executive Summary

- 1.1. On 6 February 2024, this committee received a report entitled *CIPFA Financial Management Code and Redmond Review – Update Report* which set out progress to that date on a programme of works that the council was undertaking to improve its financial management.
- 1.2. The February 2024 report provided a review of the outcome of the work to implement CIPFA's Financial Management (FM) Code and the committee noted that the conclusion to this work had been completed at that date.
- 1.3. However, Financial Management is a dynamic task and Brent Council is committed to maintaining the highest standards of Financial Management. This means ensuring that the Council continues to always align with the FM Code. This report provides the committee with an update on the progress of that work.

2. Recommendation(s)

The Committee is asked to:

- 2.1. Note the content of this report and its conclusion that the Council's financial management is aligned with the CIPFA Financial Management Code.

3. Contribution to Borough Plan Priorities & Strategic Context

- 3.1. The CIPFA Financial Management code underpins all aspects of financial management within the Council which enables the delivery of the priorities and objectives within the Borough Plan.

4. CIPFA Financial Management Code

What is it?

- 4.1. CIPFA created the Financial Management (FM) Code to consolidate existing requirements and create a new best practice context underpinned by the tenet that good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. The CIPFA FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities.
- 4.2. The FM Code has several components, including the CIPFA Statement of Principles of Good Financial Management. These six principles (Table 1) are the benchmarks against which all financial management should be judged. To enable authorities to test their conformity with the six principles, the FM Code translates these principles into 17 financial management standards (FMS) (Table 2), which form the essence of what needs to be implemented.

Table 1: CIPFA Principles of Good Financial Management

Principle	Description
Leadership	Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
Accountability	Based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
Transparency	Using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
Standards	Adherence to professional standards is promoted by the leadership team and is evidenced.
Assurance	Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Sustainability	The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
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Table 2: CIPFA Financial Management Standards

Standard	Description
	Section 1: The responsibilities of the chief finance officer and leadership team
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
	Section 2: Governance and financial management style
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
E	The financial management style of the authority supports financial sustainability.
	Section 3: Long to medium-term financial management
F	The authority has carried out a credible and transparent financial resilience assessment.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
	Section 4: The annual budget
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
	Section 5: Stakeholder engagement and business plans

L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
	Section 6: Monitoring financial performance
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
	Section 7: External financial reporting
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

- 4.3. The following sections provide an update on Brent's progress against these standards.

The responsibilities of the chief finance officer and leadership team

- 4.4. Under the National Audit Office (NAO) Code of Audit Practice, the Council's external auditors are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 4.5. At the Full Council meeting of 27 February 2025 (the meeting at which the 2025/26 Budget and Council Tax were agreed), the Council's external auditor's annual report on value for money as part of the 2023/24 audit of the year end accounts was presented. Prior to the Full Council meeting, the annual report was subject to consideration by this committee.
- 4.6. The external auditor assesses the value for money against three criteria. On Governance and Improving economy, efficiency and effectiveness, the auditor's judgement was that there were no significant weaknesses identified, but improvement recommendations were made (unchanged from 2022/23). On Financial Sustainability, one significant weakness was raised in respect of ensuring the Council does not continue its use of reserves to meet unplanned expenditure and other improvement recommendations.
- 4.7. In the 2025/26 Budget agreed at the same meeting as the report was presented, the Council took the difficult decisions recommended in the external auditor's report to ensure that a realistic budget for 2025/26 could be set. This included

requiring services to deliver £8.9m of savings and £6.5m of operating efficiencies in 2025/26, along with changes to the Council Tax Support Scheme, which delivered a further £5m saving for the Council in 2025/26. These savings and the additional income from increasing Council Tax by 4.99% (the maximum allowable without requiring a referendum), allowed the Council to provide growth for the ongoing pressures, including £11.6m for the homelessness budget, which was experiencing the largest overspends in prior years. However, through the Medium-Term Financial Strategy forecasts, it was also determined that there was a further £28m gap between 2026/27 and 2028/29. In the absence of additional funding, the Council will pursue further savings to ensure that realistic budgets can be set for these financial years.

4.8. Taken together, the Council has addressed the immediate concerns of the external auditor in the area of financial sustainability and no significant weaknesses were identified against the other criteria, meaning that the Council has demonstrated that the services provided by the authority provide value for money, albeit with improvements to be made, which are addressed in more detail in Section Five.

4.9. The CIPFA Statement on the role of the Chief Finance Officer in Local Government states the following:

The chief financial officer (CFO) in a public service organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy.
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities, the chief financial officer:

- must lead and direct a finance function that is resourced to be fit for purpose.
- must be professionally qualified and suitably experienced.

4.10. At Brent, the chief financial officer (CFO) is the Corporate Director, Finance and Resources, who sits on the Council's Corporate Management Team, recognising the vital role that Finance plays in the strategic direction of the Council. All Council reports contain a financial considerations section as a standing item, which ensures that any material decisions taken within the Council, which have a financial implication, are signed off by either the CFO or an officer with authority delegated to them by the CFO to make such determinations on their behalf.

4.11. The CFO is a CIPFA qualified accountant with many years of experience at all levels of the Finance team at Brent. They are supported in promoting good financial management across the Council by the Deputy Director, Corporate and Financial Planning and the Deputy Director, Investment and Infrastructure, with

Heads of Finance reporting to them, who provide strategic support to each Corporate Director and a Chief Accountant responsible for ensuring that the Council complies with external reporting requirements and maintaining strong internal controls. Each Head of Finance is further supported by a team of Senior Finance Analysts, Finance Analysts and Assistant Accountants, who provide business partnering support to all parts of the Council.

Governance and financial management style

- 4.12. Responsibility for good governance rests with the leadership team. The team must ensure that there are proper arrangements in place for governance and financial management. These arrangements are laid out in detail in the Council's constitution, which is reviewed regularly to ensure it remains up-to-date, with all changes to the constitution being agreed at a meeting of Full Council. The constitution is a public document, ensuring that the residents are able to hold the Council to account for the decisions that they take.
- 4.13. In addition to the CFO, the following statutory officers also play a key role in good governance and financial management:
- The Chief Executive is the head of paid service, responsible for the proper recruitment and organisation of a local authority's staff.
 - The Director of Law is the monitoring officer, with a specific duty to ensure that the council, its officers and its elected members maintain the highest standards of conduct in all they do.
- 4.14. The constitution also includes a clear scheme of delegation, which sets out the responsibilities that are delegated to the Corporate Directors of each service area. This delegation ensures that the managers who are responsible for the delivery of services are also explicitly held responsible for the financial management of those services. Regular meetings of the Corporate Management Team are held to ensure that these responsibilities are discharged collectively.
- 4.15. In addition to this, the Council has two committees – the audit committee and this committee, which provide an independent and high-level focus on the adequacy of governance, risk and control arrangements to provide assurance and confidence to those charged with governance. The committees also jointly produce an annual report to Full Council.
- 4.16. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The key elements of the systems and processes that comprise the Council's governance arrangements are based on the seven core principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework. These arrangements are set out in full in the Council's Annual Governance Statement 2024/25, which was approved by the Audit and Standards Committee on 16 June 2025.
- 4.17. CIPFA believes that the strength of financial management within an organisation can be assessed by a hierarchy of three financial management styles', which map loosely to the 3 Es:
- Delivering accountability (Economy).
 - Supporting performance (Efficiency).

- Enabling transformation (Effectiveness).
- 4.18. Brent Council has maintained a balanced budget despite the necessary requirement to make savings of £238m since 2010. Implementing such severe cuts, whilst maintaining the key services that residents rely upon has required difficult decisions to be made, but this has been possible due to the support from all areas of the Council for strong financial management.
- 4.19. The Finance team continues to support the Council's services in reducing expenditure, generating additional income and transforming services so that the Council is able to spend the limited resources available in a more economical way – making the funding stretch further. In recent years, this has included expenditure controls to ensure that non-essential expenditure is restricted. But this is becoming increasingly difficult as costs and demand increase and the available funding does not keep pace.
- 4.20. The Council has implemented a Budget Assurance Panel to provide additional oversight and scrutiny of its financial position, including in-year budget pressures and issues, mitigating actions and the delivery of agreed savings. Actions are focussed on improving forecasting techniques for quantifying anticipated demographic and inflationary growth in the medium-term and addressing longer term issues by increasing supply, shaping market prices, managing demand side issues and investing in prevention measures as a means to avoid later high cost intervention. The actions taken as a result of the Budget Assurance Panel are supporting the performance of the Council by maximising the output from the services the Council provides with the funding available, helping to make the Council more efficient and productive.
- 4.21. Finally, the Council recognises that the risk to the Council's MTFS that now exists, including a c.£30m budget gap over three years and the uncertainty arising from the local government funding reforms, which are currently out for consultation, demands transformation. The Council is aiming to deliver this transformation through the Embrace Change Portfolio.
- 4.22. The Embrace Change Portfolio, is designed to harness our strengths, focus our ambitions, and ensure that as an organisation we improve and evolve to tackle current and emerging challenges in meeting the needs of our local communities. The Portfolio is structured into change programmes, change projects, and enablers, underpinned by a number of principles. At the heart, we are developing a culture that enables us to work much more collaboratively with each other, with partners, and, crucially, with our residents, establishing a real sense of place.
- 4.23. The Embrace Change Portfolio is a key component of the Council's response to the financial challenges and delivering on the actions agreed following the Corporate Peer Challenge (CPC), which was undertaken by the Local Government Association (LGA) in January 2025.
- 4.24. A CPC is a highly valued improvement and assurance tool that is delivered by the sector for the sector. It is available, at no cost, to all English councils wherever they are on the improvement spectrum and involves a diverse team of experienced peers comprising senior local government councillors and officers.
- 4.25. The peer team undertake a review of key finance, performance and governance information and then spend up to four days at the council to provide robust, strategic, and credible challenge and support.

- 4.26. The Corporate Peer Challenge found that Brent has a strong record of financial stewardship, demonstrated through the successful delivery of savings and effective financial controls. However, rising demand pressures – particularly in temporary accommodation and social care – have made delivering balanced budgets increasingly challenging. Large overspends experienced over the last three years have been managed through the use of reserves, but this approach has led to a significant depletion of general fund reserve levels in recent years. As a result, the council is now exposed to a higher degree of risk, with external auditors highlighting this as a significant financial weakness.
- 4.27. Therefore, there are three financial actions agreed as part of the Corporate Peer Challenge:
- To develop a long-term financial strategy that aligns with the Council's corporate priorities and the embrace change programme;
 - To rebuild reserves to a sustainable level; and
 - To enhance its organisation grip on issues such as debt recovery and council tax collection rates.

Long to medium-term financial management

- 4.28. To assess how well the Council can manage these ongoing risks, the Council's Internal Audit team undertook a review using elements of the CIPFA Financial Management model. The review focused on three key areas of financial resilience:
- Adequacy of reserves.
 - Effectiveness of the Medium-Term Financial Strategy and quality of underlying assumptions.
 - Capacity to withstand financial shocks.
- 4.29. The overarching aim was to evaluate the Council's ability to maintain robust financial health in a volatile environment. The review comprised two parts: a self-assessment by the Finance team against CIPFA criteria and a workshop to validate and refine those insights. The findings of the report are discussed in more detail in the Medium-Term Financial Outlook report due to be presented to Cabinet on 28 July 2025.
- 4.30. The review concluded with the following statement: "The Council has demonstrated a structured approach to financial management, evidenced by established modelling practices, clear reserve categorisation, and alignment of budgets with strategic objectives. However, continued pressures in key services, as well as external funding uncertainties, highlight the need to increase reserves and consider the areas set out in this report to further strengthen the Council's ability to respond to a financial shock". The recommended actions from the review are set out in section five.
- 4.31. The Council also engaged Oliver Wyman to conduct a critical friend review of Brent Council's current financial forecasting capabilities. The review found that the MTFS is serving its intended purpose of enabling the setting of annual budgets and spending plans, but identified a few opportunities for improvement:
- Sharing of best practices for financial modelling between teams.

- More clearly defined process for scenario planning to ensure consistency across plans feeding into the MTFS.
 - Testing of alternative forecasting techniques for areas with most material impact.
 - Stronger controls over the data being inputted into the MTFS – less reliance on input from individuals, more consistent use of data sources.
 - Definition and documentation of governance around the MTFS, roles and responsibilities and the underlying models.
- 4.32. Alongside the budget report each year, Brent presents a revised Capital Strategy, which sets out how the Council complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 4.33. Throughout the financial year, the Medium-Term Financial Strategy is updated based on the latest available data. Workshops are undertaken with the service area finance teams to align the MTFS with sustainable service plans and assumptions on funding and economic variables (e.g. inflation, interest rates) are adjusted following external announcements, such as central government fiscal events. Reports on the MTFS position are brought to Cabinet at least three times a year – an update on the Medium-Term outlook in July, the draft budget in November and the final budget in February.
- 4.34. This provides a strong reporting framework in which regular updates on the financial sustainability of the Council are provided. In recent years, the uncertainty in local government funding has made providing a long-term view difficult, but the recently announced Fair Funding Review and multi-year local government finance settlement from 2026/27 should provide greater certainty. In particular, a multi-year settlement covering the full period of the MTFS would create a foundation for extending the medium-term outlook out to five years, which could be used to inform a long-term financial strategy.

The annual budget

- 4.35. Before each financial year, usually in late February, the Council presents the Budget and Council Tax report to Full Council. This ensures that the Council complies with the statutory requirement to set the budget and Council Tax for the following financial year before 11th March. The statutory obligations in regard to the setting of the budget, calculation of Council Tax and consultation requirements are multiple and varied. However, all Council reports with a legal implication must be signed off by the Monitoring Officer. In the case of the Budget and Council Tax report, the advice from the Monitoring Officer is included as an appendix, which sets out how the statutory obligations have been discharged.
- 4.36. Prior to this, the Council publishes its proposed process, including timescales for meetings and consultation as part of the medium-term outlook report in July. This is also subject to advice from the monitoring officer. The Chief Executive, CFO and monitoring officer work closely together throughout the financial year to ensure that all obligations are discharged in full and on time.
- 4.37. The budget report also includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves as a standing item each year. These sections discharge the

duties required by Section 25 of Local Government Act 2003. As the financial environment in which Brent Council operates has become increasingly volatile in recent years and unexpected overspends have resulted in a reduction in the Council's reserves, the importance of this statement has increased and will continue to increase in the coming years.

Stakeholder engagement and business plans

- 4.38. In developing the annual budget, the Council has a well established process for consulting on the budget. Prior to the commencement of the formal consultation on the budget, the Council presents an update on the medium-term financial outlook in July. This is presented to Cabinet and members of the public can scrutinise the Council's financial position and medium-term plans.
- 4.39. Between November and January each year, the Council runs a broad consultation process on the budget proposals for the following year. This includes:
- An invite to residents and businesses to provide comments and feedback through the online consultation portal
 - Five Brent Connects events, where people can attend and engage directly with the Council on the budget proposals
 - Newsletter sent to a large number of Brent businesses
 - Invitations to participate sent to Community and Voluntary sector organisations
 - Communications through a variety of channels, including the Council's website, media briefings and social media
- 4.40. The Council recognises consultation as a key part of policy formulation and makes considerable effort to ensure that the views of residents, businesses and other key stakeholders are taken into account. Legally, the results of consultation are something that Members must have due regard to in making budget decisions. However, consultation need not legally be the single or even most significant determining factor in choosing between difficult options, although at Brent considerable emphasis is usually placed on the results of consultation.
- 4.41. Brent's constitution includes a section on Business Cases and evaluation of financial implications. This enshrines in the Council's financial regulations the appropriate documented option appraisal methodology used to demonstrate the value for money of the Council's decisions. The section sets out the following requirements:
- 4.42. As part of the evaluation of different options, officers should:
- engage with relevant stakeholders.
 - seek appropriate professional advice.
 - use realistic, evidence based targets (not overly optimistic ones that may not be achievable in practice).
- 4.43. For complex, multiple year option appraisals these appraisals should be undertaken by appropriately qualified and experienced staff and comply with the International Federation of Accountants (IFAC)/ Professional Accountants in

Business (PAIB) Project and Investment Appraisal for Sustainable Value Creation guidance.

- 4.44. Complex and/or multi-year option appraisals will also need to consider different scenarios to ensure that the options considered are value for money, and to evaluate the risks that may emerge from foreseeable events. In these cases, this scenario analysis must be clearly summarised and communicated to the relevant decision makers, along with key assumptions made.

Monitoring financial performance

- 4.45. To remain financially sustainable an authority must have timely information on its financial and operational performance so that policy objectives are delivered within budget. Early information about emerging risks to its financial sustainability will allow it to make a carefully considered and therefore effective response.
- 4.46. Each quarter a financial forecast report is presented to Cabinet, which sets out the current financial position, highlights the pressures and risks being faced by the Council's services and mitigations being applied where possible. The alignment of the Council's activities with the Council's strategic priorities is also discussed. These reports are then linked to the reports on the Medium-Term financial outlook, the draft budget and the final budget to ensure that ongoing pressures and undeliverable savings are not carried forward as part of an unsustainable budget.
- 4.47. However, in this period of unprecedented uncertainty and pressures on local government finance, this is not enough. That is why the Council created the Budget Assurance Panel to provide further scrutiny and monthly monitoring reports for the Corporate Management Team are being introduced to ensure there is strategic oversight of the emerging risks to the budget at the earliest opportunity.
- 4.48. The Council also undertakes a range of reporting on key performance indicators and benchmarking against other local authorities, which can help to identify problems before they occur, enabling the Council to take preventative actions.
- 4.49. The Deputy Directors of Finance review the balance sheet quarterly with their Heads of Finance and any material risks identified will be flagged to CMT via the quarterly monitoring report.

External financial reporting

- 4.50. The Corporate Director, Finance and Resources is the statutory S151 officer. The statutory responsibilities for this role, in addition to those already described in this report, include ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.
- 4.51. The Chief Accountant has responsibility for preparing the statement of accounts and is supported by a team of qualified accountants, who are each responsible for ensuring that the accounting in their areas is compliant with the CIPFA Code. However, the Corporate Director, Finance and Resources has ultimate personal responsibility for this and is required to certify that the accounts present a true and fair view of the Council's financial position at the reporting date.

- 4.52. The final outturn figures and variations from the budget as shown in the statement of accounts are also presented to Cabinet in an outturn report, alongside the first quarterly monitoring report of the following financial year and the medium-term financial outlook report. Reporting on these items together allows for the reports to be aligned with each other, ensuring that the backward looking outturn report provides the context behind the present financial position, which in turn informs the medium-term financial outlook, which is forward looking.
- 4.53. These reports proceed to Cabinet via Corporate Management Team meetings, ensuring that where strategic decisions need to be taken quickly and advice provided to members, it is possible to do so before all formal proceedings have been completed. This also maintains the principle that the Corporate Directors are responsible for Financial Management in their services and so must be involved in the preparation of the outturn and the response to it.

5. Conclusion and improvement priorities

- 5.1. As a result of the review undertaken, this report concludes that Brent Council continues to broadly comply with the CIPFA Financial Management Code, although with the financial position becoming increasingly difficult, it is vital that Financial Management is seen as an ongoing activity with involvement from all parts of the organisation.
- 5.2. The Council must continue to demonstrate full commitment to good governance and financial management both now and in the future and embrace change where change is needed to deliver the necessary transformations in service delivery that will ensure the Council's financial position is sustainable in the long-term.
- 5.3. Finally, the Council must commit to enhancing the existing framework of medium-term and long-term planning to deliver on the recommendations from the external auditor's value for money report. The recommendations are set out below:
- As planned, continue to increase the level of useable reserves to offer better protection against financial shocks.
 - Consider introducing Zero-Based Budgeting in targeted service areas to help identify true cost drivers and enable more precise resource allocation and prioritisation, even with limited staff and financial resources.
 - Expand scenario and contingency planning that captures multiple variables simultaneously and also review the current level of reporting to members on the scenarios considered and potential impacts.
 - Update the Finance/MTFS Risk Register more regularly, using it as a live tool to track emerging risks and inform prompt interventions.
 - The Council should ensure it continues to maintain a balanced approach to debt management. Consider reducing overall borrowing levels in the medium to longer term, where possible and commercially viable to do so, to improve the Council's medium and longer term financial sustainability.
 - Continuously review the monitoring regime in place to track savings ensuring that there is a clear plan of action in place if a discrepancy does occur between target and actual savings being achieved.

- Maintain the ongoing monitoring and review of the business plan for i4B to ensure informed decision making and financial sustainability including approaches for managing the debt repayments due to the Council.
- Continue to review the current debt collection strategy to ensure that includes clear targets, performance monitoring, and escalation procedures. Consider investing in specialist training, additional resources or systems to enhance collection rates.
- Consider the integration of the development of climate action plans into the financial budgeting process to help identify any funding gaps and prioritisation of key initiatives to support the delivery of the Council's sustainability goals.
- Continue to monitor the Housing Revenue Account and 30 year plan closely to ensure that it remains sustainable and retains sufficient balances to meet an unexpected overspend or financial shock.

5.4. As part of the Council's ongoing work on developing the Medium-Term Financial Strategy and conducting an annual Financial Resilience Assessment, officers will respond to the findings of the review and provide an update to Cabinet on progress alongside the 2026/27 draft budget in November 2025.

6. Financial Considerations

6.1. There are no cost or budgetary implications arising from this report.

7. Legal Considerations

7.1. None

8. Equity, Diversity & Inclusion (EDI) Considerations

8.1. None

9. Climate Change and Environmental Considerations

9.1. None

10. Human Resources/Property Considerations (if appropriate)

10.1. None

11. Communication Considerations


11.1. None

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources

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	Audit and Standards Advisory Committee 23 July 2025
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)
Emergency Planning & Resilience - General Update	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
List of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Melissa Brackley Deputy Head of Resilience 020 8937 1767 melissa.brackley@brent.gov.uk Darren Armstrong Deputy Director Organisational Assurance and Resilience 020 8937 1751 Darren.armstrong@brent.gov.uk

1.0 Executive Summary

- 1.1 This report provides an update on recent key activities and outlines current priorities in relation to the Council's emergency planning and resilience responsibilities.
- 1.2 A central focus continues to be the implementation of actions identified through the analysis of the Grenfell Inquiry report, which highlighted several areas requiring improvement. While progress in some areas has been affected by competing priorities, our ongoing collaboration with other boroughs and participation in the wider London Resilience Partnership remain instrumental in identifying best practices and further opportunities for enhancement.
- 1.3 In recent weeks, the Emergency Planning and Resilience team has concentrated efforts on the response to the fire at Tillet Close. This incident has already revealed several areas for improvement, and the ongoing debrief

process is expected to highlight additional lessons. Notably, the incident has reinforced the importance of the Council's role in supporting recovery efforts following major emergencies.

2.0 Recommendations

2.1 The Committee is asked to note the report.

3.0 Contribution to Borough Plan Priorities & Strategic Context

The update provided in this report aligns with the following relevant priorities and outcomes within the Borough Plan:

- Prosperity and Stability in Brent - Building stronger partnerships with local organisations and supporting our community in the context of Emergency Planning and Resilience.
- Thriving Communities - Helping to support the creation of a safer borough through proactively planned interventions to reduce exposure to Emergency Planning and Resilience related risk.

3.1 On Call Arrangements

- 3.1.1 The Council continues to strengthen the resilience of its on-call arrangements. So far this year, four new individuals have been trained for the Gold role and 16 for the Silver role, with 12 of those now actively participating in the Silver rota. This brings the current totals to nine on the Gold rota and 21 on the Silver rota. An additional Silver training session is planned later this year for those who were unable to attend previous sessions. Work is also underway to introduce the BECC Manager role, which will be implemented following the next Silver training.
- 3.1.2 Silver training was also extended to two individuals involved in the Council's event arrangements, supporting ongoing efforts to strengthen the link between event planning and emergency preparedness.
- 3.1.3 The interim pay arrangements for Emergency Response Officers (LALOs and Emergency Centre Managers) and Resilience Advisors have had a positive impact. Three previously inactive individuals have returned to the rota, and nine new individuals have joined, with further expressions of interest received.
- 3.1.4 Training for other key roles is progressing well. Notably, Housing's commitment to training all staff in Emergency Centre operations has significantly increased the number of trained personnel. The table below reflects Emergency Centre training figures up to the end of March 2025. An update from the British Red Cross is expected at the end of June, and we anticipate further positive progress.

Role	Numbers Trained
Emergency Centre Officer	49 (Up to end of March 2025)
Emergency Centre Manager	25 (Up to end of March 2025)
Loggist	20
BECC Officer	12
HALO	4
HAC Officer	20
STAC Rep	2

3.2 **Team Updates**

- 3.2.1 Following the departure of a team member (Emergency Planning and Resilience Officer) in June, the position has been offered internally to one of our Resilience Advisors, who previously served as an Emergency Response Officer. A start date is yet to be confirmed.

3.3 **Business Continuity**

- 3.3.1 Business Continuity remains a key priority for the team, driven by the Council's self-assessment against the Resilience Standards for London, the external review conducted in 2023, and an increasing range of emerging threats. These include cyber-attacks, extreme weather events, supply chain vulnerabilities, and global geopolitical instability—all of which present significant risks to the Council's ability to maintain service delivery.
- 3.3.2 Following recent updates to the Business Continuity templates, all managers have been asked to review and update their plans by the end of August. To support this process, they are encouraged to complete one of the "Off the Shelf" exercises developed by the team, which are designed to enhance planning and promote team engagement.
- 3.3.3 A briefing session delivered to SMG on 9 June was well received and identified further areas for development, particularly in supporting services with business continuity planning and assessing supplier resilience.
- 3.3.4 Progress has also been made in expanding the use of the telesolutions system. A refresher session was held for the Communications team, and a new user group has been established for all staff on the system. A message circulated in May generated 296 responses, which the team is currently processing and uploading. In preparation for the annual system test scheduled for September, efforts are underway to ensure all contact information is up to date.

3.4 **Incidents**

- 3.4.1 The team have continued to respond to range of incidents, which have included fires (including repeated incidents in the old job centre on Cambridge Ave); a prolonged heating failure in a council block during January and February; IT disruption and a hazardous materials (HAZMAT) incident in Hassop road. Learning from each incident is now incorporated into the lessons and recommendation tracker, initially established to monitor the Grenfell progress, but now a consolidated place for all learning and actions.
- 3.4.2 The most significant incident in recent months was the fire at Tillet Close on the 24th May. Residents were initially supported in a Rest Centre at the Civic Centre, before accommodation was arranged by the Council or appropriate landlord. On Monday 26th June, the Family Wellbeing Centre was opened as an assistance centre supported by the British Red Cross, the centre remained open until Friday 30th.
- 3.4.3 The debrief process for the fire at Tillet Close is not yet completed, but initial lessons identified include:
- Increased limits on their procurement cards – to support accommodation bookings.
 - More flexibility in the financial support available to provide residents. Access to the system and training is being arranged currently.
 - Identification of some additional equipment that would be useful to have in our rest centre kit – additional charging facilities / blankets.
 - Ensuring all those trained have shared their contact details.
 - Limited understanding of the Council's role in the recovery phase. We have therefore arranged a study day in October, being delivered by Professor Lucy Easthope, who is a lead adviser in emergency planning and disaster recovery.

3.5 **Grenfell Actions**

- 3.5.1 The team continues to progress actions identified from the review of the Grenfell Inquiry report. Although progress has been impacted by staff absences and internal changes, additional resources have been brought in to support key areas—particularly around information on vulnerable people and supplier resilience.
- 3.5.2 In recent months, the primary focus has been on actions related to rest centre management. Good progress has been made in training new Emergency Centre Officers and updating relevant processes and procedures. A live exercise held on 11 June provided trained staff with an opportunity to apply their learning and test recent updates to the registration process. The exercise was supported by the British Red Cross, Rapid Relief Team, Metropolitan Police, and Emergency Planning colleagues from Harrow and Ealing Councils. Next steps include finalising the updated procedures and formalising the agreement with ICAB. Given the positive feedback from participants—who appreciated seeing the arrangements in action—the team plans to run further exercises in this area.

3.5.3 Progress is also being made in collaboration with the Learning and Development team to develop an e-learning package for all staff. An initial review of commercial options found none that fully met the Council's needs, leading to the development of a bespoke in-house solution. This approach offers several advantages:

- Cost-effectiveness
- Faster delivery
- Customisation, including the promotion of internal volunteering opportunities

3.5.4 While a London-wide package is under consideration by the Standardisation Board, timelines remain uncertain. In the meantime, development of the internal package is moving forward.

3.5.5 The Learning and Development team has requested guidance on whether the e-learning package should be mandatory for all staff or targeted to specific groups. Emergency Planning recommends making it mandatory, in line with the Grenfell recommendations and to reinforce the principle that resilience is everyone's responsibility.

3.6 **Other Priorities**

3.6.1 *Martyn's Law* - The forthcoming legislation, commonly referred to as "Martyn's Law," aims to enhance public safety by ensuring better preparedness for and protection against terrorist attacks. It will place proportionate requirements on those responsible for certain premises and events, with obligations varying by venue capacity. The Civic Centre will fall within the top tier of the proposed framework. The Emergency Planning and Resilience team has been supporting the Sales and Marketing Manager in reviewing current arrangements and identifying necessary improvements to ensure future compliance. This has included delivering training opportunities and engaging with key suppliers involved in on-site events.

3.6.2 *Counter Terrorism* - In collaboration with Police colleagues, the team is reviewing the transition to the critical action card and exploring opportunities to deliver additional ACT (Action Counters Terrorism) and SCaN (See, Check and Notify) training.

3.6.3 *Joint Working with the Events Team* - The EP&R and Events teams have strengthened collaboration in recent months to ensure effective information sharing and a smooth transition from event delivery to emergency response when required. This has already proven beneficial, with recent incidents on event footprints being promptly communicated to the duty Resilience Advisor. In February, an internal exercise was held, and EP&R also participated in a stadium exercise. Shadowing opportunities have been offered to some staff, with plans to extend these to all Gold, Silver, and Emergency Response Officers (EROs). Staff involved in event delivery are also being included in emergency planning training, including Emergency Centre Officer and Silver-level training. Discussions are ongoing regarding a joint exercise with the stadium team.

4.0 Stakeholder and ward member consultation and engagement

4.1 None

5.0 Financial Considerations

5.1 None

6.0 Legal Considerations

6.1 The Civil Contingencies Act provides the primary framework for dealing with large-scale emergencies under UK law and, Part 1 concerns the responsibility of various public bodies and certain private bodies (e.g., energy suppliers or telecommunications providers) to undertake contingency planning for emergencies.

6.2 The Act recognises an emergency as an event or situation that threatens damage to human welfare for the purposes of The Act only if it may cause:

- loss of human life
- human illness or injury
- homelessness
- damage to property
- disruption of a supply of money, food, water, energy or fuel
- disruption of a system of communication
- disruption of facilities for transport, or
- disruption of services relating to health

6.3 It is apparent that the definition of 'emergency' under the Act is capable of covering an extremely broad range of circumstances, ranging from disasters that are life-threatening and large-scale (e.g., a hurricane, major earthquake or nuclear attack), to relatively small-scale, discrete events that cause 'disruption' rather than outright damage a fuel strike or power failure affecting telephone lines.

6.4 Emergency planning should aim where possible to prevent emergencies occurring, and when they do occur, good planning should reduce, control or mitigate the effects of the emergency. It is a systematic and ongoing process which should evolve as lessons are learnt, and circumstances change.

6.5 According to the Cabinet Office guidance, Category 1 responders are required to:

- Put in place emergency plans business continuity management arrangements informed by risk assessment.

- Put in place arrangements to make information available to the public concerning civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency.
- Co-operate and share information with other local responders to enhance co-ordination and efficiency.

6.6 Local authorities are also expected to provide advice and assistance about business continuity management to businesses and voluntary organisations.

7.0 Equity, Diversity & Inclusion (EDI) Considerations

7.1 The Public Sector Equality Duty, as set out in section 149 of the Equality Act 2010, requires the Council, when exercising its functions, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, to advance equality of opportunity and foster good relations between those who have a “protected characteristic” and those who do not share that protected characteristic. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

7.2 Having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.

7.3 There is no prescribed manner in which the council must exercise its public sector equality duty but having an adequate evidence base for its decision is necessary.

8.0 Climate Change and Environmental Considerations

8.1 None

9.0 Human Resources Considerations

9.1 None

10.0 Communication Considerations

10.1 None

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources

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	Audit and Standards Advisory Committee 23 July 2025
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)
Evaluating the Effectiveness of the Audit and Standards Advisory Committee	
Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Darren Armstrong, Deputy Director Organisational Assurance and Resilience 020 8937 1751 Darren.Armstrong@Brent.gov.uk ;

1.0 Executive Summary

- 1.1. This report summarises the outcomes of the evaluation of the effectiveness of the Audit and Standards Advisory Committee for the municipal year 2024-25.

2.0 Recommendations

- 2.1 The Committee is asked to:
- a) review the outcomes of the self-assessment;
 - b) discuss and agree any performance/effectiveness related issues pertaining to its activity and effectiveness;
 - c) identify any additional training needs that should be prioritised in 2025-26.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

- 3.1.1 The Council's Audit and Standards Advisory Committee plays an important role in ensuring the good governance of the Council. The committee is a key component of the Council's governance framework and contributes to the overall success of the Council by providing an independent and high-level focus on the adequacy of governance, risk and control arrangements to provide assurance and confidence to those charged with governance.
- 3.1.2 The Committee is responsible for considering and advising the relevant council bodies on various governance matters relating to audit activity, the council's regulatory framework, and members' standards of conduct.

3.2 Background

- 3.2.1 CIPFA's Position Statement on Audit Committees in Local Authorities recommends that the Committee should report annually on how it has complied with the Statement, discharged its responsibilities, and include an assessment of its performance.
- 3.2.2 As part of their annual report the Chairs of both the Audit & Standards Advisory Committee and Audit & Standards Committee included an evaluation of how effective it's felt the Committees have been during the year, and to support this process both were keen to seek members' views on not only the operation of the Committee over the last year but also on opportunities for improvement moving forward.
- 3.2.3 To help guide this process and self-assessment, the Committee opted to use the Local Government Association's (LGA) '*Ten questions for audit committees*' questionnaire. This can be viewed via the following link:

<https://www.local.gov.uk/publications/ten-questions-audit-committees>
- 3.2.4 In order to structure the approach in obtaining feedback, Members of the Committee were asked to respond, share views, and return completed forms to Harry Ellis, Governance Officer. This feedback has been collated anonymously and was shared this with the Chair and Vice-Chair in May 2025.

3.3 Evaluating the Effectiveness of the Committee for 2024-25

- 3.3.1 Responses were received from 6 of the Audit and Standards Advisory Committee Members. General themes and matters arising from the ten questions have been summarised in the table below.

Question	General themes and matters arising from comments received.
1. How can we be a more effective Audit Committee?	<p>a) Timeliness and structure Papers should be published on time to allow for proper review and preparation. Late distribution hinders effectiveness.</p> <p>b) Chair's leadership The Chair is seen as highly effective, but there's concern about over-reliance and succession planning.</p> <p>c) Officer engagement There was a call for more interaction with officers beyond finance, especially where recurring issues arise.</p> <p>d) Agenda and meeting management Long, packed agendas and meetings that overrun reduce focus and energy. A more disciplined structure is needed.</p>
2. What are we missing as an audit committee?	<p>a) Broader departmental input The committee could expand insight received from departments outside of finance. A formal process for inviting wider officers could enhance scrutiny.</p> <p>b) Learning from others Benchmarking with other councils and committees could help identify blind spots and best practices.</p> <p>c) Strategic oversight Topics like devolution and annual reporting are underexplored and could add value.</p>
3. How do we get assurance for ourselves and others regarding governance, risk management, internal control, and the accuracy of financial reporting?	<p>a) Follow-up and accountability There's a need for stronger mechanisms to ensure audit recommendations are implemented and not delayed.</p> <p>b) Assurance mapping A more structured approach to mapping assurance sources could help identify gaps and overlaps.</p> <p>c) Deep dives These are seen as a valuable tool for exploring high-risk areas in more detail.</p>
4. What is management doing to ensure there is an effective culture that promotes compliance with good governance?	<p>a) Broader departmental input The reports received from Officers, including answers and responses to questions, are detailed and well structured. The committee could expand insight received from departments outside of finance to seek additional assurance in this area.</p>

Question	General themes and matters arising from comments received.
<p>5. How does management support and promote the role of audit (internal and external)?</p>	<p>a) Visible Support from Senior Officers There is strong support from the Section 151 Officer and good engagement from senior management, particularly in terms of attendance and responsiveness during meetings.</p> <p>b) Profile of Internal Audit There is a desire to see audit recommendations more clearly linked to positive organisational change and beyond just compliance.</p>
<p>6. How does management provide practical support to the audit committee in its work?</p>	<p>a) Strong Operational Support Respondents generally praised the quality and clarity of reports, the presence of senior officers, and the responsiveness to committee requests.</p> <p>b) Timeliness and structure Papers should be published on time to allow for proper review and preparation. Late distribution hinders effectiveness and more discipline is required.</p> <p>c) Training and Induction Training and induction are valued, but there was a suggestion that ongoing development and benchmarking with other committees could enhance effectiveness.</p>
<p>7. What is internal audit's role, scope, and mandate? How should it be resourced?</p>	<p>a) Clear Role and Responsibility Internal audit's role is well understood—ensuring policy compliance and identifying control weaknesses—but it has limited resources, which affects its ability to deliver timely and comprehensive coverage. The relationship between internal audit and the committee is generally seen as constructive and collaborative.</p> <p>b) Timeliness and Follow-Up There are concerns about delays in implementing recommendations, which can reduce the impact of audit findings.</p> <p>c) In-House vs External Provision One respondent favour externally commissioned internal audit to avoid conflicts of interest and improve independence.</p>
<p>8. How does internal audit set its audit plan?</p>	<p>a) Risk-Based Planning The audit plan is described as live and risk-based, with flexibility to adapt to emerging issues. This is broadly supported</p> <p>b) Follow-Up vs New Audits A significant portion of audit time is spent on follow-ups. Some respondents suggest adopting a more risk-based</p>

Question	General themes and matters arising from comments received.
	<p>follow-up model (e.g. self-declaration with sample testing) to free up capacity.</p> <p>c) Benchmarking There's a desire for more benchmarking with other councils</p>
9. How do we know we have an effective internal audit function?	<p>a) Limited Feedback from Management There's little structured feedback from service managers on internal audit's performance, beyond post-audit surveys.</p>
10. How should internal and external auditors work together?	<p>a) Limited Visible Collaboration While some coordination exists (e.g. external audit reviewing internal audit work), it's not always visible to the committee. Members want to see more structured collaboration, to include key risks such as financial sustainability, unclosed audit recommendations, and lack of clarity around Value for Money (VFM) assessments</p>

3.3.2 In summary, the survey outcomes have not identified any significant gaps or issues relating to the effectiveness of the Committee. However, a number of areas have been identified where improvements could be made to further enhance effectiveness. The Committee should use the summary provided above to discuss, determine and agree any specific actions to be taken forward.

4.0 Stakeholder and ward member consultation and engagement

4.1 None

5.0 Financial Considerations

5.1 There are no specific financial implications arising from this report.

6.0 Legal Considerations

6.1 The Accounts and Audit Regulations 2015 set out the Council's responsibility for ensuring that it has a sound system of internal control and that it keeps the effectiveness of this system under review. The evaluation of the committee will help ensure the effectiveness of the committee and its members as part of the council's system of internal control.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 None

8.0 Climate Change and Environmental Considerations

8.1 None

9.0 Communication Considerations

10.1 None

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources

London Borough of Brent

Audit progress report and sector updates

July 2025

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Agenda Item 11

Agenda

1	Audit progress report	03
2	Introduction	04
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Audit progress report

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Introduction

This paper provides the [Audit and Standards Committee](#) with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the [Audit and Standards Committee](#) can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either [Sophia](#) or [Sheena](#).

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Progress as at July 2025 (1)

An overview of audit progress to date

2024-25 – Audit planning stage

We undertook our initial audit planning work during the months of March and April 2025. In April 2025 we issued an indicative audit plan, setting out our proposed approach to the audit of the Council's 2024-25 financial statements. We will update Audit & Standards Committee at the July meeting if we identified any additional risks to the 2024-25 audit in completing our planning procedures, or if we can finalise the plan issued in April 2025.

2024-25 – Fieldwork stage

We commenced the year-end audit on 16 June 2025, with the objective of completing the audit by the end of September 2025. Management informed us that they were unable to publish the 2024-25 draft financial statements by 30 June 2025, as required by the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2024. Management attributes the delays to ongoing challenges with the Property, Plant and Equipment (PPE) valuation and management's intention to implement audit recommendations from the prior year to avoid a recurrence of previous issues and errors in the PPE note. Management confirms that the draft financial statements will now be published on 18 July 2025.

Impact of delayed accounts on audit work and resources

Despite the absence of draft financial statements, we agreed with management a list of audit areas we could progress. Management provided written assurance to audit that the balances under review will not change. Should any changes occur, we will be required complete additional testing and potentially increase sample sizes. This would result in additional work and fees not included in the current audit budget.

Management informed us in the first week of July that there would be delays with the PPE note, that the final version would not be included with the draft financial statements to be received on 18 July 2025. However, we were updated on 15 July that the draft financial statements will include the final and auditable version of the PPE note. As the PPE note to be received on 18 July is the auditable version we will proceed with our work in this area as soon as it is received. Refer to page 9 for further detail

A table outlining the agreed audit areas and progress to date is included at pages 6-8.

2024-25 – Value for Money work

Our VFM planning procedures and mobilisation of the work commenced in April 2025. The delivery of the final Auditor's Annual Report will be reported at the Audit & Standards Committee meeting on 25 September 2025. To date, we have no matters to report.

Progress as at July 2025 (2)

Agreed areas of audit work	Working papers received from management?	Status of audit work
Investments	Yes	Testing in progress
Govt grants, other grants, reimbursements & contributions	Yes	Sample selection in progress
Capital grants and contributions	Yes	Sample selection in progress
Dedicated schools grant	Yes	Testing in progress
Short-term and long-term borrowing	Yes	Testing in progress
Employee expenditure	Yes	Testing of starters and leavers is complete, subject to review. Sample of changes in circumstances issued and awaiting evidence from management to support the sample.
Pension liability	Yes	Testing in progress
Pensions interest cost and expected return on pensions assets	Yes	Testing in progress
Cash and cash equivalents	Yes	Testing in progress
Bank completeness	Yes	Sampling in progress

Progress as at July 2025 (3)

Agreed areas of audit work	Working papers received from management?	Status of audit work
Completeness of income	Yes	Testing in progress, follow-up queries are with management
Housing Benefit expenditure	Yes	Testing in progress
Debtors	Partially	We received summary working papers and have requested full population listings from management so that we can select our detailed samples.
Creditors	Partially	We received summary working papers and have requested full population listings from management so that we can select our detailed samples.
Collection Fund accounts and disclosures	Yes	Testing in progress
Council tax income	Partially	We received a listing for council tax reliefs. Other aspects of this work are in progress.
Business rates income	Yes	Testing in progress
HRA income	Yes	Testing in progress
Litigation and claims	Yes	Testing in progress

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Progress as at July 2025 (4)

Agreed areas of audit work	Working papers received from management?	Status of audit work
Remuneration disclosures (inc. exit disclosures)	Yes	Testing in progress.
Pooled budgets	Yes	Testing in progress
Going concern	Yes	Completed, subject to review
Related parties	Yes	Testing in progress
Capital commitments	No	We will commence testing when we receive working papers

Whilst progress has been reasonable given the circumstances, the audit remains in its early stages. We will keep management updated through our weekly progress update emails, bi-weekly meetings between the audit team and the members of the finance team, and through the meetings between your Corporate Director Finance & Resources and Sophia.

Progress as at July 2025 (5)

Risk of PPE issues after the draft financial statements are published

Management confirmed that the draft financial statements will be published on 18 July 2025. While this is later than the statutory deadline of 30 June 2025, the delay reflects the Council's commitment to incorporating improvements in the valuation and disclosure of Property, Plant and Equipment (PPE), following recommendations from the prior year audit. Management has assured us that the financial statements, as published, will present a true and fair view of the Council's financial position.

Management informs us that while some non-material updates to the PPE note remain, these will not be processed post-publication of the draft financial statements, as they are not expected to impact the overall integrity of the accounts. However, we note that risks remain in relation to the PPE disclosures presented for audit.

Management informs that prior period adjustments (PPAs) related to the PPE disclosure are expected. So far, three material PPAs have been identified for adjustment, with additional immaterial PPAs pending. We have requested management to complete a schedule of PPAs to share with us. We also need to consider whether the cumulative impact of unadjusted PPAs could be material. Work related to PPAs is outside the scope of our original budget and will require additional resource and fees.

Page 109 If changes are required to be made to the PPE note, it will also impact other areas of the financial statements, including:

- Movement in Reserves Statement (MiRS)
- Capital expenditure and financing notes
- Revaluation reserve
- Adjustments between accounting and funding basis
- Group accounts
- Journals testing (including any new journals posted to update PPE)

We will aim to reduce duplication of work, but in some areas there will be inevitable duplication which could lead to additional audit work not budgeted for.

2024- 25 – Audit completion impact of delays on audit timeline

Given the unresolved PPE issues, PPE PPAs, and the complexities encountered in the prior year PPE work, it is our assessment that meeting the end of September 2025 deadline is currently at significant risk.

Furthermore, the full extent of the work required will only become clear once we are able to begin testing the updated PPE balances and related disclosures. We remain in close discussion with management on this area of work and will re-deploy audit resource to pick up the PPE work when the final PPE disclosure is provided.

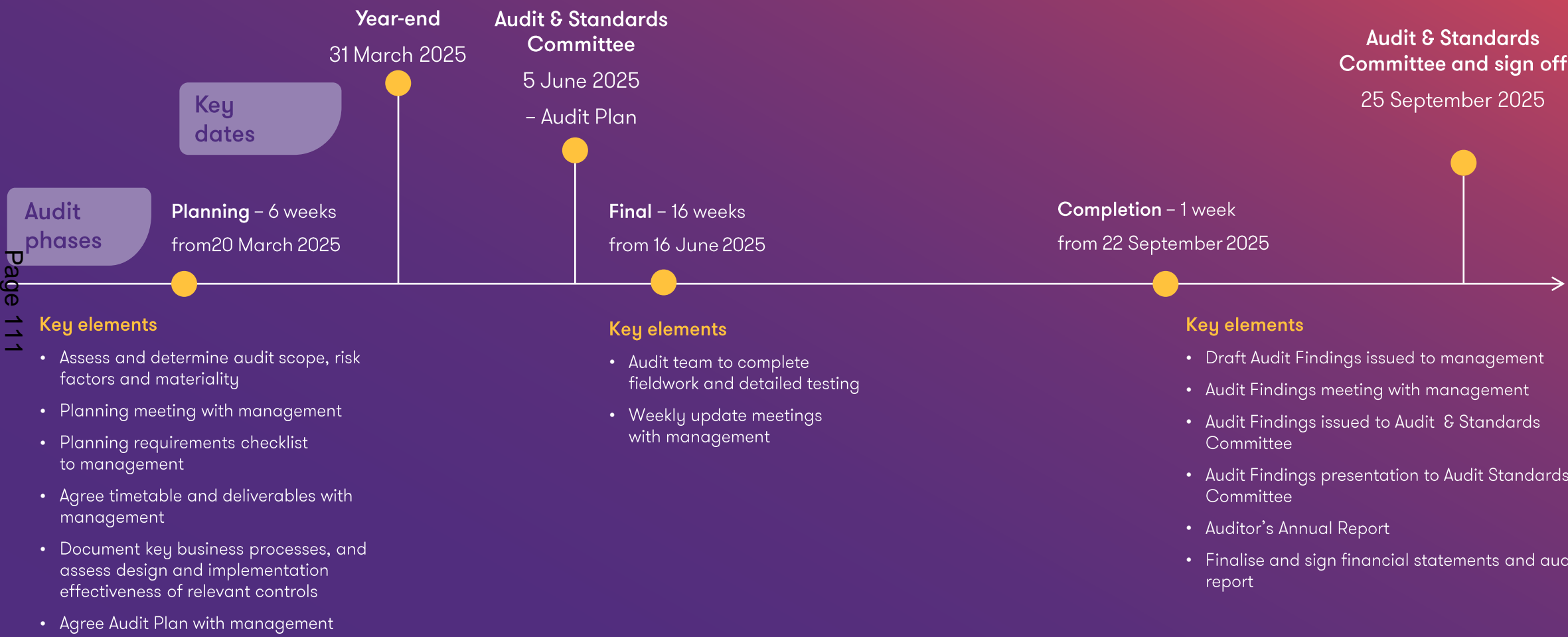
Audit deliverables

Below are some of the audit deliverables planned for 2024-25

2024-25 Deliverables	Planned date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit & Standards Committee setting out our proposed approach in order to give an opinion on the Council’s 2024-25 financial statements.	April 2025	Complete
Audit Findings Report The Audit Findings Report will be reported to the Audit & Standards Committee on 25 September 2025.	September 2025	Not yet due
Auditor’s Report This includes the opinion on your financial statements, to be issued by 30 September 2025.	September 2025	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	September 2025	Not yet due

Logistics

The audit timeline



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Sector updates

Local audit reform

On 9 April 2025, the government published [Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK](#)

Recognising that a backlog in local audit sign-off of nearly 1,000 audits had impacted local accountability and transparency, the purpose of the consultation was to rebuild a system of local audit, ensuring that audited accounts are published on time, and that trust and confidence in how councils are spending their money is restored. Grant Thornton welcomes the reforms which we believe are much needed.

The key outcome of the consultation is the decision to proceed with the establishment of a new Local Audit Office (LAO) with effect from 1 April 2026.

Local Audit Office – core principles

Value for money: Providing confidence for stakeholders that proper arrangements are in place.

Transparency of the sector's financial health and VfM arrangements.

Capacity and capability: A sustainable and resilient audit market with access to the right expertise.

External scrutiny which challenges and drives improvement.

Professionalism: Building a sector attractive to auditors.

Proportionality: Local audit that is proportionate and relevant, from regulations to governance.

Stronger accountability: High standards of financial reporting to promote public accountability.

Timely: High quality accounts which are produced on a timely basis.

Impact for local authorities

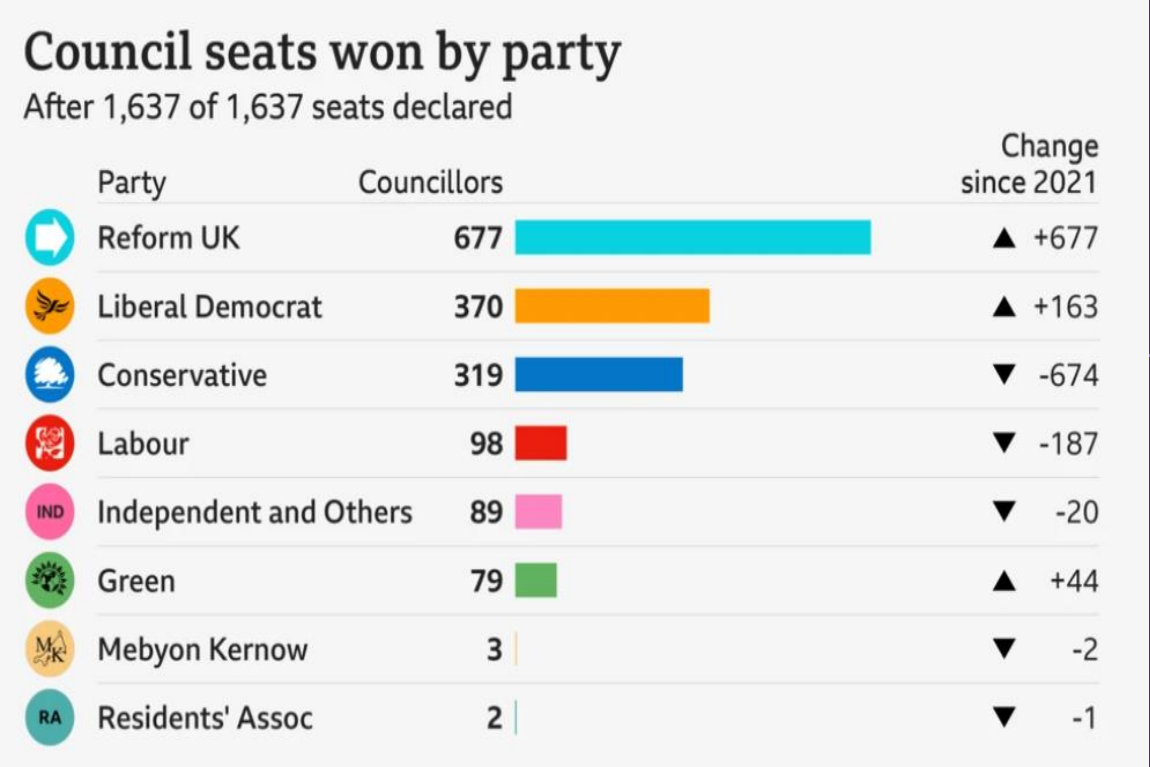
- A mandatory requirement for at least one independent Audit Committee member at each authority.
- Mandatory reporting of the Auditor's Annual Report to full Council.
- The introduction of a Local Public Accounts Committee, following the central government model.
- The strengthening of Internal Audit capacity.

New members and the 30th anniversary of Nolan

The May 2025 local elections saw significant turnover in membership at some councils. The elections saw 677 new Reform councillors become members of local government for the first time, and 674 former Conservative councillors leave local government, often after many years of service. The extent of the changes meant that when the LGA’s political proportionality was recalculated on 8 May 2025, Reform was awarded its own LGA Group for the first time.

Reform, the Liberal Democrats, and the Green party all gained new councillors, many new to local government roles.

Coincidentally, May 2025 marks the 30th anniversary of the Nolan Principles. As the large number of new councillors get to grips with the challenges the local government sector faces, and the unique opportunities presently before it, there is probably no better star they can be guided by. By practicing selflessness, integrity, objectivity, accountability, openness, honesty and leadership, councillors of all political persuasions (and none) should be able to work together in the best interest of the areas they have been elected to represent.



Source: BBC News [Local elections 2025: results in maps and charts](#)

Challenges faced by local authorities in implementing IFRS 16 (1)

IFRS 16 is an international accounting standard that changes how leases are reported in financial statements. It requires organisations to bring most leases onto the balance sheet, recognising both a right-of-use asset (the value of the leased item) and a lease liability (the obligation to make future lease payments). This change improves transparency by more comprehensively reporting the extent of an organisation's leasing commitments on the balance sheet. It replaces the previous distinction between operating and finance leases for lessees under IAS 17.

In the UK public sector, IFRS 16 is adopted through the CIPFA Code of Practice on Local Authority Accounting. After several deferrals, it is now mandatory for local authorities from 1 April 2024, impacting the 2024-25 financial year.

As local authorities prepare their 2024-25 financial statements and apply IFRS16 for the first time, several areas are proving particularly challenging. These challenges are not just technical — they have implications for governance, transparency, and the accuracy of financial reporting. The audit committee plays a key role in providing oversight and assurance. The table below sets out some areas which can present difficulties, along with suggested questions for finance teams and audit committees to consider.

Area of difficulty	Description	Challenge questions to ask the Finance team
Completeness of lease records	<p>One of the most fundamental requirements of IFRS 16 is that all lease arrangements must be identified and recorded. This includes not only formal lease contracts but also informal or embedded leases that may be part of broader service agreements.</p> <p>Many authorities conducted a one-off review of leases as they prepared for the transition but without ongoing processes, there is a risk that new leases entered into during the year may not be captured. This could result in incomplete or inaccurate entries in the financial statements.</p>	<p>(a) How does the finance team ensure that all lease agreements, including those entered after the initial review, are identified and properly recorded?</p> <p>(b) What approach does the finance team take to work with other departments in identifying and reporting lease arrangements, especially those that might be informal or embedded in other contracts?</p> <p>(c) What processes or controls are in place to keep the lease register accurate and up to date throughout the year?</p>

Challenges faced by local authorities in implementing IFRS 16 (2)

Area of difficulty	Description	Challenge question to ask the Finance team
<div>Page 116</div> Holdover leases (expired leases still in use)	<p>In some cases, a property lease agreement may have ended but the authority continues to occupy and use the premises. These are known as holdover leases. The challenge here is determining whether the continued use of the asset creates a new lease under IFRS 16. This depends on whether there are still enforceable rights and obligations between the authority and the landlord. Making this assessment often requires legal judgment and careful documentation.</p> <p>The most challenging aspect of holdover leases is determining the lease term. Management must consider whether there is an implied contract, the term of the arrangement, and whether there are any continuing enforceable rights or obligations, as well as any significant costs or penalties from terminating the arrangement.</p>	<ul style="list-style-type: none"> (a) Have any holdover leases been identified, and how has the finance team assessed whether these should be treated as leases under IFRS 16? (b) Where there was uncertainty, has legal advice been sought, and are the assumptions and judgments clearly documented? (c) What approach has been taken to determine the lease term for agreements that are open-ended or automatically renew?
Peppercorn or nominal rent leases	<p>Some leases involve little or no payment — for example, a community building leased for £1 per year. These are known as peppercorn leases.</p> <p>Even though the payments are minimal, IFRS 16 requires the authority to recognise a right-of-use asset on its balance sheet at fair value. This can be difficult, especially if there is no recent valuation or if the asset is unique.</p>	<ul style="list-style-type: none"> (a) Have any lease arrangements been identified where the payments are nominal or zero? If so, how have these been assessed under IFRS 16? (b) What process has been followed to determine the fair value of the right-of-use assets in these cases? (c) Is there sufficient documentation and evidence to support the valuation approach taken?

Challenges faced by local authorities in implementing IFRS 16 (3)

Area of difficulty	Description	Challenge question to ask the Finance team
Lease modelling and use of external advisors	<p>Some authorities have relied on external advisors to calculate the lease liabilities and right-of-use assets required under IFRS 16.</p> <p>While this can be helpful, it has created challenges where the advisors have not provided the underlying data or assumptions used in the calculations. Without this information, it becomes difficult for the finance team to explain or support the figures in the accounts.</p>	<p>(a) Have external advisors been involved in the lease accounting process, and if so, do they have access to the detailed inputs and assumptions used in the calculations?</p> <p>(b) Can the finance team fully explain and support the lease figures presented in the financial statements?</p> <p>(c) What documentation and internal checks are in place to ensure the accuracy and completeness of lease calculations and disclosures?</p>
Variable lease payments linked to indices or rates	<p>Some lease payments vary based on inflation or other financial indices. For example, a lease might include annual increases linked to the Consumer Prices Index (CPI).</p> <p>Under IFRS 16, the authority must estimate future payments based on known changes to these indices. This requires careful judgment and can affect the accuracy of the lease liability recorded.</p>	<p>(a) How has the finance team addressed lease arrangements that include variable payments?</p> <p>(b) Have known changes to inflation rates or other relevant indices been factored into the lease calculations, and how has this been documented?</p>
Group leases and consolidation	<p>In some cases, leases exist between a council and its wholly owned subsidiary, or arrangements between a police and crime commissioner and the chief constable may in some circumstances meet the definition of a lease.</p> <p>These leases must be included in the individual accounts and then adjusted on consolidation. This can be complicated, especially if different entities within the group use different accounting standards.</p>	<p>(a) How has the finance team identified and accounted for lease arrangements between group entities?</p> <p>(b) What steps have been taken to align accounting policies in preparing group accounts?</p> <p>(c) How are intra-group leases treated in the consolidated financial statements, and what documentation supports this treatment?</p>

Reorganisation update

March 2025

Twenty-one two tier areas were invited by the Minister of State for Local Government and English Devolution to submit interim plans for reorganisation by 21 March 2025. Councils were asked to **“make every effort to work together to develop and jointly submit one proposal”** for each area. Finding the consensus necessary to achieve this has been a challenge though.

The Local Government Chronicle reports that the Minister received in reply at least 40 separate local government reorganisation (LGR) interim plan submissions; outlining across the replies at least 53 separate LGR options. From the replies, none of the 21 areas had agreed a final geography for new unitary councils.

May 2025

Surrey was asked to submit its final proposal for reorganisation by 9 May 2025. Again though, consensus has not been achieved. The County Council put forward a final proposal for two unitaries on 30 April 2025; and one of the prominent borough councils put forward a final proposal for three unitaries a week or so later.

With so little consensus at this stage, moving to next steps may be difficult.



Expected next steps

26 September 2025 – Deadline for areas in the Devolution Priority Programme to submit final proposals for reorganisation.

28 November 2025 – Deadline for all other areas to submit final proposals for reorganisation.



Recommended reading

For these challenging times, three sets of material from Grant Thornton may be useful:

September 2024 - [Learning from the new unitary councils](#)

March 2025 - [Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

March 2025 - [Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?](#)

Making decisions

With so much changing in local government, and across the UK economy, making good decisions has perhaps never been more important. Two recent major publications on decision-making for mayoral combined authorities and public sector mega-projects both include content that may be useful for strategic and complex decision-making at other levels of government.

Strategic decision-making

The Institute for Government published advice in March 2025 on [“How the government can support better decision making in mayoral combined authorities”](#).

To enhance capacity and accountability for strategic decisions, councils need to:

- Provide good technical and administrative resource to ensure that the plans members are voting on are well designed.
- Consider utilising digital tools for community engagement.
- Embed participatory processes, including peer research projects, to inform and support policy making.



Complex decision-making

The National Audit Office published a report in March 2025 on [Lessons learned: Governance and decision-making on mega-projects](#).

To improve decision-making for the most complex projects, councils need to:

- Adopt governance arrangements that reflect the main risks to delivery and to achieving value for money.
- Map out the decision pathway, setting out which decisions will need to be made when, and by whom.
- Ensure those charged with governance over complex projects have the skills, qualification and experience needed to make decisions on the projects.



Crunch point for London council housing finances

London Councils called for urgent action at a national policy level on 15 May 2025, noting that London Boroughs face a “*black hole*” of £700 million in their Council house financing between 2023-24 and 2027-28; and that up to five London Boroughs could completely run out of Housing Revenue Account reserves by the end of 2027-28.

There have been national issues with the sustainability of Housing Revenue Accounts since 2016-17, when rent reform was introduced. However, research by London Councils’ London Housing Directors’ Group, supported by Society of London Treasurers, shows that the decline in reserves has hit the capital hardest. The research indicates that this is because housing stock in London (often tower blocks or tightly packed maisonettes) is more expensive to maintain, whereas rent formulas are set without any regard to national variation in the cost of maintaining housing.



“Simply put, it is more difficult and expensive to fix a water pipe on the sixth floor of an apartment, than it is on the ground floor of a semi-detached house”.

Source: [Crunch point for London council housing finances | London Councils](#)

As London Local Authorities house more than 10% of the capital’s households, issues with financial sustainability of the social housing sector could have wide ramifications for the whole city if left unaddressed.

Housing Revenue Account reserves, inflation adjusted, 2012-13 to 2022-23 (indexed to 2012)



Homelessness

In May 2025, a new report by the Institute for Government highlighted how local authority spending on homelessness has nearly trebled in real terms over the last 14 years, and yet the number of homeless people has continued to rise, now reaching record proportions.

Local authority spending on homelessness in real terms (2024-25 prices):

- 2010-11: £1.3 billion
- 2024-25: £3.1 billion

Local authority median spend on homelessness as a % of all median spend:

- 2010-11: 18%
- 2023-24: 54%

Changes in the level of homelessness:

- 2010-11 to 2024-25: More than doubled.
- September 2024: 126,040 households living in temporary accommodation.

The Institute for Government (IFG) highlights that we need to focus not just on how much is spent, but also on what we spend it on. Local authorities often end up spending most of their budget, plus homelessness prevention grants and rough sleeper grants, on acute responses to homelessness. These are often exorbitantly expensive and come at the cost of underlying prevention work. IFG suggests also that individual local authorities work at too small a scale to tackle the extent of the homelessness problem – and that stronger place-based approaches are needed.

A recent report by the [Local Government Chronicle](#) looks at a similar issue through a different lens, suggesting that stronger investment in counter fraud would help slash some of the escalating spend on temporary accommodation.

Although they come at the issue of spend on homelessness from different angles, both reports indicate that challenging **how** the budget is spent, **and on what**, is more important than simply asking what the budget is.



Housing targets and housing enquiry

Figures from the [Office for Budget Responsibility](#) on 26 March 2025 indicate that changes to the planning system mean that housebuilding is at a 40-year high and that 1.3 million new homes will be built across the UK by the end of this decade.

Provisional figures from [Homes England](#) on 20 May 2025 suggest that the agency exceeded its overall targets for new housing starts and completions in 2024-25, for the second year running.

Nevertheless, the government continues to look at even more new ways of opening-up housebuilding and development activity. The UK parliament is now calling for evidence from anyone who can contribute to an enquiry around the effectiveness of the current system for developer contributions.

In 2022-23, some 44% of affordable housing was provided through Section 106 agreements. Parliament wants to consider whether:

- The current system is understandable and accessible to stakeholders;
- Local Planning Authorities are receiving the correct support from MHCLG to ensure they can efficiently and effectively collect and spend developer contributions;
- The Ministry of Housing, Communities and Local Government's (MHCLG's) oversight of the system is effective; and
- MHCLG can learn and apply lessons to the process.

A [National Audit Office](#) report on the Section 106 system is due out in the summer.



The remediation of dangerous cladding

[The Committee of Public Accounts](#) (PAC) reported in March 2025 that progress in establishing the number of buildings affected by dangerous cladding, and in remediating those with dangerous cladding, has been far too slow.

PAC described hearing how local authorities' enforcement work is facing issues of funding; skills; lack of clarity over the money available; and lack of clarity over the regulatory environment. PAC noted that local authorities are trying to train Environmental Health Officers to undertake enforcement activity as quickly as possible, but are at risk of losing them as soon as they qualify to other parts of the construction sector. PAC also stated that the government accepts that where local authorities are spending on cladding enforcement activity, they can't spend the same money on new social housing.

[MHCLG](#) did commit to providing more funding for remediation action, and an update on their plan to do so is due in the summer of 2025. Money alone is unlikely to be enough to speed things up though. As MHCLG itself recognised, there are not enough trained enforcement officers available to speed up identification; and, even if there were, there is insufficient skilled construction capacity to speed up remediation.

Eight years on from the Grenfell fire, the national issue of what to do about cladding still seems to be shrouded in uncertainty.

"We are appalled that those living in affected buildings continue to suffer an unacceptable financial and emotional toll. Far too many people continue to feel trapped in unsafe homes, many facing financial uncertainty and many unable to sell their homes and move on with their lives".

Source: [PAC, 21 March 2025](#)



The changing face of adult social care

There may be two sweeping changes afoot for the adult social care workforce. Both will mean radically re-thinking skills and capacity for the sector if they go ahead. There is as yet no Adult Social Care Workforce Strategy in England, but perhaps it is time to develop one.

Immigration white paper:

The government's immigration white paper, published on 12th May 2025, outlines an intention to stop all new overseas recruitment for care workers. The government sites “*shameful levels of abuse and exploitation*” that need to be tackled – highlighting cases of people travelling to the UK in good faith only to find their promised jobs do not exist and they are quickly in debt.

On the other hand, the Association of Directors of Adult Social Care (ADASS) sites the shortage of care workers this is going to lead to; and the anxiety this will cause, for families and care providers alike. There is no plan currently in place to roll out the mass training that will be needed to replace overseas workers with home-grown staff.

“A shortage of care workers leads to a triple whammy of more reliance on agency staff who the person drawing on care won’t know more people – especially women – giving up paid work to care for their loved ones, and many people potentially missing out on care altogether”.

Source: [ADASS responds to the government's immigration white paper - ADASS](#)

Assisted dying bill:

Social workers will have a central role in reviewing applications for assisted dying if a proposed amendment to the Terminally Ill Adults (End of Life) Bill passes the scrutiny of Parliament and the Bill receives Royal Assent.

BASW (the professional body for social work and social workers) has not made an ‘in principle’ decision on assisted dying but notes that if the legislation passes, social outcomes will be just as important as health outcomes, and that relevant professional registration, training, supervision and accreditation is going to need to be developed.

“taking into account the wider social context in which a person lives their life, including their wishes, values and relationships..... is particularly pertinent with assisted dying”.

Source: [Role of social work recognised in assisted dying legislation | BASW Reaction | BASW](#)



Free nursery places

- On 8 May 2025, one Council was told by the Local Government and Social Care Ombudsman (LGSCO) that it needs better oversight of nurseries' charging structures when they are providing the Government's free places scheme. One nursery in the Council's area was charging a mandatory fee, which it called 'general extras', for parents who wanted to use their free-hours at nursery during certain times of the day.

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The Ombudsman found that in this case, and several other cases that came to its attention across the country, that the "general extras" were being used by providers as a top up fee to bridge the gap between what a private client would pay for the care hours, and what the council pays on behalf of the Government scheme.

- Top up fees are supposed to be voluntary, and pricing needs to be transparent to parents. The Ombudsman's requirement to the Council in this case was that it work with nurseries to ensure that invoices are clear and transparent so that parents can see what is free and see what they were charged for any additional hours or other services.
- For the full LGSCO report see News - Local Government and Social Care Ombudsman.



Complaints data from the Local Government and Social Care Ombudsman



Annual 2024-25 complaints statistics have just been published for each council by LGSCO: [Your council's performance](#).

This is an earlier publication date for the statistics than in other years – because the Ombudsman is responding to requests that the timetable be made to fit better with council complaint reporting cycles. LGSCO has also responded to council requests by including absolute numbers in the data, so that the emphasis is shifted away from percentages (in upheld, satisfactory remedies and compliance) and better context is given.

A very clear traffic light rating system has been adopted – and both councils and residents will be able to see immediately how well their area fares.

Complaints data is an important tool for judging where energy needs to be directed for risk and performance management. Context and proportion are important as well though for judging overall performance; and earlier data is generally more useful than later data. The improvements made this year to timing and presentation will help councils and their members make the most of the valuable resource that LGSCO provides.

Climate change – new role for the Energy Ombudsman

The Energy Ombudsman took on a new role on 1 April 2025, as the official dispute resolution body for Great Britain's heat network customers.

The [Association for Decentralised Energy \(ADE\)](#) estimates that heat networks, are projected to unlock £100 billion in UK infrastructure investment by 2050, while at the same time cutting carbon emissions. The sector is poised to play a central role in the UK's net-zero transition.

ADE estimates that most consumers are happy with the experience they have of using heat networks. Nevertheless, having an official ombudsman role boosts the credibility of the industry.

As major providers in the field, councils do need to be aware of the new dispute resolution arrangements. The Ombudsman invited providers to register with them in the run up to 1 April. Anyone who has not done so yet, should register now so that they can keep abreast with the changes ongoing.

Register here: [Join our Heat Network Supplier scheme | Energy Supplier Portal](#)



Climate change – new report on generating hope

Great British Energy recently announced £10 million of funding for a local government partnership to build clean energy power.

We know that each mayoral strategic authority in England will be invited to apply for a share of the funding, but there is little other detail available yet.

Localis have shared thoughts on how Great British Energy and the metro mayors can build clean power in every part of the country, starting with four simple steps:

- Provide robust data and measurement mechanisms for monitoring and evaluation
- Target quantifiable benefits to local communities
- Develop financial instruments such as Community Municipal Investments and Green Bonds to help support local communities
- Embed Green Public Procurement in their procurement of energy services and utilities

For a full copy of the Localis Report, see:

“Generating Hope: Local Power in Partnership”

Webinar for audit committee members

We held a webinar for members of audit committees on 4 June 2025.

Delivered by Grant Thornton specialists and drawing on experience from across the sector, the webinar covered: How to prepare for devolution and reorganisation; and shared experiences from other reorganisations - with a focus on:

- Learning from the recent formation of eight new unitary councils between 2019 and 2023
- Progress by the eight new unitary councils in 2023-24
- How to successfully reorganise local government at the same time as implementing devolution
- Project management lessons learned for reorganisation
- Performance measurement lessons learned for reorganisation
- Governance lessons learned for reorganisation
- Other relevant findings from Auditors Annual Reports for 2023-24.

The recording of our webinar can be accessed here: [Audit committee webinar](#).



Audit committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Global Internal Audit Standards

[Global Internal Audit Standards](#)

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Implementing Global Internal Audit Standards

[Global Internal Audit Standards in the UK Public Sector](#)

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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	A	E	F	G	H	I	J
1	ASAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA 2025-26						
2	Topic / Date	16-Jun-25	23-Jul-25	25-Sep-25	03-Dec-25	03-Feb-26	24-Mar-26
3	Internal Audit & Investigations						
4	Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
5	Annual/Interim Counter Fraud Report	X			X		
6	Internal Audit Plan Progress Update			X	X		
7	Internal Audit Strategy & Plan						X
8	External Audit						
9	External Audit progress report		X				X
10	Audit Findings Report Council & Pension Fund Accounts 2024-25			X*			
11	Draft External Audit Plan 2025-26 (incl Pension Fund)	X					X
12	Annual Auditor's Report			X			
13	Financial Reporting						
14	Treasury Management Mid-term Report				X		
15	Treasury Management Strategy				X		
16	Statement of Accounts & Pension Fund Accounts		X	X*			
17	Treasury Management Outturn Report		X				
18	Progress on implementation of FM Code		X				
19	Governance						
20	To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X			X
21	Procurement review including arrangements for securing value of money, community wealth & social value		X				
22	Housing report and Building Risk Assessment	X		X			
23	Review of the use of RIPA Powers						X
24	Receive and agree the Annual Governance Statement	X*					
25	Risk Management						
26	Strategic Risk Register Update			X			X
27	Emergency Preparedness		X				
28	Audit Committee Effectiveness						
29	Review the Committee's Forward Plan	X	X	X	X	X	X
30	Review the performance of the Committee (self-assessment)		X				X
31	Chair's Annual Report	X					
32	Training Requirements for Audit Committee Members (as required)						
33	Standards Matters						
34	Standards Report (including gifts & hospitality)	X		X	X		X
35	Annual Standards Report						X
36	Complaints & Code of Conduct					X	
37	Review of the Member Development Programme and Members' Expenses (incorporating Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal)						X
38	Committee Development						
39	Treasury Management Training						
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						
43							
44	* Requires approval by Audit & Standards Committee						

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