



## Audit and Standards Advisory Committee

**Wednesday 3 December 2025 at 6.00 pm**

Boardrooms 4-6 - 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 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](mailto:harry.ellis@brent.gov.uk)

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

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

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

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

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

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

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

The business relates to or affects:

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

or

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

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

# Agenda

Introductions, if appropriate.

Item	Page
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
<b>3 Deputations (if any)</b>	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting</b>	
4.1 To approve the minutes of the previous meetings held on Thursday 25 September 2025 as correct.	1 - 20
4.2 To note the updated Action Log from previous meetings of the Audit & Standards Advisory Committee.	21 - 26
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	
<b>Standards Items</b>	
<b>6 Standards Report (including gifts &amp; hospitality)</b>	27 - 36
The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members as well as Member Training. The report also updates the Committee in respect of the consultation outcome “Strengthening the standards and conduct framework for local authorities in England and Government’s response.	
<b>Audit Items</b>	
<b>7 Interim Counter Fraud Report 2025-26</b>	37 - 46



This report presents the Council's Interim Counter Fraud Report for the financial year 2025-26.

**8 Internal Audit Interim Report – 2025-26** 47 - 64

This report outlines the work undertaken by Internal Audit in respect of delivery of the 2025-26 Internal Audit Plan as at the end of October 2025.

**Finance & External Audit Items**

**9 Treasury Management Mid-Year Report 2025-26** 65 - 96

This report updates Members on Treasury activity for the first half of the financial year 2025-26.

**10 Treasury Management Strategy 2026-27** 97 - 126

This report presents the draft Treasury Management Strategy for 2026-27.

**11 External Audit Findings Report & Council's Statement of Accounts 2024-25**

To receive an update on the progress in finalising the External Audit Findings Reports and Council's Statement of Accounts for 2024-25.

The following reports have been attached for consideration:

11.1 External Audit Findings Report for the London Borough of Brent 127 - 208

11.2 External Audit Findings Report for Brent Pension Fund 209 - 264

11.3 Council & Pension Fund Statement of Accounts 2024-25 265 - 284

**12 Audit & Standards Advisory Committee Forward Plan & Work Programme 2025-26** 285 - 286

To consider the Audit and Standards Advisory Committees work programme 2025-26.

**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:            Tuesday 3 February 2026**



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



## **MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE HELD IN THE CONFERENCE HALL, BRENT CIVIC CENTRE ON THURSDAY 25 SEPTEMBER 2025 AT 6.00 PM**

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

**Independent Co-opted Members:** Sebastian Evans, Rhys Jarvis & Stephen Ross.

**Also Present:** Andrew Hudson (Chair of i4B and First Wave Housing), Natoya Vincent (Strategy and Delivery Manager, i4B and First Wave Housing), Sophia Brown (Grant Thornton – External Auditor) and Sheena Phillips (Grant Thornton – External Auditor).

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

Apologies for absence were received from Councillor Kabir.

### **2. Declarations of Interest**

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

Councillor Long declared a personal interest in relation to Item 9 - Report on i4B Holdings Ltd and First Wave Housing Ltd given a potential property sale involving i4B.

### **3. Deputations (if any)**

There were no deputations considered at the meeting.

### **4. Minutes of the previous meeting**

It was **RESOLVED** that the minutes of the previous meeting held on Wednesday 23 July 2025 be approved as a correct record, subject to the following amendments:

#### **Item 7: Treasury Management Outturn Report**

- (a) 1<sup>st</sup> bullet point page 7 on agenda pack – under reference to the paragraph regarding the shareholding in CCLA (Churches, Charities and Local Authorities) it was noted that the wording should read; 'Jupiter is the shareholder of CCLA', rather than 'CCLA remained as shareholders'.
- (b) In addition, under the same bullet point a typographical error was identified in the line; 'Whilst it was the Council's policy to require an A-plus rating, the fund's rating was reported no to have changed'. It was recognised that the phrasing should read '...the fund's rating was reported not to have changed'.

Members noted the updates provided in relation to the Action Log of issues identified at previous meetings which it was noted would be subject to ongoing

review by the Chair. As part of this process, members felt it would be helpful for details to be provided on the expected duration or timeframe for those actions listed as ongoing.

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

None identified.

**6. Standards Report (including gifts & hospitality)**

The Committee received a report from the Corporate Director Finance & Resources which presented the Standards Report, including the Q2 update on gifts and hospitality, for the Audit and Standards Advisory Committee.

In considering the report, members noted that in addition to the update on gifts and hospitality registered by Members, details were included on a recent standards decision made by Cornwall Council and the Government's announcement on the Ethics and Integrity Commission, replacing the Committee on Standards in Public Life.

Biancia Robinson (Principal Lawyer, Constitution Governance and Finance) further advised the Committee of one amendment to the committee report, specifically relating to paragraph 3.10, which referred to four Members who were expected to complete their mandatory data protection training on 17 September 2025. It was confirmed that two of these members had completed their training with two still outstanding.

Having thanked Biancia Robinson for introducing the report, the Chair then moved on to invite questions and comments from the Committee in relation to the report, with the following comments and issues discussed:

- In considering the report, independent members referred to the standards decision outlined in paragraph 3.8 of the report and queried the extent to which the Council's definition of disclosure of pecuniary interests explicitly covered situations where a councillor had not yet received an employment contract. In response, Biancia Robinson (Principal Lawyer, Constitution Governance and Finance) clarified that the Council's declaration of interest requirements obliged Members to disclose their employment status and in the referenced case, the councillor had declared his employment but had not yet commenced the role. Nonetheless, there remained an expectation to declare the disclosable interest, as in any case, it had also constituted a personal interest in the matter.
- As a further query, independent members drew attention to paragraph 3.18 concerning the newly proposed Ethics and Integrity Commission, with it being questioned how the Council was monitoring developments, who held responsibility for this, and how the Committee would be kept informed of any implications, including potential changes to the Code of Conduct. In response, Biancia Robinson (Principal Lawyer, Constitution Governance and Finance) advised that Marsha Henry (Director of Law), in her capacity as Monitoring Officer, held responsibility for ensuring compliance with any emerging requirements. It was additionally noted that it was unlikely the Commission's

remit would extend to making amendments to the Code of Conduct, as this area had already been reviewed. It was highlighted that Commission's focus was expected to be on promoting good practice and facilitating information sharing among local authorities although the final extent of any regulatory impact remained unclear at this stage.

With no further comments or questions raised the Chair thanked officers for the update provided and the Committee **RESOLVED** to note the contents of the report.

## 7. **Self-Referral to Regulator of Social Housing - September 2025 Update**

Spencer Randolph (Director Housing Services) was invited to introduce a report from the Corporate Director Resident & Housing Services providing an update on progress following the Council's self-referral to the Regulator of Social Housing following the previous update to the Committee in June 2025.

In presenting the update, Spencer Randolph (Director Housing Services) provided details on the ongoing engagement with the Regulator of Social Housing and the progress of the housing service improvement programme. The Committee were informed that monthly meetings with the Regulator had been taking place, with the most recent meeting held the day prior to the Committee meeting. It was reported that whilst the Regulator had expressed satisfaction with the pace and scope of change being implemented, the need for caution had been noted given the improvement process was not expected to yield immediate results, and it estimated that it would take between 18 months and 2 years before the regulatory judgment could be lifted. Nonetheless, the Regulator had commended the Council's multi-faceted approach to service recovery and contrasted Brent's strategy with that of other local authorities, noting that many had adopted a binary process involving initial internal resolution attempts, followed by consultancy engagement to assess the problem and subsequent contractor involvement to resolve the issue.

In contrast, members were advised Brent had already engaged consultants and contractors and had commenced risk mitigation activities from the outset. It was conveyed that an external audit had been conducted, focusing particularly on compliance within the housing service with confirmation provided that a root cause analysis was also underway to ensure that lessons were learned and that similar issues would not recur and with a recovery plan developed based on the audit findings.

As part of the recovery plan, additional staff had been appointed to focus specifically on compliance and complaints. The structure of the compliance team was outlined, which included team leaders responsible for gas safety, electrical safety, fire safety, and environmental health matters such as legionella, air quality, water systems and lift maintenance. Members heard that significant work was also being undertaken to remediate and improve the systems. In relation to the concerns identified in relation to data, the rebuild of True Compliance and the NEC asset register was underway and due to be complete by April 2026 with additional governance implemented around the management of data, in particular restricting property creation access which would provide a more controlled approach to new properties being added to the system and feeding into compliance workstreams accurately. It was further reported that additional contractors had been engaged to address identified issues, particularly those relating to fire safety.

The Committee received assurance that all high-risk actions associated with high-rise buildings had either been resolved or were subject to further work to action with the service now having also begun to address high-risk actions in medium-rise buildings.

In terms of resident engagement, it was confirmed that communication efforts were ongoing. A digital newsletter, 'The Notice Board' had been circulated to over 6,000 tenants, with printed versions scheduled for distribution to all residents. The newsletter provided updates on service developments and contractor assignments. A new contractor was due to commence work the following week, joining the existing contractor to provide maintenance and repair services. The two contractors would operate across the borough, with one covering the eastern region and the other the western region. Residents would be informed of their designated contractor through the newsletter.

Following on from the initial update, Tom Cattermole (Acting Corporate Director Residents and Housing Services) then addressed the Committee regarding governance arrangements supporting the housing improvement programme. It was reported that a review of governance structures had taken place since the last Committee meeting with section 4.5 in the report providing details on the establishment of the Housing and Tenant Satisfaction Improvement Board (chaired by the Council's Chief Executive), which had been convened for the first time in September 2025. It was explained that the Improvement Board was supported by three distinct workstreams, each being led by a Director with the purpose to provide strategic oversight of the entire improvement programme. It was noted that this represented a new layer of governance that had not previously existed and was intended to ensure robust monitoring throughout the implementation process with the Board providing governance and oversight by monitoring the progress of improvement initiatives and ensuring compliance with housing standards.

Having thanked Spencer Randolph and Tom Cattermole for introducing the report, the Chair then moved on to invite questions and comments from the Committee in relation to the update provided, with the following comments and issues discussed:

- As an initial query, details were sought regarding whether the next phase of the service investigations had revealed any concerns regarding material hazards. In response, Spencer Randolph (Director, Housing Services) confirmed that all blocks of flats, ranging from high-rise buildings to converted street properties, were subject to fire risk assessments. It was stated that compliance levels were considered high relative to the number of properties requiring such assessments with the original issue identified as prompting the self-referral relating to assessments having been closed without sufficient evidence that any associated actions had been resolved. Referring to the audit subsequently undertaken as the basis for the recovery plan members were advised this had included a root cause analysis with it identified that between 95% and 100% of properties requiring fire risk assessments had received them, depending on the assessment cycle. A validation exercise was underway to ensure that all properties requiring assessments had been included with any properties found to have been omitted subject to reassessment. It was emphasised that the primary issue concerned the

closure of actions arising from assessments, rather than the assessments themselves.

- Members then turned their attention to section 6.4 of the committee report, regarding the anticipated costs and financial implications arising from the actions identified and Recovery Plan. In response, Spencer Randolph (Director, Housing Services) explained that the Council managed 8,500 homes and referenced a local authority with 21,000 homes that had incurred costs of £2.3m to recover their position. It was noted that, proportionally, the cost for the Council would be significantly lower. Whilst the evaluation was ongoing, members were advised that no significantly high cost issues had been identified thus far. Funding had been provisionally allocated for the current and following financial years as part of the recovery plan. It was added that many costs would be absorbed within existing programmes, such as fire door inspections and replacements. Whilst additional provision had been made, it was, however, acknowledged that details on the final costings were not yet available, due to the ongoing evaluation.

As a further query, details were sought on the potential impact any significant additional costs identified were likely to have on the Housing Revenue Account (HRA). In response, Minesh Patel (Corporate Director, Finance and Resources) clarified that the HRA was a ring-fenced account. It was explained that services within the HRA were funded by rental income from residents, which supported various housing-related services. It was further stated that the HRA currently held reserves of approximately £5m, which exceeded the minimum reserve level required. Should significant costs arise, a call upon these reserves would be made. Following on from the previous question, members asked whether high costs could result in rent increases for residents. In response, Minesh Patel conveyed that rent increases within the HRA were governed by a statutory formula applicable to social rents. It was confirmed that councils were not permitted to raise rents beyond the limits set by legislation.

- Members expressed appreciation for the publication of 'The Notice Board' and requested that copies be made available to all members. Further enquires were made around whether the ongoing review had affected the usual programme of maintenance and repair. In response, Spencer Randolph (Director, Housing Services) confirmed that 'The Notice Board' had been distributed through the members' updates and undertook to ensure that it would be circulated to all members. In response to the second query, it was noted that the review had not impacted the broader programme of repairs and maintenance. It was emphasised that, while compliance remained a key focus, there was also a concerted effort to improve service delivery across housing management and property services. A newly appointed Head of Service was leading this transformation, with particular attention being paid to void turnaround times and the reduction of works in progress and two contractors having now been engaged, introducing a degree of competitive performance. Additional operatives and managers had been recruited within the repairs, maintenance, and voids teams. These measures had resulted in observable improvements across the service, extending beyond compliance-related matters.

- Members requested clarification regarding the three workstreams under the Housing and Tenant Satisfaction Improvement Board and also raised concerns about communication between the service strands, citing instances where tenant management and property services were felt to have failed to coordinate effectively. In response, Spencer Randolph (Director, Housing Services) acknowledged that such issues had occurred historically. It was reported that significant changes had been implemented within the tenancy service, including the appointment of new Area Tenancy Managers who had begun to make a noticeable impact, with residents providing positive feedback. It was further highlighted that a cultural change programme was underway to ensure that tenancy and property services operated cohesively as a unified entity. It was additionally mentioned that tenant satisfaction measures were based on annual snapshots, which did not always reflect ongoing improvements. Nonetheless, recent data indicated progress in tenancy management and complaint handling, although challenges remained within the repairs service. These findings aligned with known service issues and were being actively addressed. Tom Cattermole (Acting Corporate Director Residents and Housing Services) further advised the Committee that an additional member briefing had been scheduled for late November or early December in order for the Cabinet Member for Housing to provide a comprehensive overview of the workstreams.
- As a further issue highlighted, independent members referred to the previously identified 12,500 unresolved fire actions and queried whether any issues had been detected with the underlying software and if this remained within the scope of the root cause analysis. In response, Spencer Randolph (Director, Housing Services) clarified that the software itself was not inherently problematic. However, concerns had arisen regarding its governance and the manner in which access had been granted to officers to input and remove data. It was highlighted that the system was being rebuilt from the ground up, with enhanced compliance structures, restricted access rights to make changes to the system, and the introduction of robust training manuals and processes to prevent recurrence.
- Independent members then moved on to focus on issues identified within paragraph 6.5 of the committee report, which indicated that grant funding could be withheld during the notice period and enquired whether any such impact had materialised and what the financial implications might be for the current year and budget forecasts. In response, Spencer Randolph (Director, Housing Services) advised that he had been meeting regularly with the Greater London Authority (GLA) in relation to the Council's regeneration programme and stated that, although there had been potential for grant funding to be withheld, the GLA had expressed satisfaction with the updates provided and no adverse financial implications therefore having arisen to date.
- Members enquired whether the Regulator was satisfied with the timelines and progress to date and then raised a secondary issue in relation to feedback received from residents and tenant groups following the distribution of 'The Notice Board' newsletters. In response, Tom Cattermole (Acting Corporate Director Residents and Housing Services) confirmed that the Regulator was satisfied with the progress made thus far. In relation to resident and tenant feedback, it was acknowledged that concerns had arisen but it was noted that



residents had appreciated the transparency with which the issue had been communicated. A series of summer roadshows had been conducted, during which approximately 500 residents were engaged. Furthermore, a tenant engagement event was scheduled to take place on 29 October 2025, which would include a Q&A session for residents. While concern had been expressed regarding the content of the communications, the openness of the Council's approach had been positively received.

- Members referenced paragraph 4.5 of the committee report, which stated that the Housing and Tenant Satisfaction Improvement Board had held its initial meeting in September 2025, and requested details regarding attendance, outcomes of the meeting, and the frequency and reporting lines of the Board. As an additional question, members referred to the audit findings, which identified several major tasks requiring completion over the next 18 to 24 months and sought clarification on the prioritisation of these tasks, particularly the rationale for commencing with gas compliance as outlined in paragraph 4.9. In response, Spencer Randolph (Director, Housing Services) advised that the initial priority had been fire risk assessments and the associated remedial actions. All high-risk, high-rise fire risk assessments had been addressed. The Committee were advised that the Council was now progressing through compliance streams, with a focus on validating data and improving compliance. Gas compliance had been prioritised due to the volume of data involved and number of properties requiring gas safety certification. This approach had enabled the Council to address the largest compliance stream first. The remaining 8 compliance streams were being addressed in a logical progression, with full remediation anticipated by April 2026. In response to the question regarding governance of the Board, Tom Cattermole (Acting Corporate Director Residents and Housing Services) advised that the September 2025 meeting had been the first session, during which the terms of reference and scope had been agreed and undertook to circulate the governance structure overview to members following the meeting. Members were informed that the governance framework included an independent Housing Management Advisory Board, comprising the Cabinet Member for Housing and another non-executive councillor, resident representatives, and independent housing advisors with the Board chaired by the Chief Executive.

In welcoming the transparent nature of the approach outlined, the Chair thanked officers for the update provided on which the Committee would continue to monitor progress and seek to revisit at a future meeting.

With no further issues raised the Committee **AGREED** to note the update provided, with the following identified as specific actions:

- (1) That the 'The Notice Board' newsletter be disseminated to all members of the Audit and Standards Advisory Committee, for reference and information.
- (2) Details on the governance structure relating to the Housing and Tenant Satisfaction Improvement Board be provided for members of the Audit and Standards Advisory Committee.

**Strategic Risk Register Update**

Darren Armstrong (Deputy Director, Organisational Assurance and Resilience) was then invited to introduce a report from the Corporate Director Finance & Resources which provided an update on the Council's strategic risks as of September 2025.

In introducing the report, members noted that it summarised those risks which senior management had assessed as having a significant impact and/or likelihood of materialising, with the potential to adversely affect the achievement of the Council's objectives. It was further noted that the format of the report remained broadly consistent with previous iterations, although minor presentational improvements had been made. It was additionally stated that the Council's overall risk profile continued to reflect the heightened risk environment in which it operated.

Of the 13 strategic risks, 12 remained outside their target risk scores, and none were showing a downward trend. However, 11 risks were reporting stable trends, with scores unchanged since the previous update in March 2025. A key change in the report was highlighted in terms of the increase in the risk score for noncompliance with statutory housing duties. This score had risen from 10 to the maximum of 25, indicating that the risk had materialised. This escalation was attributed to issues surrounding the Council's self-referral to the Regulator of Social Housing. No new risks had been added to the register, and no existing risks had been closed or de-escalated.

Having thanked Darren Armstrong for introducing the report, the Chair then moved on to invite questions and comments from the Committee, with the following comments and issues discussed:

- Members queried the lack of detail in the report regarding Risk E: Climate and Ecological Emergency Mitigation and questioned how progress against the action plan would be monitored and reported. Details were also sought regarding management of the risk identified in relation to financial resilience and sustainability, particularly in the context of the upcoming local elections. In response, Darren Armstrong advised that progress on Risk E should be tracked across subsequent iterations of the report. It was explained that two previously separate climate-related risks had been merged into a single entry, although the risk details in the content remained unchanged. The current risk score was aligned with its target score, indicating that officers believed the risk could not be further reduced at present with ongoing monitoring of the impact of mitigating actions to be included as part of the ongoing updates to Committee on which member's feedback would be relayed to the relevant risk owners, with a view to providing more specific updates on progress and outcomes. Minesh Patel (Corporate Director, Finance and Resources) addressed the second query, clarifying that political pledges made during election campaigns were not representative of the Council's formal position. Should such pledges be adopted by a newly appointed administration, the Council would assess their affordability and determine whether they could be implemented within existing financial constraints.

As a point of clarification, the Chair confirmed that Darren Armstrong (as Deputy Director, Organisational Assurance and Resilience) was responsible for drawing together the Strategi Risk Register, but not for the ownership or management of individual risks, responsibility for which rested with the designated risk owners.

- Independent members raised concerns regarding pressures on the SEND system, particularly the increasing reliance on the independent sector. It was observed that the independent sector was facing fragility due to factors such as National Insurance and reductions in rate relief, which were contributing to rising costs. It was questioned what mitigation measures were in place should the independent sector decline. In response, Darren Armstrong (Deputy Director, Organisational Assurance and Resilience) undertook to refer the member's comments and queries to the appropriate risk owner and to seek a response following the meeting.
- Independent members took the opportunity to share observations from practice identified elsewhere, noting that sustainability and resilience were increasingly being addressed holistically across sectors. It was suggested that the Council consider appointing dedicated officers for sustainability and resilience, in line with emerging practices in the private sector. In response, Darren Armstrong (Deputy Director, Organisational Assurance and Resilience) acknowledged the suggestion and confirmed that it had been noted for consideration.
- Members sought details on whether there had been a cultural shift across the Council in terms of understanding and managing risk at departmental and strategic levels. As a supplementary question, members queried the implications of outsourcing cyber security services, and whether this had led to a reduction in internal expertise, particularly in relation to emerging technologies such as artificial intelligence (AI). In response, Darren Armstrong confirmed that he would refer the cyber security query to the relevant risk owner. It was noted that an internal review of cyber security and third-party risk had been undertaken in the previous financial year, which had provided assurance regarding the use of outsourced services. In relation to the broader question of risk culture, it was conveyed that the Council demonstrated a positive approach to risk management, particularly at senior levels. The strategic risk report was led and agreed by the Council Management Team (CMT) and was subject to detailed review and the current register reflected a more transparent and comprehensive approach. It was acknowledged that while some departments maintained thorough and regularly updated risk registers, others required additional support and encouragement. Efforts were ongoing to strengthen risk maturity across all directorates, building upon the existing strategic risk register and the wider risk management strategy and framework.
- Members requested further details regarding the non-compliance of statutory housing duties. In response, Darren Armstrong informed the Committee that non-compliance with statutory housing duties was a recurring item on the Council's annual audit plan. It was stated that internal audit activity consistently included work in this area. Ongoing discussions were taking place with Spencer Randolph (Director Housing Services), and housing colleagues to determine how best to utilise audit time to focus on the highest risk areas. The intention was to avoid duplication of existing work while identifying opportunities to add value from an internal audit perspective. It was further noted that concerns and risks associated with data transfer would be incorporated into those discussions.

- As an additional issue, members referred to security access levels, noting that this issue had arisen in both external and internal audits, and sought clarification on measures in place to ensure appropriate access and prevent manipulation of system data. In response, Darren Armstrong advised that in addition to the annual review of non-compliance statutory housing duties, the Council also conducted annual reviews of IT applications. These reviews included an assessment of security and permission levels. Although the reviews focused in depth on specific applications, the findings were distributed across all systems to ensure that risks were identified and mitigated consistently. It was confirmed that the Council had previously undertaken a review of the NEC application and continued to conduct such reviews on a rolling basis. Any concerns identified in one application were shared across others to promote best practice and strengthen overall system integrity.
- Members observed that a number of risks remained unchanged and that several continued to be categorised as high. Particular reference was made to Risk K, which related to serious incidents or wider safeguarding concerns involving vulnerable adults. It was queried whether there had been any material change and whether the score had been increased to align with Risk H, as indicated in paragraph 3.3.3 of the committee report. In response, Darren Armstrong explained that this matter had been subject to ongoing discussion at CMT level. Previous iterations of the risk register had shown differing scores for safeguarding risks relating to children and adults. Directors and risk leads had been tasked with reviewing the rationale for this discrepancy and determining whether alignment was appropriate. It was agreed that the impact of safeguarding risks should be considered equivalent for both groups. Consequently, the decision was taken to align the scores, with the adult safeguarding risk (Risk K) increased to match that of the children's safeguarding risk (Risk H). It was clarified that this adjustment was not driven by any material change in risk factors. Rather, these were considered inherent risks that would persist unless there were significant failings, adverse regulatory outcomes, or legislative changes. It was additionally noted that such risks were unlikely to be reduced below the current level.
- Independent Members referred to the forthcoming implementation of Martyn's Law, expected to come into effect within approximately 18 months and queried what resources would be required by the Council to fulfil its responsibilities under the legislation, particularly in relation to risk reviews and compliance scrutiny. In response, Darren Armstrong stated that the Council was approaching Martyn's Law as a cross-cutting responsibility. While the Emergency Planning and Resilience Team was leading coordination efforts, resources were being drawn from across the organisation, including Property Services, Facilities Management, and Public Realm teams. It was confirmed that the Council did not anticipate the need for additional resources at this time. The necessary expertise and capacity were already present within the organisation, and the focus was on collaborative working to ensure effective implementation.
- Returning to the issue of Risk K, members noted its alignment with Risk H and expressed concern that the Council appeared to be accepting a level of risk that could not be mitigated. In response, Darren Armstrong clarified that the

target score for both risks was 8, which represented a change from previous iterations. It was explained that while the impact of certain risks could not be reduced due to their inherent severity, efforts were focused on managing and reducing the likelihood through enhanced controls and mitigation measures. The current score of 12 reflected the severity of impact, which remained constant, while the target score of 8 was aspirational and based on reducing likelihood. It was emphasised that the risk leads were working towards achieving this target, and that it represented the lowest feasible level given the nature of the risks.

In seeking to bring consideration of the item to a close, the Chair thanked officers and members for their contributions and the Committee **AGREED** to note the update provide with the following identified as specific actions:

- (2) Feedback in relation to Risk E: Climate and Ecological Emergency Mitigation be relayed to the relevant risk owners, with a view to providing more specific updates on progress and outcomes.
- (3) Comments concerning the need for mitigation measures in the event of a decline in the independent sector, arising from increased pressures on the SEND system and growing reliance on independent provision, be relayed to the relevant risk owners, with a view to providing more detailed updates and outcomes.
- (4) That members' queries regarding the implications of outsourcing cyber security services be relayed to the relevant risk owners.

9. **Performance & management of i4B Holdings Ltd and First Wave Housing Ltd review**

Minesh Patel (Corporate Director, Finance and Resources) was invited to introduce a report which provided an updated on the governance and oversight arrangements the Council had in place as Shareholder of i4B Holdings Ltd (i4B) and Guarantor of First Wave Housing Ltd (FWH). Members were advised that the report (in line with previous versions) also outlined the mechanisms through which the Council monitored performance, risk and compliance, and highlighted key governance developments from the most recent Shareholder / Guarantor meeting held in September 2025.

In presenting the report, Minesh Patel informed the Committee that the most recent shareholder and guarantor meetings had included a review of capacity within the Board of Directors, including the non-executive directors, to engage in a forward-looking discussion regarding the strategic direction of both i4B and FWH involving a constructive dialogue concerning future priorities. The Board had acknowledged challenges around the economic climate and capacity of the Board and its impact on property acquisition. Nevertheless, there remained a commitment to explore alternative methods of securing affordable housing within the Borough, in support of the Council's broader objectives.

Having thanked Minesh Patel for introducing the report, the Chair then moved on to invite questions and comments from the Committee in relation to the update report, with the following comments and issues discussed:

- As an initial query, independent members cited paragraph 4.6.4 of the committee report, which stated that i4B was in the process of arranging a Phase 3 loan with the Council, comprising a £32 million loan and £8 million in equity. Clarification was sought regarding the nature of the equity component. In response, Amanda Healy (Deputy Director Investment and Infrastructure) clarified that the equity element represented an investment made by the Council into the company. This investment did not attract interest repayments and was a capital contribution intended to financially support the organisation.
- Independent members additionally referred to paragraph 4.5 of the committee report, which addressed the composition of the Boards and capacity. Recent changes in Council-appointed directors were noted and it was queried whether these changes posed any risks to continuity of experience from the Council's perspective. In response, Minesh Patel advised that the changes reflected a number of changes at senior officer level across the Council following the retirement of individual officers, which had necessitated discussions with Andrew Hudson (Chair of i4B and FWH), as well as with Kim Wright (Chief Executive) and Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance & Resources), to assess the future composition of the Board. It was confirmed that Andrew Hudson had articulated clear ambitions for the Board's future direction, and that discussions regarding Board composition had commenced in the previous year. In continuing the response, Andrew Hudson (Chair of i4B and FWH) elaborated that due to their nature, it had not been possible to plan the timing of the changes in the usual manner. However, the situation had presented an opportunity to introduce new perspectives and ideas to the Board and encourage new members to share their initial impressions, recognising the value of fresh insight. In relation to continuity of experience, Andrew Hudson reported that Sadie East (Director Communications Insight and Innovation) had now joined the Board and previously served as a senior director within the Council. It was further noted that she had been closely involved with the companies throughout their development and her appointment was expected to provide a high degree of knowledge and expertise.
- Members enquired about the potential impact of the Renters' Rights Bill on the operations of i4B, to which Minesh Patel responded that the Bill aimed to establish clear standards for landlords and expressed the hope that, as a Council-owned subsidiary organisation, i4B and FWH Housing would serve as exemplars of good landlord practice.
- Member referred to the significant amendment of the Defective Premises Act (1972) by the Building Safety Act (2022) and questioned how many acquisitions made by i4B and FWH had involved new-build properties. In response, Natoya Vincent (Strategy and Delivery Manager, i4B and First Wave Housing) clarified the new-build acquisitions, which included the Lexington block and another block leased from Quintain. Additionally, in September 2024, the company had acquired a small block comprising 6 flats and 3 houses, all of which were new builds.

- With reference to paragraph 4.8.5 of the committee report, which highlighted persistent issues with void properties within i4B, members requested further information regarding the scale of the issue and the proposed path to resolution. In response, Andrew Hudson (Chair of i4B and FWH) acknowledged that void properties represented one of the most significant challenges faced by the companies. It was noted that the issue was not unique to i4B and FWH, but was also being addressed by the Council. The problem resulted in lost revenue and underutilised housing stock that could otherwise be occupied by Brent residents. To improve management of voids, weekly meetings had been established between Natoya Vincent (Strategy and Delivery Manager, i4B and First Wave Housing) and colleagues in the Property Management Team, which reviewed each void property, assessed progress, and identified any delays. Recent staff appointments were expected to alleviate ongoing resource pressures and in the longer term, a new Head of Property Management had been appointed, and broader improvements were underway within the housing management function which extended beyond the specific issues that had led to the Council's self-referral to the Regulator. It was further reported that the establishment of a Void Improvement Group, which i4B and First Wave were a part of, was examining the entire void management process, beginning with the lettings team. The aim was to ensure that preparations for re-letting commenced as soon as a property became vacant. Efforts were being made to streamline the process by initiating void works in parallel with tenant identification, thereby reducing delays and improving efficiency.
- The Chair raised concerns regarding the current interest rate environment and enquired whether there were any indications that rates might change in a manner that would alleviate existing financial pressures. In acknowledging the impact of the current interest rate environment, the importance of exploring alternative forms of support from central government, including potential discounts on interest rates was highlighted. It was reiterated that a return to the previously low rate of 2% was improbable, and that future planning would need to reflect the prevailing financial conditions.

With no further issues raised, the Chair thanked Andrew Hudson and officers for the update provided and the Committee **RESOLVED** to note the governance arrangements and assurance provided in relation to the oversight mechanisms in place for i4B and FWH.

#### 10. **London Borough of Brent Interim Auditor's Annual Report 2024-25**

Sophia Brown (Grant Thornton – External Auditor) was invited to introduce the London Borough of Brent Interim Auditor's Annual Report 2025 in relation to value for money work for the financial year 2024-25.

In presenting the report, it was confirmed that the report remained in draft form and could not be finalised until the audit opinion on the financial statements for the same period had been issued. The Committee were advised that the majority of the work had been completed. Upon finalisation, the report would include specific commentary on the accounts audit and the outcome of a separate piece of work currently underway on procurement. Should the findings of that work be available in time, they would be incorporated into the final version.

The Committee was then directed to the executive summary within the committee report. Members were reminded that the findings related specifically to the 2024-25 financial year. It was noted that in the previous year, one significant weakness had been identified in relation to financial sustainability, particularly concerning the use of reserves and the financial challenges faced by the Council. For the current year, that recommendation had been updated to reflect the latest position. A new significant weakness had also been raised in the same area, with the Key Recommendation focusing on the savings required over the medium term. It was emphasised that while the two issues were intrinsically linked, they had been separated to ensure clarity of focus and distinct actions for each. A further significant weakness had been identified in relation to the Council's self-referral to the Regulator of Social Housing, which had been previously identified.

Attention was drawn to the progress made on last year's improvement recommendations, as detailed in Appendix C of the committee report. Seven recommendations had been closed, including one relating to savings, which had been incorporated into Key Recommendation 2. One recommendation concerning procurement arrangements remained outstanding. Members heard that 3 new improvement recommendations had been raised for 2024-25. These related to the use of the Property Strategy to review the Council's asset base, maintaining a strong focus on the cumulative deficit of the Dedicated Schools Grant, and strengthening financial planning within the Housing Revenue Account (HRA). An additional recommendation had been made regarding arrangements for producing the year-end financial statements.

Having thanked Sophia Brown for introducing the report, the Chair then moved on to invite questions and comments from the Committee, with the following comments and issues discussed:

- As an initial query, the Chair requested clarification on the distinction between Key Recommendations, Improvement Recommendations and Statutory Recommendations. In response, Sophia Brown (Grant Thornton – External Auditor) explained that Improvement Recommendations were previously used to highlight areas of good or best practice. The approach had since evolved such that failure to address an Improvement Recommendation within the following year could result in the identification of a significant weakness. Where a significant weakness was identified, a Key Recommendation would be raised. These were formally reported to the Committee within the Auditor's Annual Report. At Brent, the full report was also presented to Full Council in February, which was considered good practice but not universally adopted. Should Key Recommendations remain unaddressed, and the situation deteriorated, the matter could escalate to a Statutory Recommendation. Statutory Recommendations fell under the Local Audit and Accountability Act (2014) and were considered serious. They were reported to the Secretary of State and required presentation to Full Council within one month of issuance, ensuring all members were made aware. Failure to address statutory recommendations could result in further escalation, including the issuance of a public interest report.
- Members queried the inclusion of the Dedicated Schools Grant (DSG) deficit in the committee report, noting that the issue affected multiple councils. It was



also observed that the statutory override had been repeatedly extended, with members questioning why the matter had been specifically highlighted in Brent's report. In response, Sophia Brown (Grant Thornton – External Auditor) confirmed that the statutory override had recently been extended. However, it was emphasised that the override was not guaranteed and should not be relied upon indefinitely. It was acknowledged that Brent had maintained a strong focus on the DSG deficit. Discussions with Kim Wright (Chief Executive) and Minesh Patel (Corporate Director, Finance and Resources) had confirmed that significant work had been undertaken to reduce the deficit from a peak of approximately £16m to a current position of £13m with the ongoing focus on this area noted and forming the basis of its inclusion in the report.

- Members requested further detail regarding the disposal of Council assets, to which Amanda Healy (Deputy Director Investment and Infrastructure) explained in response that the reference to asset disposal related to corporate assets owned by the Council. A review was being undertaken through the asset strategy to identify opportunities for improved utilisation or disposal. Where assets were underused or the cost of bringing them back into appropriate use was prohibitive, options for disposal were considered. This could involve the transfer of freehold or full disposal, depending on the circumstances. It was clarified that the process was not limited to housing assets and could include land or buildings of various types. Minesh Patel further added that the Council owned a wide range of assets, many of which were not housing-related. Examples included facilities located in parks such as pavilions. The importance of understanding the full asset base and identifying opportunities for optimal use was emphasised. It was also noted that while some councils in financial distress had resorted to widespread asset disposal, Brent was not currently in that position.
- Views were sought from officers around their level of confidence in the valuation of Council assets as well as the frequency with which those valuations were revisited and sense-tested. In response, Minesh Patel noted that asset valuation was one of the contributing factors to delays in the audit process. The importance of understanding the nature and value of each asset was emphasised. Valuations were undertaken by independent valuers who assessed each asset based on their existing use or potential future use. It was confirmed that this process was designed to ensure objectivity and accuracy in the valuation of the Council's asset base.
- Independent members queried whether there were concerns regarding the accuracy of the Council's reserves, particularly in light of other financial pressures and use. In response, Sophia Brown (Grant Thornton – External Auditor) clarified that this was not currently an audit issue. It was explained that the level of usable general fund reserves was monitored to ensure they did not fall below the minimum threshold set by the Council. Should reserves approach a precarious level, this would be flagged accordingly. It was further noted that the audit issues affecting the financial statements were primarily related to Property, Plant and Equipment (PPE). Any prior period adjustments (PPAs) would typically impact unusable reserves rather than usable reserves.

- Independent members referred to the committee report's mention of increased demand for supply-managed housing and queried the origin of the projected figure of circa 18% growth in relation to temporary accommodation and homeless households. In response, Sophia Brown (Grant Thornton – External Auditor) explained that the figure was derived from Council data and reflected year-on-year budgeting for 2025-26, based on increases observed in 2024-25. Members were further advised that projections for 2025-26 were expected to exceed those of the previous year. The report also included commentary on new properties anticipated to come on stream towards the end of the financial year, which would contribute to addressing the increased demand.
- In querying the risks to the Housing Revenue Account (HRA) arising from refurbishment costs, members requested clarification on how reserves were calculated and what level of reserves was considered appropriate. In response, Sophia Brown (Grant Thornton – External Auditor) stated that it was not within the external auditors remit to determine the appropriate level of reserves. Instead, she reviewed the Council's own minimum threshold and assessed the year-on-year trajectory of the reserve balance. Members were advised to consider the reserve level in the context of the 2025-26 budget, including whether it would be maintained, replenished or reduced. Monitoring this trajectory throughout the year was essential to assessing financial resilience. The Chair recalled that a formula existed for calculating recommended reserve levels and requested that this be circulated to Members.

In seeking to bring consideration of the item to a close, the Chair thanked officers and members for their contributions and as a result of the outcome of the discussion, the Committee **AGREED** to note and endorse the contents of the report with the final version, once complete to be referred to Full Council in February 2026 and the following identified as specific action:

- (5) That the existing formula for calculating recommended reserve levels be circulated to committee members.

## 11. **London Borough of Brent & Pension Fund Audit Progress Report & Sector Update**

Sheena Phillips (Grant Thornton – External Auditor) was invited to introduce the London Borough of Brent and Pension Fund Audit Progress Report and Sector Update, which provided a progress update on the audit process as of September 2025. Since receipt of the draft statement of accounts, substantial progress had been made, and the accounts were generally in good order. However, issues remained in relation to Property, Plant and Equipment (PPE). Specifically, the reconciliation between the valuation report and the fixed asset register had not yet been resolved. This issue had also been identified during the previous year's audit. It was confirmed that discussions were ongoing with the finance team, who were preparing a working paper to demonstrate that no material misstatement existed between the valuation report and the fixed asset register. Due to the unresolved reconciliation, the audit of Property, Plant and Equipment (PPE) had not yet commenced, as the valuation report was a prerequisite for this work. A dedicated resource was due to begin in early October 2025, and it was hoped that the

necessary working papers would be provided by management to enable commencement.

In terms of issues identified, these included the need to complete the valuation of assets totalling £15 with any subsequent adjustment to be reflected in the Annual Financial Report. Additionally, a misclassification of assets held for sale had been noted and would be corrected. It was stated that the recommendation made in the previous year regarding reconciliation had not yet been fully addressed, as the valuation report remained outstanding. Updates were also provided on other significant risk areas. Work on pension liability was nearing completion, pending finalisation of the Pension Fund Report. In relation to management override of controls, journal transactions had been selected and forwarded to the finance team for review. Progress had also been made on the implementation of IFRS 16, which was of particular importance given that 2024-25 was the first year of adoption. Two completeness tests had been completed alongside balance testing, although evidence was still awaited for certain items. Management had been informed that all outstanding evidence, excluding that related to Property, Plant and Equipment (PPE), would be required to facilitate completion of the audit. In concluding the presentation, Sheena Phillips reported that good progress had been made under the circumstances.

Having thanked Sheena Phillips for introducing the report, the Chair then moved on to invite questions and comments from the Committee, with the following comments and issues discussed:

- The Chair enquired about the likelihood of completion of the Audit Findings Report in time for the Committee's meeting on 3 December 2025. In response, Sophia Brown (Grant Thornton – External Auditor) confirmed that progress on the majority of audit work was satisfactory. Provided that the outstanding information was received when the team concluded its current phase, most testing would be completed. It was noted that resources were available to address any remaining areas, including a dedicated resource for Property, Plant and Equipment (PPE). Subject to receipt of the required information, the audit remained on track for completion by the December meeting.
- Independent members referred to the prior period adjustments (PPAs) and queried the restatement of infrastructure assets totalling £63 million. It was questioned how this had been identified, particularly in light of previous issues with infrastructure assets, and whether the assets had been written out or reclassified. A follow-up question was raised regarding the adequacy of information available to support reclassification of the assets. In response, Rav Jassar (Deputy Director Corporate and Financial Planning) acknowledged the specificity of the question and advised that it would be best addressed by Ben Ainsworth (Head of Finance). A response would be obtained and circulated to Members following the meeting.
- Independent members questioned whether, aside from the revaluation of the £15 million in previously unvalued assets, there were any indications that the notes on Property, Plant and Equipment (PPE) might materially differ from those in the draft accounts. In response, Rav Jassar (Deputy Director Corporate and Financial Planning) confirmed that he was not aware of any

changes to the Property, Plant and Equipment (PPE) notes compared to the draft accounts.

- Independent members referred to a previous meeting at which the impact of materiality on the areas of scope and sample sizes had been discussed and sought confirmation as to whether materiality had affected the areas selected for testing or the extent of testing required. In response, Sophia Brown (Grant Thornton – External Auditor) stated that the areas identified for testing in the current year were broadly consistent with those selected in the previous year. The change in materiality had not resulted in any significant areas being excluded from scope. It was further noted that sample sizes had been reduced slightly, but this had not materially affected the audit approach. Other issues under consideration continued to require attention and were being addressed accordingly.
- Members enquired when the misclassification of assets had been discovered, how it had been identified, and the level of confidence that no further misclassifications remained. In response, Amanda Healy (Deputy Director Investment and Infrastructure) confirmed that the challenges relating to asset classification had been identified during the audit process for the financial year 2024-25. Members heard that significant progress had been made across multiple teams, and a dedicated internal workstream had been established to address and improve asset management for the current financial year. It was reported that the work remained ongoing and involved several strands, including efforts to ensure the completeness of asset records. Measures had been implemented to strengthen governance and introduce processes to identify and address such issues earlier in the financial cycle. Confidence was expressed that these improvements would support early detection and resolution of any future misclassifications.
- Members observed that issues relating to Property, Plant and Equipment (PPE) and fixed assets had also arisen in the previous year and questioned how the Council's position had improved since then and whether the audit team was sufficiently resourced to meet deadlines once sample data was received. In response, Sophia Brown (Grant Thornton – External Auditor) highlighted that improvements had been observed compared to the previous year. Specifically, reconciliation issues that had previously hindered progress had been resolved, resulting in a smoother process. It was noted that the proximity between audit cycles had also contributed to improved evidence quality and timeliness. In relation to resourcing, it was confirmed that the audit team had been allocated until the end of September 2025 and was prepared to process all provided. Members were further advised that a dedicated resource had been assigned to PPE and that an experienced auditor, familiar with the Council's processes and history, would remain on the audit until December 2025. This auditor was well-equipped to address any outstanding matters once the audit team had moved on.
- In querying the status of the pension valuation, independent members questioned whether it was in progress, completed, or causing any delays. In response, Sophia Brown (Grant Thornton – External Auditor) confirmed that the pension fund audit was being held pending completion of the Council's audit. The IAS 19 letter was ready to be issued which was required for

pension liability work. It was noted that, had the Council's audit been finalised, the pension fund audit would have been in a position for sign off. The Chair added that the draft pension accounts had already been reviewed by both the Pension Sub-Committee and the Pension Board. Progress on the pension side was therefore well advanced.

- As a final issue raised, the Chair acknowledged the resources made available and noted that confidence was growing in the likelihood of the Audit Findings Report being completed in time for the meeting scheduled on 3 December 2025. However, it was recognised that several matters remained unresolved. The Chair requested that any updates or changes to the anticipated timeline be communicated to the Committee promptly to ensure clarity.

In seeking to bring consideration of the item to a close, the Chair thanked officers and members for their contributions and in welcoming the ongoing support from Grant Thornton (as External Auditors) and efforts of officers within the Council the Committee **AGREED** to note the update provided, with the following specific action identified;

- (6) That a written response be provided for the Committee addressing how the restatement of infrastructure assets totalling £63 million had been identified, particularly in light of previous issues associated with infrastructure assets, and whether the assets had been written out or reclassified. A response was also to be circulated to members following the meeting, providing clarification on the adequacy of information available to support the reclassification of the assets.

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

The Committee received an update on the Forward Plan. It was noted that several substantive items were scheduled for consideration at the December meeting. In contrast, the February meeting was currently light in content, while the March meeting contained a significant number of items. It was confirmed that efforts would be made to review and potentially reallocate items across the meetings to ensure a more balanced agenda. This exercise would be undertaken in consultation with Harry Ellis (Governance Officer).

At this stage, the opportunity was taken by an independent member to propose that the Committee consider incorporating deep dive sessions into its annual work programme to allow for focused examination of specific areas of interest to provide enhanced assurance. It was suggested that the Committee identify potential topics for deep dives throughout the year and referred to the impact of artificial intelligence (AI) on the organisation as a possible subject for future exploration.

In response, the Chair acknowledged that the Committee had previously undertaken deep dive sessions, although recent attempts had been hindered by competing priorities. It was suggested that the February meeting, given its lighter agenda, would present a suitable opportunity to schedule a deep dive. The Chair proposed that the Committee agree on a topic at the 3 December 2025 meeting with members encouraged to submit any suggestions for deep dive topics to Harry Ellis (Governance Officer) ahead of that meeting.

On this basis, it was therefore **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 3 December 2025
- Tuesday 3 February 2026
- Tuesday 24 March 2026

13. **Any other urgent business**

No items of urgent business were identified.

The meeting closed at 7:51pm

David Ewart  
(Independent Chair)

London Borough of Brent  
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Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
25 Sep 25	7	Self-Referral to Regulator of Social Housing - September 2025 Update	<p>(1) That the 'The Notice Board' newsletter be disseminated to all members of the Audit and Standards Advisory Committee, for reference and information.</p> <p>(2) Details on the governance structure relating to the Housing and Tenant Satisfaction Improvement Board be provided for members of the Audit and Standards Advisory Committee.</p>	<p>Spencer Randolph</p> <p>Tom Cattermole</p>	In progress
25 Sep 25	8	Strategic Risk Report	<p>(1) Feedback in relation to Risk E: Climate and Ecological Emergency Mitigation be relayed to the relevant risk owners, with a view to providing more specific updates on progress and outcomes.</p> <p>(2) Comments concerning the need for mitigation measures in the event of a decline in the independent sector, arising from increased pressures on the SEND system and growing reliance on independent provision be relayed to the relevant risk owners, with a view to providing more detailed updates and outcomes.</p> <p>(3) Comments regarding the implications of outsourcing cyber security services be relayed to the relevant risk owners.</p>	Darren Armstrong	In progress

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25 Sep 25	10	London Borough of Brent Interim Auditor's Annual Report 2025	Existing formula for calculating recommended reserve levels be circulated to committee members.	Minesh Patel	In progress
25 Sept 25	11	London Borough of Brent & Pension Fund Audit Progress Report & Sector Update	Details to be provided on how the restatement of infrastructure assets totalling £63 million had been identified. A response was also to be circulated to members following the meeting, providing clarification on the adequacy of information available to support the reclassification of assets.	Ben Ainsworth/Amanda Healy	In progress
23 Jul 25	6	Procurement Review Update	<ul style="list-style-type: none"> <li>Officers to maintain ongoing efforts to enact implementation of recommendation 2.2 of the report, with a report demonstrating their efforts brought to the Committee within the 6 months following the 23<sup>rd</sup> of July 2025.</li> <li>Consideration to be given to the inclusion of Social Value &amp; Community Wealth considerations within the Council's corporate report</li> </ul>	Rhodri Rowlands & relevant departmental leads	In progress
23 Jul 25	10	Evaluating the Effectiveness of the Audit and Standards Advisory Committee	To consider development of the Committee work programme enable deep dives in specific areas, where identified. This to include the potential for ad hoc working group or additional members briefing sessions outside of the main Committee meetings.	Chair & Vice-Chair & lead officers	In progress



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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	Ongoing
16 Jun 25	8	Internal Audit Annual Report	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, 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 is being monitored across the Council as a whole.	Darren Armstrong & relevant departmental leads	In progress
25 March 2025	11	Strategic Risk Report	<ul style="list-style-type: none"> <li>To review Climate Change and Environmental considerations within future cover report to ensure they reflect any related risks identified within the register</li> </ul>	Darren Armstrong	Ongoing
			<ul style="list-style-type: none"> <li>Risk to Council arising from change in Employer National Insurance contributions impacting on to 3<sup>rd</sup> Party suppliers to be kept under review as part of general risk already included on register relating to Financial Resilience &amp; Sustainability.</li> </ul>	Minesh Patel/Rav Jassar	Ongoing
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	Amanda Healey/Sam Masters	Completed – Details demonstrating risk protection efforts found within the publicly available Q2 financial report form the Cabinet

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			programme and the scheduling of its financing requirements continued to be undertaken to minimise the financial risk associated with maintaining the capital finance borrowing requirement.		meeting on the 13/10/25.  Link: <a href="#">Issue - items at meetings - Q2 Financial Forecast 2025-26</a>
04 Dec 24	9	Internal Audit Interim Report – 2024-25	<ul style="list-style-type: none"> <li>Risk owner/manager(s) be required to include details within the future schedule (included as Appendix 4 of the report) of High &amp; Medium Risk overdue actions of the reasons/cause for the delay in implementation of agreed actions to enable trends to be monitored. (Darren Armstrong)</li> <li>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)</li> </ul>	<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>
	11	London Borough of Brent Auditor's	An update be sought from the Director Strategic Commissioning & Capacity Building on progress in addressing the Improvement	Minesh Patel & Councillor Chan (Vice-Chair)	In progress

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		Annual Report 2023-24	Recommendation included within the Annual Report in relation to review of the Council's Procurement Strategy.		
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 ongoing Business Plan updates for Committee
24 July 24	6	Dedicated Schools Grant – Deficit Management Plan	<ul style="list-style-type: none"> <li>The Committee to be kept updated on progress regarding delivery of the DSG deficit recovery plan.</li> </ul>	Nigel Chapman & Minesh Patel	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
	12	External Audit Fees	Committee to continue to keep the level of external audit fees and any additional charges incurred or increase in fees under ongoing review.	Minesh Patel/Rav Jassar	In progress – review ongoing.

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6 February 24		Complaints Code of Conduct procedure	Committee to continue to monitor trends as part of future updates in terms of complaints and assurance around outcomes.	Debra Norman/Biancia Robinson	In Progress - To be included as part of future Annual Complaints report
	7	CIPFA Financial Management Code & Redmond Review	Alignment of key financial strategies and programmes with the Committee work programme to be reviewed to ensure joined up approach as part of Financial Planning and budget setting process.	Minesh Patel	In Progress – to be reviewed as part of 25-26 budget setting process
			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
	10	Evaluating the Effectiveness of the Audit & Standards Advisory Committee	Additional training needs identified in relation to: <ul style="list-style-type: none"> <li>Treasury Management Strategy;</li> <li>focus on levels of internal control &amp; defence mechanisms (Minesh Patel/Darren Armstrong)</li> <li>Role of External Audit – <b>added as action following 12 June 24 Committee</b></li> </ul>	Minesh Patel & Darren Armstrong	In Progress - included as part of the Committee's Training & Development Programme during 24-25

	<b>Audit and Standards Advisory Committee</b> 3 December 2025
	<b>Report from the Director of Law</b>
	<b>Lead Member - Deputy Leader and Cabinet Member for Finance &amp; Resources</b> <b>(Councillor Mili Patel)</b>
<b>Standards Report (including Q2 update on gifts and hospitality)</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Two: Appendix A: Gifts & Hospitality Register (Qtr. 2) Appendix B: Extract of reform measures arising from the Consultation outcome "Strengthening the standards and conduct framework for local authorities in England – consultation results and government response, November 2025"
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	<b>Marsha Henry</b> , Director of Law 020 8937 4078 <a href="mailto:Marsha.henry@brent.gov.uk">Marsha.henry@brent.gov.uk</a> .  <b>Biancia Robinson</b> , Principal Constitutional, Governance & Finance Lawyer 0208 937 1544 <a href="mailto:Biancia.robinson@brent.gov.uk">Biancia.robinson@brent.gov.uk</a> .

## 1.0 Purpose of the Report

- 1.1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members. The report also updates the Committee in respect of the Consultation outcome “Strengthening the standards and conduct framework for local authorities in England and Government’s response.

## **2.0 Recommendations**

- 2.1 That the Committee note the contents of the report.

## **3.0 Detail**

### Contribution to Borough Plan Priorities & Strategic Context

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

### Gifts & Hospitality

- 3.2 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.3 Gifts and hospitality received by Members are published on the Council’s website and open to inspection at the Brent Civic Centre.
- 3.4 For quarter two of 2025/26, two councillors have declared gifts and hospitality as being received, this is set out in further detail in Appendix A, together with the details of the receiving Councillor. The Committee will recall from its last meeting, that one gift is of low value.
- 3.5 The Committee will recall that hospitality accepted by the Mayor in their civic role are recorded separately and published on the Council’s website.

### Member Training Attendance

- 3.6 At this Committee’s request reports updating it on the attendance records for Member’s in relation to mandatory training sessions has become a standard reporting item. Refresher mandatory training for all members has now completed and were happy to report that all members have completed their Data Protection training.
- 3.7 The Committee will know that:
- a) It is a requirement of the Members’ Code of Conduct that all members’ *“must attend mandatory training sessions on this Code or Members’ standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice”*.

- b) The schedule for all mandatory sessions is ordinarily published and approved in the Council calendar at the May Annual Council meeting.
- c) All internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.
- d) For face-to-face training sessions, reminders are sent via email, calendar invitations, and text messages and, on some occasions, direct telephone calls to Members. The same reminder process is employed for re-run(s) of sessions, where applicable, to take account of personal circumstances like work commitments and childcare arrangements etc.
- e) During 2025 the Committee will receive regular updates on Members who have not completed the mandatory training sessions.

Government Response to Strengthening the standards and conduct framework for local authorities in England consultation

- 3.8 This Committee will recall considering a draft response to the current Government's consultation on potential changes to the current Standards regime at its meeting in February 2025. The consultation sought views on a reform of the standards and conduct framework for local government by seeking to introduce "a clearer and consistently applied standards and conduct framework for local government in England".
- 3.9 The consultation garnered 2,092 respondents and The Ministry of Housing, Communities & Local Government has now published the consultation results and Governments response. The details of which can be found here [Strengthening the standards and conduct framework for local authorities in England – consultation results and government response - GOV.UK](#)
- 3.10 The most significant changes appears to be the imposing of sanctions to suspend a councillor found to have breached the code of conduct, withholding of allowances from elected members who commit serious breaches of their code of conduct and the ability to disqualify a councillor who has been subject to two suspensions. This change appears to address the previous "lack of teeth in the standards regime" which was criticised by the Committee on Standards in Public life in its 2012/13 Annual Report that "We do not think these (sanctions) are sufficient" and in its 2019 Report that "this lack of enforcement authority is a weakness in the system, which may also deter genuine concerns being raised". A table summarising the Government's response to the consultation results, the detail likely to be included, and a commentary of the potential implications for the London Borough of Brent has been attached as Appendix B.
- 3.11 The Committee will note, until further detail and legislation are passed by the government there is no further action to be undertaken by the council.

#### **4.0 Financial Considerations**

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

## **5.0 Legal Considerations**

- 5.1 Pursuant to the Localism Act 2011, the Council has to have arrangements in place to deal with any allegations of failure to comply with the code of conduct and must appoint an Independent Person whose views are sought and taken into account by the council before it makes its decision on an allegation that it has decided to investigate.
- 5.2 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011.
- 5.3 The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct as set out in Part 5, of the council's Constitution.

## **6.0 Equity, diversity and inclusion Considerations**

- 6.1 There are no equality implications arising out of this report.

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

- 7.1 As set out in the body of the report.

## **8.0 Human Resources/Property Implications (if appropriate)**

- 8.1 Not applicable.

## **9.0 Climate Change and Environmental Considerations**

- 8.1 None.

## **10.0 Communication Considerations**

- 9.1 None.

### **Report sign off:**

**Marsha Henry**  
Director of Law



Appendix A: Q2 ( July - Sept 2025)

Councillor	Date of gift	Gift received	Value £	From
Rajan-Seelan	23/08/2025	Dinner for two - 13th Anniversary invitation	100.00	Received from Prash Dava
Cllr Charlie Clinton	06.07.2025	Bailey 1L - value £14.00 and Toblerone Truffles - value £7.00. Total value £21.00	21.00	Received from Residents of Wendover House, Hatton Road.

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## Appendix B

Extract of reform measures arising from the Consultation outcome “Strengthening the standards and conduct framework for local authorities in England – consultation results and government response, November 2025

	Proposed Measure	Summary of detail	Comment
1)	The introduction of a mandatory code of conduct, which will include a behavioural code, for all local authority types and tiers	<p>A mandatory code by using primary legislation to set out the code in regulations.</p> <p>Local authorities will be able to develop their own guidance and protocols which must align with the mandatory code but will not, in themselves, be part of the code or arrangements for enforcement.</p> <p>The behavioural code will require elected and co-opted members to co-operate with code of conduct investigations, and that submitting multiple vexatious complaints would be a code of conduct breach.</p>	The Council already had a Code of conduct which regulates standards and behaviour, but we will need to review the behavioural code requirements/legislation to see what changes maybe required.
2)	A requirement that all principal authorities convene formal standards committees, to include provisions on the constitution of standards committees to ensure objectivity, accountability and transparency	<p>All principal authorities to formally constitute a standards committee</p> <p>Code of conduct investigations to be completed, and investigation findings and decisions arising be published, including when the investigation findings are ‘no case to answer’ and the member is exonerated, and in the event a member stands down during an investigation.</p>	The Council’s Code already provides for this - including reporting of code of conduct allegations.
3)	The requirement that all principal authorities offer individual support during		The Council’s Code provides for support by engagement with an

	any investigation into code of conduct allegations to both the complainant and the councillor subject to the allegation.		independent person and where appropriate Councillors are referred to the confidential support via the EAP scheme.
4)	The introduction at the authority level of a 'right for review' for both complainant and the subject elected member to have the case reassessed on grounds that will be set out in legislation.	<p>Legislation to provide both complainant and the respondent elected or co-opted member with a 'right for review' of standards committee investigation decisions.</p> <p>Recommended actions, to be taken forward, to support those affected through the complaint and investigation process in the best practice guidance.</p> <p>Government will investigate the case for creating an independent confidential helpline support offer for complainants.</p>	The Council's Code provides for a right of review of the Monitoring Officer decision although there is no right of appeal for the complainant or the member against a decision of the Monitoring Officer or the Audit & Standards Committee decision. This additional right will be a new provision.
5)	Powers for authorities to suspend elected members for a maximum of 6 months for serious code of conduct breaches, with the option to withhold allowances during suspension for the most serious breaches and introduce premises and facilities bans either in addition or as standalone sanctions	<p>Provide authorities with a power to suspend elected members for serious code of conduct breaches for a maximum of 6 months, with the option to withhold allowances and institute premises and facilities bans where deemed appropriate.</p> <p>Confirm that a decision to sanction with a period of suspension, and/or institute premises and facilities bans can only be taken by a standards committee, following receipt and consideration of a formal investigation report, and following consideration of the views of the Independent Person.</p> <p>The legislation will enable standards committees to have the discretion to withhold elected member allowances and ban disruptive members from using council facilities or entering property, either as standalone sanctions or in addition to suspension.</p>	This would be a new provision within the Brent Code of Conduct giving the Standards Committee authority to impose a significant sanction.

6)	In response to the most serious allegations involving police investigation, or where sentencing is pending, the introduction of powers to suspend elected members on an interim basis for an initial period of 3 months which, if extended, will require regular review	<p>Legislation will be passed to confirm that the grounds when a standards committee can impose interim suspension; the allegations against the individual must be of a serious criminal nature and subject to police investigation/pending sentencing; and or Risk of Harm. Where the nature and seriousness of the allegations is such that if the elected member were to continue in their role during the investigation, it could result in a risk of harm to either the public, the complainant, the subject member, or the authority and its reputation.</p> <p>Legislation will set the maximum period of interim suspension at an initial 3 months and require ongoing review if the case remains unresolved after that initial period.</p>	This would be a new provision within the Brent Code of Conduct giving the Standards Committee authority to impose a significant sanction.
7)	A new disqualification criterion for any elected member subject to the maximum period of suspension more than once within 5 years	Legislation will be introduced that disqualifies an elected or co-opted member if they receive a sanction of suspension for the maximum period of 6 months twice over a 5-year period.	This would be a new provision within the Brent Code of Conduct.
8)	The creation of a new national appeals function, to consider appeals from elected members to decisions to suspend them and/or withhold allowances, and for complainants if they consider their complaint was mishandled. Any appeal submitted will only be permitted after complainant or elected member has invoked their 'right for review' of the local standards committee decision has been invoked and that process is completed.	Legislation to be implemented on arrangements for appeals to code of conduct decisions	This would be a new provision within the Brent Code of Conduct.

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	<b>Audit and Standards Advisory Committee</b> 3 December 2025
	<b>Report from the Corporate Director of Finance and Resources</b>
	<b>Lead Member – Deputy Leader and Cabinet Member for Finance &amp; Resources (Councillor Mili Patel)</b>
<b>Interim Counter Fraud Report 2025-26</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	One Appendix 1: Annual Counter Report 2025-26
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Darren Armstrong, Deputy Director Organisational Assurance and Resilience 020 8937 1751 <a href="mailto:Darren.Armstrong@brent.gov.uk">Darren.Armstrong@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report presents the Council's Interim Counter Fraud Report for the financial year 2025-26.
- 1.2 The report is intended to support CMT and the Audit and Standards Advisory Committee in obtaining assurance that the Council has robust and sound counter fraud arrangements in place. It does this by providing a summary of the activity of the Counter Fraud team in-year across multiple fraud types (including internal fraud, housing tenancy fraud, external fraud and proactive work).
- 1.3 The report also fulfils the requirements of the Local Government Transparency Code 2015, which requires local authorities to publish details of their counter-fraud activity.

## **2.0 Recommendations**

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

## **3.0 Detail**

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

3.1.1 As is the same for all local authorities, fraud remains an area of significant inherent risk to the Council. The tackling of fraud therefore remains a high priority as every penny that is lost to fraud is a penny that cannot be spent on delivering services to our residents.

3.1.2 The Council takes a well-developed approach to tackling fraud and corruption, which includes a combination of proactive prevention and detection activities in-line with best practice. An Annual Counter Fraud Plan is also prepared and delivered to ensure that resources are effectively targeted and deployed to prevent and detect fraud, which is underpinned by the Council's Anti-Fraud and Bribery and Whistleblowing policies.

3.1.3 The response of the Council to the activity of the Counter Fraud and Investigations service should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

### **3.2 Background**

3.2.1 The primary objective of the Council's Counter Fraud and Investigations Team is the prevention and detection of fraud, corruption and irregularity.

3.2.2 In recent times, the lasting impacts of the Covid-19 pandemic and the cost-of-living crisis have further exacerbated the challenges the Council faces from fraud and corruption. Combined with the continued pressure and strain on the Council's resources, this has created an ideal environment for fraudulent activity where all elements of the 'fraud triangle' (opportunity, motivation and rationalization) have increased significantly in risk.

3.2.3 The increased risk of fraud is clear, and the Council must remain proactive in preventing and identifying all types of fraud, while embedding a culture of counter fraud awareness at the heart of the organisation.

3.2.4 The work of the Counter Fraud and Investigations team is split between both reactive and proactive activity. Reactive work largely consists of allegations and referrals received by the team relating to Internal, Housing or External fraud types. Proactive activity is usually generated from within the service in response to a range of fraud risks and can incorporate any of the reactive fraud types. A summary of all activity performed for the period 1 April 2025 to 31 October 2025 is presented at Appendix 1.



### **3.3 Internal Fraud**

- 3.3.1 Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the '*Proactive*' section of Appendix 1. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature.
- 3.3.2 With most cases under this category, the team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Internal Audit Plan. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit.

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

- 3.4.1 The recovery of social housing properties by Counter Fraud and Investigations has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. Whilst this is an external fraud type, it is kept separate to reflect the high priority fraud risk. The counter-fraud activity for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2025 is summarised in section 2 of Appendix 1.
- 3.4.2 Following a review of our priorities we redirected resources to high-risk areas where we can strengthen fraud prevention and ensure consistency - one such area being tenancy successions applications. Working in partnership with Housing Services, we have recently developed a process for the Counter Fraud and Investigations team to verify all succession applications submitted to Housing Services as of 1<sup>st</sup> October 2025.

### **3.5 External Fraud**

- 3.5.1 External fraud includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving, Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter-fraud activity for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2025 is summarised in section 3 of Appendix 1.

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

- 3.6.1 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team and other stakeholders. This will include NFI data matching reviews, fraud workshops, targeted operations, and other planned fraud risk activity across all service areas. The counter-fraud activity for the period 1<sup>st</sup> April to 31<sup>st</sup> October 2025 is summarised in section 4 of Appendix 1.

## **4.0 Alternative Options Considered**

- 4.1 N/A

## **5.0 Financial Considerations**

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

## **6.0 Legal Considerations**

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

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

7.1 None

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

8.1 None

## **9.0 Communication Considerations**

9.1 None

### **Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources

# **Interim Counter Fraud Report**

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2025-26

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# 1. Internal Fraud

Internal fraud includes a range of case types such as staff conduct, financial and procedural irregularities. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature.

A summary of the main types of allegations received are as follows:

- Breach of financial regulations
- Misuse of IT
- Polygamous employment

The volume and type of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council continues to be effective. There were **16** cases

concluded during this period. In **1** of these instances a degree of fraud and/or irregularity was identified, broadly relating to;

- **External offences/breaches and/or conduct by staff (x1)**
  - allegation of recruitment irregularities

## Whistleblowing

CF&I have received **6** referrals categorised as whistleblowing. **3** cases were determined to be non-CF&I matters and categorised as such based on the nature of the allegations. However, CF&I continues to maintain oversight of these cases and provides support to the relevant service areas conducting the investigations.

Due to the confidential nature of these types of referrals, it is not appropriate to provide specific details of the allegations or subsequent investigations in this report. **1** referral categorised as whistleblower (anonymous) has been closed following completion of the investigation.

## Other Internal

**9** non-whistleblowing internal cases are currently live and have been opened since 1<sup>st</sup> April 2025. These relate to:

- 1x Officer claims and allowances
- 1x Officer Corruption (Housing)
- 2x Officer working and claiming (from NFI reports)
- 4x Officer breach financial regulations
- 1x Bribery and Corruption

Table A - Internal Fraud	2025/26 (1 April to 31 October)	2024/25	2023/24	2022/23
• New Referrals	32	25	27	20
• Closed Cases	16	23	20	22
• Fraud/Irregularity identified*	1	5	10	4
* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action)				

## 2. Tenancy and Housing Fraud

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

The total number of fraudulent housing cases concluded in this period was **9**. *The total notional value of these cases (applying the value of £66k per property recovered or housing application stopped) is £594,000.*

In **4** cases, investigations established that the applicants seeking succession of tenancy had not met the residency requirement for the qualifying period. As a result, Housing successfully recovered the properties.

In addition, the team has completed **3** tenancy verifications to verify household occupation and mitigate fraudulent Succession and Right to Buy applications. There are currently **33** live housing investigations – of these; **2** cases are involved with legal proceedings to recover the property, and a further case has been concluded by the team with a report issued to HM that recommends recovery action is instigated. The team works closely with the relevant teams to progress these cases.

### Enhanced verifications of Right to Buy (RTB) applications

In November 2024 the maximum discount allowed to social tenants for purchasing their tenancy was reduced by the government to a maximum of £16,000. This resulted in an influx of RTB application requests prior to the November deadline. Whilst several of the applications will not progress and are merely requests for valuations the increased workload and level of enquiries, heightened the risk of fraudulent applications progressing. CF&I implemented an Enhanced Verification Process for RTB applications to be carried out by Counter Fraud Officers to enhance vetting of applicants. Prior to June 2025, **62** Enhanced Verifications were carried out with **9** cases being identified as High Risk for additional checks should application progress; and **2** identified as requiring further checks for funding source once received. Since June 2025, a further **82** Enhanced Verifications were carried out, with **6** cases being identified as High Risk for additional checks should application progress; and **1** identified as requiring further checks for funding source once received.

### Succession applications

Following a review of our priorities we redirected resources to high-risk areas where we can strengthen fraud prevention and ensure consistency - one such area being tenancy successions applications. Working in partnership with Housing Services, we developed a process for CF&I to verify all succession applications submitted to Housing Services as of 1<sup>st</sup> October 2025.

Table B – Tenancy and Housing Fraud	2025/26 (1 April to 31 October)	2024/25	2023/24	2022/23
New cases	48	45	129	174
Closed cases	15	73	161	155
Fraud/Irregularity identified*	9	16	16	20
* Notional value of recovered properties (including Housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £66,000.				

### 3. External Fraud

External fraud includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving, Blue Badge, Direct Payments, Council Tax, Business Rates, Insurance, Finance, Concessionary Travel and Grant Applications.

There have been **23** cases closed in this period.

Referrals mainly relate to benefits, support, discounts, allowances, grants, theft of client funds and other external allegations.

In **1** case, an allegation was received via an online referral concerning a resident's eligibility for a Single Person's Discount (SPD). The investigation revealed that the resident had failed to report a change in circumstances—specifically, a partner moving into the property approximately nine years ago. Despite this, the resident continued to claim the discount. As a result of the investigation, a notional saving of £3,758.20 has been identified.

Table C - External Fraud	2025/26 (1 April to 31 October)	2024/25	2023/24	2022/23
New Referrals	28	204	300	224
Closed Cases	23	234	322	197
Fraud/Irregularity identified	10	91	213	94
<i>* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action)</i>				

#### Concessionary Travel – Freedom Pass

Investigations revealed that a number of deceased individuals were still receiving concessions or benefits from the Council, such as:

- **Blue Badge**
- **Council Tax Reduction**
- **Housing Benefit**

As part of a proactive review, investigators examined whether any of these individuals still had access to concessionary travel, specifically the Older Person's Freedom Pass.

The Older Person's Freedom Pass allows eligible London residents to travel for free on most public transport in London and on local buses across England. While London Councils manage the issuing and administration of the pass, the cost is funded by the local Council, which has calculated the value of each pass at £16,320.

Investigators identified 70 active Freedom Passes belonging to deceased individuals. These cases were referred to the Independent Travel Team (ITT) for cancellation, resulting in a notional saving of £1,142,400.

## 4. National Fraud Initiative (NFI) and other proactive activity

The Council is required to submit data every two years as part of the Cabinet Office mandated National Fraud Initiative (NFI). For the Council datasets such as payroll, pensions, creditor/payments, housing benefit and council tax are provided. The data collected from Councils; NHS and others is then analysed to identify discrepancies and potential fraud. The exercise also uses data from sources such as Operation Amberhill, HMRC, DWP and GRO.

The reports from NFI are released and shared to Councils for action. The Council received **40** reports and **540** matches for review in several reports from the 2024/2025 exercise. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Councils data is amended/updated.

CF&I have reviewed a number of the high priority reports, from these **14** matches have been identified as requiring further investigation.

**2** cases have identified individuals with undeclared income whilst receiving CTR resulting in savings of £8,074.51.

A case identified dual working which was investigated and is pending management action.

The mandatory data submissions for the 2024 exercise is underway. The team are reviewing the majority of the matching reports, either directly or in conjunction with relevant services, and aim to complete all reviews by end of Q4 2025-26.

### Proactive Work:

- a) **Housing Tenancy to Waiting List** – To assess the integrity and fairness of housing tenancy allocations by reviewing waiting list durations and identifying any anomalies that may indicate process weaknesses or potential fraud.
- b) **Car Park Review** – To ensure fair usage by staff members and to detect any anomalies, misuse, or indicators of potential fraudulent activity in relation to car park usage.
- c) **Continued use of the NFI London FraudHub** - The Council joined the NFI London FraudHub in 2022-23, which was for an initial period of two years. It is modelled on the existing NFI platform, and the majority of London councils have joined. The hub allows for more real-time and cross boundary data matching, in addition to bespoke internal data matching. A number of different datasets including Pensions, Council Tax and Blue Badge are matched against DDRI (deceased data) and other local authority's data to highlight potential discrepancies or areas of concern. A pilot to include Payroll to Agency data on a regular basis was undertaken and will now be a regular occurrence.


- d) **FraudHub AppCheck** - AppCheck is an additional resource within the FraudHub to verify any data included on applications submitted against other local authorities' data. 4 training sessions were carried out by CF&I staff to Housing Needs and Housing Allocations staff to introduce AppCheck as a potential resource to assist verification of applications.

## Pre-employment Vetting

The Council has full membership access to the *Insider Threat Database* (ITD), formerly the Enhanced Internal Fraud Database, that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). The ITD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls. The system enables the Council to have additional assurance around agency and permanent recruitment and provide the team with additional resource when conducting internal investigations. The team manages the new vetting protocols for agency staff, whilst Recruitment manages it as part of existing permanent recruitment onboarding. A summary of activity to 31<sup>st</sup> October 2025 is summarised below.

	Total searches	Positive matches	Employment status
Agency Staff	703	17	15 declined / 2 employed
HR Recruitment	830	18	5 declined / 13 employed



	<b>Audit and Standards Advisory Committee</b> 3 December 2025
	<b>Report from the Corporate Director of Finance and Resources</b>
	<b>Lead Member - Deputy Leader and Cabinet Member for Finance and Resources</b> <b>(Councillor Mili Patel)</b>
<b>Internal Audit Interim Report – 2025-26</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	One Appendix 1: Interim Internal Audit Report 2025-26
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Darren Armstrong, Deputy Director Organisational Assurance and Resilience 020 8937 1751 <a href="mailto:Darren.Armstrong@brent.gov.uk">Darren.Armstrong@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report outlines the work undertaken by Internal Audit as at end of October 2025.
- 1.2 The report is intended to support CMT and the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising Internal Audit activity, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

## 2.0 Recommendations

- 2.1 The Committee is asked to note the report.

### 3.0 Detail

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

- 3.1.1 The role and mission of the Internal Audit function is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the governance, risk management and control processes in place.
- 3.1.2 The mission of Internal Audit is achieved through providing a combination of risk-based assurance and consulting activities. The assurance suite of work involves assessing how well the systems and processes are designed and operating in order to effectively mitigate risk, while consulting activities aid with the improvement in systems and processes where necessary.
- 3.1.3 The response of the Council to the activity of Internal Audit should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

#### 3.2 Background

- 3.2.1 The Council's Internal Audit function is delivered in accordance with the Global Internal Audit Standards (GIAS). The GIAS guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.
- 3.2.2 The Internal Audit Plan for 2025–26 continues to adopt a more flexible and agile approach to delivery, building on the shift away from a rigid structure seen in previous years. At the same time, it maintains a strong focus on providing assurance over the Council's core systems and processes, which remain fundamental to its governance, risk management, and internal control framework. In line with this approach, and as approved by CMT and the Audit and Standards Advisory Committee in March 2025, the plan is structured around the following key areas:
  - a) **Core Assurance Plan** – this element outlines the work scheduled for the year to provide assurance over the Council's core systems and controls. It forms part of a broader three-year cyclical programme of core assurance activity, with 2025–26 representing the second year of the cycle.
  - b) **Agile, Risk-based Plan** – this section identifies potential audit areas informed by a range of sources, including rolling risk assessments, assurance mapping, and consultation with senior management. Designed to be flexible, it enables Internal Audit to respond to emerging risks, issues, and shifting priorities. As such, it is not a fixed list; the Head of Internal Audit regularly reviews, updates, and re-prioritises the plan as needed.

- c) **Follow-up Activity** – this component focuses on tracking and reviewing the implementation of agreed actions arising from previous audits. The aim is to ensure that improvements to governance, risk management, and internal control arrangements are effectively delivered and sustained.

### **3.3 Delivery of the 2025-26 Internal Audit Plan**

3.3.1 The Internal Audit Interim Report for 2025-26 is attached at Appendix 1.

3.3.2 The Internal Audit team has made good progress towards delivery of its plan and programme of work for 2025-26. Key highlights include:

- Completion of five core assurance reviews.
- Thirteen core assurance reviews currently underway, comprising:
  - 7 at the fieldwork stage
  - 6 at the planning stage
- Completion of four risk-focused reviews
- Eight additional risk-focused reviews in progress:
  - 4 at the fieldwork stage
  - 4 at the planning stage
- Completion of two follow-up reviews, with a further thirteen actively being tracked through to implementation

3.3.3 The Internal Audit team has made strong progress in delivering the Core Assurance Plan, with fieldwork for several audits scheduled to conclude during the remainder of Quarter 3 and into Quarter 4. It is anticipated that at least 90% of the plan will reach draft report stage by 31 March 2026. This level of completion will enable the Head of Internal Audit to provide a well-informed, evidence-based opinion on the effectiveness of the Council's governance, risk management, and internal control framework.

3.3.4 The Agile Risk-Based Plan outlines potential high-risk and high-assurance audit areas that will be prioritised for delivery over the remainder of the year. This list is intentionally fluid and subject to change, allowing Internal Audit to remain responsive to emerging risks and shifting organisational priorities. It is important to note that this is not a fixed schedule of audits; the volume of work identified exceeds the resources currently available. Instead, the plan serves to provide transparency and assurance around how Internal Audit activity is identified, prioritised, and directed throughout the year.

3.3.5 In addition to its assurance work, Internal Audit continues to provide consultancy and advisory support where required or requested. So far this year, this has included a range of advisory activities, such as participation on various boards and working groups, contributing to discussions and decisions that support effective governance and risk management across the Council.

### **3.4 Follow-ups**

- 3.4.1 Progress on follow-up activity is detailed in Appendix 1. However, due to the timing of follow-ups and the scheduling of target dates for recommendations, the majority of follow-up work will be undertaken in Q3 and Q4. While progress and engagement continue to improve, CMT is advised to await the annual report before drawing conclusions from current follow-up outcomes.
- 3.4.2 Where actions are found to be partially implemented or not implemented at the time of follow-up, revised target dates are agreed with management. These outstanding actions are then monitored through departmental action trackers, which are reported periodically to Departmental Management Teams. It remains the responsibility of management and the designated action owner to notify Internal Audit once an action has been implemented and to provide appropriate evidence to substantiate completion.
- 3.4.3 Where actions are not implemented within their revised target dates, or where there is persistent lack of engagement in the follow-up process, these actions are flagged as 'overdue' and escalated to CMT for further attention.

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

- 4.1 None.

#### **5.0 Financial Considerations**

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

#### **6.0 Legal Considerations**

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

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

- 7.1 None.

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

- 8.1 None.

#### **9.0 Communication Considerations**

- 9.1 None.

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources

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# **Internal Audit Interim Report**

## **2025-26**

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## 1a. Core Assurance Work 2025-26 – Summary

This section of the plan lists the work that will be undertaken in-year to provide assurance over the Council's core/key systems and controls. Whilst there may still be a need to flex this plan in response to significant changes or risks, it is anticipated that this aspect of the plan will remain relatively stable and unchanged in-year.

System / Process		Not yet commenced	Planning	Fieldwork	Reporting	Comments
Key financial Systems	♦ Assets and Valuations			●		Review in progress. Planned to conclude end Q3.
	♦ Capital Expenditure		●			Review due to commence Q4
	♦ Debt Management			●		Draft report is currently being prepared.
	♦ Council Tax and Business Rates				●	Draft report issued, awaiting management responses.
	♦ Budgetary Control		●			Review due to commence Q4
IT Audit	♦ STS Assurance Mapping			●		Workshop delivered on 15 <sup>th</sup> October 2025. Advisory Report being prepared.
	♦ STS Asset Management		●			The review will provide assurance over key controls relating to IT asset management, including new laptop programme rollout.
	♦ IT Application - Oracle		●			The review will provide assurance over key IT/application controls within Oracle.
Inherent Risks	♦ Housing Compliance			●		Internal Audit has been liaising with Housing Management and the external consultants, Caldistsons, to ensure that assurance activities are coordinated. An Advisory Memo has been issued to Housing Management. Internal Audit will perform an assessment of progress made towards addressing identified risks in Q4.
	♦ Procurement – Extended Follow-up			●		To undertake an extended follow-up review of the outstanding Procurement actions and map progress made against the Procurement Improvement Plan.
	♦ Contract Management		●			Cross-cutting review of a sample of key contracts.
	♦ Children's Safeguarding			●		Review to provide assurance over key controls referenced in this area of strategic risk.



## 1a. Core Assurance Work 2025-26 – Summary (cont'd)

System / Process		Not yet commenced	Planning	Fieldwork	Reporting	Comments
Grant / Certification	♦ Social Housing Decarbonisation Fund – Grant Certification				●	Grant certification to ensure expenditure in accordance with terms and conditions.
	♦ Defra Food Waste Collection – Grant Certification				●	Grant certification to ensure expenditure in accordance with terms and conditions.
	♦ Brent River College – Grant Certification				●	Grant certification to ensure expenditure in accordance with terms and conditions.
	♦ Barham Park Accounts - Certification				●	Accounts certification.
School Audits	♦ Harlesden Primary School			●		Fieldwork completed before Summer holidays and interim report shared with the Headteacher. Additional work being undertaken in Q3 to resolve outstanding queries.
	♦ Ashley College		●			Review to commence in Q3.
	♦ Newman Catholic College	●				Review to commence in Q4.
	♦ School 4 - tbc	●				Fourth school to be agreed in collaboration with CYP and Finance colleagues in Q4.

## 1b. Core Assurance Work 2024-25 – Findings (High & Medium)

This section of the report provides a summary of findings for all *core assurance* audits completed to date.

System / Process	Assurance Provided	Summary of Findings
♦ Council Tax and Business Rates	<i>Limited</i>	<p><b>High Risk</b></p> <ol style="list-style-type: none"> <li><b>Discounts and Exemptions</b> Council's internal controls over Council Tax discounts and exemptions are currently weak, with issues identified across policy documentation, segregation of duties, and eligibility verification</li> <li><b>Delays and Omissions in Issuance of Reminder and Summons Notices</b> Testing revealed frequent delays in issuing reminder and summons notices beyond policy timelines, with some notices not issued at all despite outstanding debts.</li> </ol> <p><b>Medium Risk</b></p> <ol style="list-style-type: none"> <li><b>Follow-up of warning discrepancies</b> Weaknesses in follow-up, escalation, and coordination with the Valuation Office Agency (VOA) have led to long-standing discrepancies and recurring data mismatches, heightening the risk of inaccurate records and billing errors</li> <li><b>Lack of Independent Review and Authorisation of Reconciliations</b> The quarterly property data reconciliation reports are prepared without any formal independent review or authorisation</li> <li><b>Inconsistent Recovery Actions</b> Recovery officers prioritise accounts subjectively, focusing mainly on high-balance or "critical" cases, which causes delays or inconsistencies in pursuing lower-balance accounts and risks revenue leakage.</li> </ol>

## 2a. Risk-Focussed Work 2025-26 – Summary

This section of the plan is intended to be flexible and adaptive to respond to changing risks and priorities, and to ensure audit resources are allocated efficiently and effectively to the areas with the greatest assurance needs. The audits undertaken as part of this section of the plan will be determined via a number of factors, including:

- an on-going internal audit risk assessment;
- assurance mapping against strategic and directorate risks;
- identification of new and emerging threats and risk areas; and
- on-going consultation with senior management.

System / Process	Not yet commenced	Planning	Fieldwork	Reporting	Comments
♦ Residential and Nursing Care				●	Draft report issued, awaiting management responses.
♦ Pay Policy and Allowances				●	Report finalised. See summary of findings in section below.
♦ HRA Financial Management			●		Review in progress. Planned to conclude end Q3.
♦ AI Governance				●	Draft report issued, awaiting management responses.
♦ Parking Debt Collection			●		Fieldwork concluded, draft report is being prepared.
♦ Wembley Learning Zone				●	Review completed.
♦ Deputyship / Appointees			●		Fieldwork concluded, draft report is being prepared.
♦ GLA Affordable Housing Programme			●		Review in progress. Planned to conclude end Q3.
♦ Waste Management / Enforcement		●			Review due to commence end Q3.
♦ Housing Voids		●			Review due to commence in Q4.
♦ Management of Tenancy Management Organisations		●			Review due to commence in Q4.
♦ Housing & Tenant Satisfaction Improvement Programme		●			Review due to commence end Q3.

## 2b. Risk-Focussed Work 2025-26 - Findings (High & Medium)

This section of the report provides a summary of findings for all *core assurance* audits completed to date.

System / Process	Assurance Provided	Summary of Findings
♦ Residential Nursing Care and	Limited	<p><b>High Risk</b></p> <ol style="list-style-type: none"> <li><b>Financial Assessments</b> Our review identified that half of the financial assessments reviewed were calculated incorrectly and issued to service users without prior approval, resulting in unnecessary costs to the Council. Furthermore, delays in completing assessments meant that in some cases, the Council funded care for up to 11 months before establishing who was financially responsible.</li> <li><b>Quality Assurance Process</b> The evidence section of the Quality Assurance document is not structured to capture precise examples of compliance, descriptions of what qualifies as evidence, and sample sizes are not included to give context to what is being recorded. Also, where standards are unmet or partially met there is no clear process for revaluation to attest compliance.</li> <li><b>Residential and Nursing Care Oversight</b> There is no effective oversight of all elements of the end to end residential and nursing care service to identify any failures in the process, such a forum to review the effectiveness of monitoring and reporting.</li> </ol> <p><b>Medium Risk</b></p> <ol style="list-style-type: none"> <li><b>Governance</b> The current Adult Social Care Charging Guidance (2016) lacks key governance details, including the author, approval information, and scheduled review dates. It also does not specify when financial assessments should be completed or how they should be documented. Additionally, there is no clear requirement for Senior Officer approval before assessment outcomes are shared with service users.</li> </ol>
♦ AI Governance	Limited	<p><b>High Risk</b></p> <ol style="list-style-type: none"> <li><b>Strategy and policy framework</b> AI is currently being introduced through isolated pilot projects under the broader Digital Strategy. However, the absence of a unified Council-wide AI strategy has led to fragmented and reactive deployment. This has resulted in inconsistent approaches and varying quality in how benefits are tracked and assessed.</li> <li><b>Governance and Oversight</b> AI oversight is dispersed across existing forums, without a single, end to end framework or accountable owner. The ethics board is advisory only.</li> </ol> <p><b>Medium Risk</b></p> <ol style="list-style-type: none"> <li><b>Training</b></li> </ol>

System / Process	Assurance Provided	Summary of Findings
		<p>There is no Council-wide training programme on AI risks, role-specific expectations, or systematic tracking of completion.</p> <p><b>4. Procurement and Due Diligence</b></p> <p>The Council's procurement framework has not been adapted for AI. This increases ethical, legal, and value-for-money risks despite some oversight through existing forums and DPIAs</p> <p><b>5. AI Risk Management</b></p> <p>AI risks are captured on the digital risk register and managed largely through project level DPIAs. However, they are not included on the corporate risk register, and key enterprise level exposures such as information governance failures from AI use and the risk of shadow AI are not formally owned or mitigated.</p>
♦ <b>Wembley Learning Zone (WLZ)</b>	<i>Management Letter</i>	<p>Internal Audit completed a review of Wembley Learning Zone at management's request. The review identified several issues and concerns, including:</p> <ol style="list-style-type: none"> <li><b>1. Safeguarding</b> – there is currently a lack of clarity regarding the safeguarding training and DBS status of WLZ team members.</li> <li><b>2. Event Charges</b> – the pricing of events is inconsistent, with lower rates charged in some instances.</li> <li><b>3. Write-offs</b> – a write-off credit of c£10k could not be accounted for or verified.</li> <li><b>4. Event Bookings</b> – the tracking of bookings was inconsistent and incomplete and did not correspond to invoices received.</li> <li><b>5. Staffing and Job Descriptions</b> – up to date JDs and procedures could not be located or provided during the audit.</li> <li><b>6. Procurement</b> – WLZ use a Council issued Credit Card that has been used to by-pass traditional procurement routes.</li> </ol>
♦ <b>Pay Policy and Allowances</b>	<i>Management Letter</i>	<p>Internal Audit completed a planned review of the Council's Pay Policy and Allowances. The review has highlighted several issues regarding the consistent application of, and adherence to, the Council's Pay Policy and Procedures, including:</p> <ol style="list-style-type: none"> <li><b>1.</b> Expenditure monitoring a controls require improvement;</li> <li><b>2.</b> A number of payments were found to fall outside of the agreed pay rates.</li> <li><b>3.</b> Some payments were processed without full authorisation.</li> <li><b>4.</b> Several payments lacked supporting records.</li> <li><b>5.</b> Legacy systems and fragmented data have made it difficult to validate payments.</li> <li><b>6.</b> Limited monitoring and oversight at a service level have contributed to informal practices.</li> </ol>

## 2c. Risk Assessment – to inform audit activity in Q4

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

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

System / Process	Risk Assessment	Rationale / Suggested Scope
♦ <b>Budget Pressures / Savings Delivery</b>	High Risk	To perform a deep-dive into a specific area(s) of budgetary pressure and/or critical savings plan(s) to provide assurance over delivery. To potentially review enforcement of spending controls.
♦ <b>Commissioning and Placements (Childrens)</b>	High Risk	To provide assurance on the effectiveness of key controls surrounding commissioning and placements, including payments to providers.
♦ <b>Child to Adult Transition</b>	High Risk	To provide assurance on the effectiveness and robustness of the Council's arrangements for child to adult care transition including implementation of process changes.
♦ <b>Housing Allocations</b>	High Risk	To provide assurance that the Housing Allocations policy is operating effectively.
♦ <b>Martyn's Law</b>	High Risk	To provide assurance over arrangements in place to ensure compliance with new legislation.
♦ <b>CCTV and Surveillance</b>	Medium Risk	To review the Council's CCTV and surveillance arrangements to ensure compliance with relevant legislation.
♦ <b>Commercial property - leases and rents collection</b>	Medium Risk	To provide assurance that the processes and controls around the collection of rent and leases are operating robustly and effectively.
♦ <b>Planning – compliance with regulations</b>	Medium Risk	To provide assurance that the processes and controls around compliance with planning regulations are operating robustly and effectively.
♦ <b>Community Grants</b>	Medium Risk	To provide assurance over the governance and monitoring arrangements in place regarding grants and funding initiatives for voluntary organisations

## 3a. Follow-up Work - Summary

Internal Audit continues to operate an established follow-up process, tracking actions through to confirmed implementation, to provide confirmation that improvements in the Council's governance, risk management and control have been embedded. The table below lists the key follow-ups in-progress and planned for 2025-2026 (based on audits completed in 2024-2025).

Audit	Status	Agreed Actions				Actions Implemented at Follow-up		
		H	M	L		H	M	L
♦ General Ledger	Complete	-	7	4		-	7	2
♦ Treasury Management	Follow-up due Q4	-	-	2				
♦ VAT	Follow-up due Q4	3	3	-				
♦ Insurance	In progress	-	3	-				
♦ STS Procurement	Follow-up due Q4	3	3	-				
♦ STS Project Management	In progress	-	13	2				
♦ IT Application - Mosaic	In progress	-	8	-				
♦ Recruitment	In progress	-	4	4				
♦ True Compliance	In progress – coordinating with work of external consultants	1	-	-				
♦ Section 20/20b – Major Works and Improvement re-charges	In progress	3	1	-				
♦ Procurement	In progress	8	3	-				
♦ Social Housing Act - ASB	In progress	2	3	-				
♦ Discretionary Housing Payments	In progress	-	2	6				
♦ RLS Contract Management	In progress	-	2	2				
♦ Direct Payments - Adults	Complete	7	3			7	3	
♦ Direct Payments - Childrens	In progress	9	1	-				
♦ Public Health Contract Management	In progress	-	6	-		-	6	-
♦ S106 / CIL	In progress	-	4	3		-	4	0

## 3b. Overdue High-Risk Actions

All Internal Audit reviews are subject to follow-up in accordance with the implementation dates agreed with management. If actions are not completed within the original timeframe, revised deadlines are set. It is the responsibility of management to notify Internal Audit once actions have been implemented. Where revised deadlines are missed, the actions are reported as overdue.

Audit	Finding Heading	Original Target Date	Revised Target Date	Status
Housing Voids Management	Key Performance Indicators	31 March 2023	31 July 2024	Partially Implemented
Housing Voids Management	Key Performance Indicators	31 March 2023	31 July 2024	Partially Implemented
Housing Voids Management	Key Performance Indicators	31 March 2023	31 July 2024	Partially Implemented
Kilburn Square - TMO	Budgetary Control	31 August 2024	31 March 2025	Partially Implemented
Kilburn Square - TMO	Budgetary Control	31 August 2025	28 February 2025	Not implemented
Kilburn Square - TMO	Purchasing & Expenditure	31 October 2023	28 February 2025	Not implemented
Kilburn Square - TMO	Contracts	31 March 2024	31 March 2025	Partially Implemented
Kilburn Square - TMO	Contracts	31 October 2023	31 March 2025	Partially Implemented
Watling Gardens - TMO	Budgetary Controls	31 March 2024	31 March 2025	Partially Implemented
Licensing	Inspections	31 December 2023	31 October 2024	Not Implemented
Northgate – Housing Benefits	Reconciliations	31 January 2024	31 October 2024	Not Implemented



## 4a. Internal Audit – Key Performance Indicators

The Head of Internal Audit is responsible for the internal audit function's conformance with the Global Internal Audit Standards (GIAS) and continuous performance improvement. The includes implementing and maintaining a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function. To complement and inform the ongoing and periodic assessments of the Internal Audit function, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of these KPIs for 2025-26 to date are set out in the table below:

KPI	Target	Achievement	Comments
KPI1 - Activity	100 % of Core Assurance Plan completed across the 3-year cycle	● On-track	100% of Core Assurance planned work completed in 2024-25. On-track to deliver all Core Assurance audits in 2025-26.
KPI2 - Activity	100 % of strategic risks/ key inherent risks covered across 3-year cycle	● On-track	100% of Core Assurance planned work completed in 2024-25. On-track to deliver all Core Assurance audits in 2025-26.
KPI3 - Delivery	Timeliness in raising issues with Management - end of fieldwork to closing meeting <10 working days.	● On-track	9 audits completed where formal report issued. End of fieldwork meeting held within 10 working days in all instances.
KPI4 - Delivery	100 % of acceptance to audit recommendations	● Met	100% of audit actions accepted in audits concluded to date.
KPI5 – Follow-up	100 % of Critical and High-risk actions followed-up within 1 month of due date	● Partially Met	Due to limited resources (auditor vacancy) the team has been unable to fulfil this KPI to date. The vacancy has now been filled and this target will be reinforced during Q4.
KPI6 – Follow-up	75% of audit actions implemented within original timescales.	● On-track	There is a limited population size for follow-ups completed thus far in 2025-26, though trends appears to be on track.
KPI7 – Quality	100% of audit satisfaction surveys rated as 'good or better'	n/a	No survey responses received.
KPI8 - Quality	Conformance to the Public Sector Internal Audit Standards	● On-track	A self-assessment against the standards will be undertaken in Q4.

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	<b>Audit and Standards Advisory Committee</b> 3 December 2025
	<b>Report from the Corporate Director, Finance and Resources</b>
	<b>Lead Member - Deputy Leader &amp; Cabinet Member for Finance &amp; Resources (Councillor Mili Patel)</b>
<b>Treasury Management Mid-Year Report 2025/26</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	Four: Appendix 1: Economic Commentary Appendix 2: Debt and Investments Portfolio Appendix 3: Average Rate vs Credit Risk Appendix 4: Prudential Indicators
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Karima Mbarak, Senior Finance Analyst, Capital, Treasury & Commercial Phone: 0208 937 1192 Email: <a href="mailto:karima.mbarak@brent.gov.uk">karima.mbarak@brent.gov.uk</a>  Oliver Simms, Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Phone: 020 8937 3484 Email: <a href="mailto:Oliver.simms@brent.gov.uk">Oliver.simms@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report updates Members on Treasury activity for the first half of the financial year 2025/26 (quarters one and two). The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.

- 1.2 This report updates Members on both the borrowing and investment decisions made by the Corporate Director, Finance and Resources under delegated authority in the context of prevailing economic conditions and considers the Council's Treasury Management performance. The Council can only borrow for capital investment, it cannot borrow to fund operational, day to day expenditure. The borrowing supports the Council's capital investment programmes for both Council Housing (HRA) and General Fund.
- 1.3 Key emerging points are as follows:
- 1.3.1 The Council has complied with its Prudential Indicators as at quarter two of 2025/26 (also published as an appendix to the council's Q2 outturn report on 13 October 2025).
- 1.3.2 Borrowing outstanding at 30 September 2025 was £951.2m and has increased from £900.0m at the beginning of the financial year, a change of £51.1m. The change in debt was due to a combination of new loans to fund the capital programme and repayment of loans - both short term and long term borrowing.
- 1.3.3 Cash Investments at 30 September 2025 were £38.6m compared to £47.1m at the beginning of the financial year, a change of £7.1m. The change relates to the repayment of maturing debt and ongoing investment in the Council's capital programme.
- 1.3.4 Forecast net interest costs for 2025/26 are £20.7m consisting of interest costs of £52.1m and interest income of £31.4m.
- 1.3.5 The Council had generated interest income of £1.27m on cash investments as at 30 September 2025. This income reflects the Council's cash position and the current level of the Bank of England's Bank Rate. Bank Rate was maintained at 4% in September 2025.
- 1.3.6 The economic environment remains highly volatile with sluggish economic growth and inflation remaining above the Bank of England's 2% target, peaking at 3.8% in August. The Bank of England cut interest rates from 4.5% to 4.0% with further cuts expected but these have not been fully reflected in rates, particularly long-term rates, available to local authorities because of the uncertain economic environment.

## **2.0 Recommendation(s)**

That the Audit and Standards Advisory Committee:

- 2.1 Note and comment on the overall financial performance up to quarter two of 2025/26 and note the Council has had complied with the prudential indicators as set by Council on 10 February 2025.

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

#### **3.2 Background**

- 3.2.1 The Council has borrowed money over the long-term period to support investment in the Council's infrastructure and invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue impact of high interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.
- 3.2.2 The Council has adopted the CIPFA Code which requires the Council to approve, as a minimum, treasury management reports twice per year as well as an annual strategy.
- 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 10 February 2025.

#### **3.3 Economic Background**

- 3.3.1 Key points emerging for the first two quarters of 2025/26:
  - 3.3.1.1 UK Inflation and Monetary Policy Response: Inflation remained persistently above the Bank of England's 2% target, with CPI peaking at 3.8% in August. In response to weakening economic growth, the Bank of England cut the Bank Rate twice during 2025/26 from 4.5% to 4.0% with further reductions expected in the year ahead as part of a cautious monetary easing cycle.

3.3.1.2 Economic Growth and Labour Market Softening: UK GDP growth slowed from 0.7% in Q1 to 0.3% in Q2, with zero growth recorded in July. Labour market indicators showed rising unemployment and falling vacancies, suggesting a cooling economy despite some resilience in employment rates.

3.3.1.3 Market Volatility and Gilt Yield Surge: Financial markets remained volatile, with UK gilt yields rising sharply particularly the 30-year yield, which reached its highest level in nearly 30 years amid fiscal concerns. Investor sentiment improved later in the period, but risk premiums remained elevated.

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

### 3.4 Balance Sheet Summary

3.4.1 As at 30 September 2025, the Council had a net borrowing position of £911.2m 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- CFR**

Balance Sheet Summary CFR	31 Mar 25	30 Sep 25
	Actual £m	Forecast £m
General Fund CFR	1015.1	1144.1
HRA CFR	342.0	376.2
<b>Loan CFR</b>	<b>1357.1</b>	<b>1520.4</b>
PFI & Lease Liabilities	28.5	24.7
<b>Total CFR</b>	<b>1385.6</b>	<b>1545.0</b>
External borrowing (Excluding accrued interest)	900.0	1081.0
Internal Borrowing (Loans CFR less external borrowing)	457.1	439.4
Less Usable Reserves	(496.7)	(495.7)
Less Working Capital	7.7	(36.4)
Investments (or new borrowing)	47.3	20.0

3.4.2 The treasury management position at 30 September 2025 and the change during the first half of the year is shown in Table 2 below.

**Table 2- Balance sheet summary – Treasury portfolio**

	<b>01-Apr-25 Actual £m</b>	<b>Movement</b>	<b>30-Sep-25 Actual £m</b>
Short-term Borrowing	70.0	(5.0)	65.0
Long-term Borrowing	830.0	56.1	886.2
<b>Total External Debt</b> (excluding accrued interest)	<b>900.0</b>	<b>51.1</b>	<b>951.2</b>
Money Market Funds	47.1	(7.1)	40.0
Local Authority Cash Investments	0.0	0.0	0.0
<b>Total Cash Investments</b>	<b>47.1</b>	<b>(7.1)</b>	<b>40.0</b>
<b>Net Debt</b>	<b>852.9</b>	<b>58.2</b>	<b>911.2</b>

3.4.3 Overall Borrowing has increased by £51.1m over the first two quarters of 2025/26 as new loans were taken out to fund the council's capital programme and existing loans were repaid. Further details are provided in Table 3.

3.4.4 Cash investments decreased by £7.1m in the first two quarters of 2025/26 as a result of repayment of debt and ongoing investment in the Council's capital programme.

3.4.5 Appendix 2 to this report outlines the full debt and investment portfolio as at 30 September 2025.

### **3.5 Borrowing**

3.5.1 The council continues to prioritise security, liquidity and yield in this order when considering the full treasury portfolio. The main objective when borrowing is ensuring a balance between low interest costs and cost certainty over the duration for which the funds have been required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. In 2025/26 the council has faced an increasingly high-interest rate environment, therefore monitoring interest rates regularly has become critical. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

3.5.2 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that Councils should only make investment or spending decisions that are directly and primarily related to the functions of the Council.

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

3.5.4 Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields which PWLB loan rates are priced off.

3.5.5 The Council had a borrowing position of £900.0m as at 1 April 2025. This had increased to £951.2m as at 30 September 2025. Table 3 provides the breakdown of loan balances.

**Table 3- breakdown of debt**

	01-Apr-25	New Loans	Repaid Loans	30-Sep-25
Loan Type	£m	£m	£m	£m
PWLB	675.5	80.0	(13.9)	741.7
Private Placement	95.0	0.0	0.0	95.0
Local Authority	70.0	25.0	(30.0)	65.0
LOBO	59.5	0.0	(10.0)	49.5
<b>Total Debt Outstanding</b>	<b>900.0</b>	<b>105.0</b>	<b>(53.9)</b>	<b>951.2</b>

3.5.6 The Council had raised £105m of new loans since the beginning of the financial year 2025/26. Of this £105m new loans, this includes £25m new loans from other local authorities with an average rate of 4.3% and £80m new PWLB loans with an average rate of 4.8% (includes a 0.2% certainty rate discount from the PWLB). These been driven by a combination of daily cashflow requirements, the council's internal borrowing position and the requirement to borrow to fund the Council's capital programme due to limited availability of other sources.

3.5.7 The 4.3% interest rate achieved on new inter authority loans is lower than achieved last year, reflecting reductions in short-term borrowing rates. Across the total debt portfolio (previous loans raised before April 2025 and new loans taken out post April 2025) loans from other local authorities have an average interest rate of 4.8% with an average duration of 364 days.

3.5.8 By 30 September 2025, the Council had repaid £53.4m of loans. These include loans from the PWLB (£13.9), LOBOs (£10.0m) and loans from other local authorities (£25.0m).

3.5.9 Overall, the total debt movement was a net increase of £51.2m.

3.6 **Loan Restructuring:** No loans were restructured during the first two quarters of 2025/26. The Council will continue to monitor and evaluate the opportunity to restructure existing loans as and when opportunities arise.

3.7 **LOBO Loans:** As at 30 September 2025 the Council was holding £49.5m of LOBO loans. Following a formal notice of change to interest rates in May 2025, the council decided to repay £10.2m (£10m loan principal and £213k loan



interest) in relation to a LOBO loan with Dexia with an original maturity of May 2055. The original rate on the loan was 4.10% and proposed rate was 6.10%. Following an options appraisal, the LOBO was refinanced and replaced by PWLB in May 2025 where the council borrowed £10m maturity loan at 4.87% which is lower than the proposed LOBO call rate and offered better value. As at 30 September 2025 the council has a further four option dates within 25/26 with the value of the loans totalling £25m The Council will continue to keep the LOBO portfolio under review and consider any opportunities that arise to repay or restructure to mitigate against interest rate risk.

- 3.8 **Forward Borrowing:** As at 30 September 2025, officers have arranged £29m of short-term loans from other local authorities to start in October and November 2025, with an average rate of 4.37%. The Council's cashflow forecast has identified a need to borrow cash to support forecasted cashflow activity. In line with proper cashflow monitoring and advice from the treasury advisors Arlingclose, the council has taken a little and often approach to forward borrowing in longer term space to mitigate against interest rate risk. The loans were also raised to avoid the capital market liquidity squeeze that is consistently observed in the months January-March, a period when Councils nationally borrow resulting in demand for cash outstripping supply causing short term loan rates to spike.

### 3.9 Maturity Profile of Debt

- 3.9.1 The forecast for 31 March 2026 is that the Council will have 77 loans spread over 50 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year.

**Table 4 - Debt maturity profile**

<b>Maturity Profile at 31 March 2026 (£m)</b>	<b>2025/26</b>
<1 Year	40.0
1-2 Years	91.5
3-5 years	5.0
5-10 Years	123.9
10-15 Years	111.9
15-20 Years	163.3
20-25 Years	96.9
25-30 Years	53.8
30-35 Years	159.9
35-40 Years	0.0
40-45 Years	5.0
45+ Years	100.0
<b>Debt outstanding</b>	<b>951.2</b>

3.9.2 The maturity loan profile includes existing debt and forward starting loans as agreed at 30 September 2025 and excludes any planned future borrowing.

### 3.10 Interest Rates

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

**Table 5 - comparison of interest rates**

Interest Rate	31-Mar-25	30-Sep-25
Bank Rate	4.50%	4.00%
1-year PWLB certainty rate, maturity loans	4.82%	4.58%
5-year PWLB certainty rate, maturity loans	4.94%	4.95%
10-year PWLB certainty rate, maturity loans	5.38%	5.53%
20-year PWLB certainty rate, maturity loans	5.88%	6.14%
50-year PWLB certainty rate, maturity loans	5.63%	5.98%

### 3.11 Capital Financing Requirement

3.11.1 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.

3.11.2 Assuming that the Council's capital programme is delivered in line with the quarter two forecast, the Council's external borrowing is forecasted to be £1081.0m at 31 March 2026. This is within the Prudential Indicator for external borrowing. The forecasted loan CFR as at 31 March 2025 is expected to be £1520.4m, compared to an original forecast at the start of the year of £1,544.2m. The forecasted CFR can be split between the General Fund (£1,144m) and the HRA (£376.2m). 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 at a later date. Internal borrowing at 31 March 2025 is expected to be £439.4m as shown in Table 6.

3.11.3 The General Fund CFR is forecasted to reduce by £18.6m following the application of Minimum Revenue Provision (MRP) charges and service loan repayments. MRP is discussed further below.

3.11.4 The expected movement in the Loan CFR of £163.2m between 1 April 2025 and 31 March 2026 is explained in Table 6.

**Table 6 - Capital Financing Requirement**

<b>Capital Financing Requirement (CFR) (£m)</b>	<b>31 Mar 25</b>	<b>30 Sep 25</b>
	<b>Actual</b>	<b>Forecast</b>
General Fund	1,015.1	1,144.1
Housing Revenue Account	342.0	376.2
<b>Loan CFR</b>	<b>1,357.1</b>	<b>1,520.4</b>
Other Debt Liabilities	28.5	24.7
<b>Total CFR</b>	<b>1,385.6</b>	<b>1,545.0</b>
Less external Borrowing	(900.0)	(1,081.0)
Internal Borrowing	457.1	439.4
<b>Council Approved Limits (Capital Strategy)</b>	<b>2024/25</b>	<b>2025/26</b>
Approved Operational Boundary Limit	1,500.0	1,600.0
Approved Authorised Limit	1,700.0	1,800.0

**Table 7 - Movement in CFR**

	<b>£m</b>
<b>Opening Loan CFR 1 April 2025</b>	<b>1,357.1</b>
Capital expenditure 2025/26	335.8
Capital expenditure Financing	(153.0)
MRP	(18.6)
Service Loans Repaid	(1.0)
<b>Closing Loan CFR 30 September 2025</b>	<b>1,520.4</b>

**3.12 Minimum Revenue Provision**

- 3.12.1 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.
- 3.12.2 As at 30 September 2025, the 2025/26 forecasted MRP charge is expected to be £18.6m and consists of capital programme borrowings (historical supported borrowings and unsupported borrowings).
- 3.12.3 MRP will be continued to be kept under review throughout the financial year to ensure that the Council accounts for a prudent charge for the year.

### 3.13 Cost of Borrowing

3.13.1 Total net interest costs are forecast to be £20.7m (£17.5m in 2024/25), reflecting the high-interest rate environment and the cost of servicing loans required for servicing the Council's ambitious capital programme.

**Table 8- Debt costs**

	2024/25	2025/26
Capital Financing Costs at Q2 (£m)	Actual	Estimated
Total Gross External Debt Interest	32.4	50.4
Total Interest Payable & Expenses	35.3	52.1
Total Interest Receivable	(17.8)	(31.4)
<b>Net Interest</b>	<b>17.5</b>	<b>20.7</b>
MRP (Excluding PFI)	13.7	18.6
<b>Total Interest &amp; MRP</b>	<b>31.2</b>	<b>39.3</b>

3.13.2 The total capital financing cost forecast includes:

3.13.2.1 Borrowing £182.8m of new loans (the council has taken out £105m new loans as illustrated in table 3) to fund the Council's capital programme borrowing need as well as to finance maturing debt at an assumed interest rate of 5.2%.

3.13.2.2 Interest on treasury cash investments with an average cash balance of £58.4m earning an assumed rate of 4.26%.

3.13.2.3 Expected interest on subsidiary loans related to I4B and First Wave Housing, two wholly owned Council companies, and service loan advances to Brent schools; the West London Waste Authority and Alperton Academy are also included in the forecast.

3.13.3 The forecast total interest of £20.7m is higher than the previous financial year due to a rise in UK Government Gilt rates that subsequently impact PWLB loan rates, thus making borrowing loans from the PWLB (and capital markets) more expensive. The Council's borrowing need has also increased since 2024/25 in line with approved plans to fund the borrowing requirement of the current capital programme and management of the depleting internal borrowing position. Furthermore, the Council has a rising MRP obligation that is associated with past borrowing decisions. The Council uses the annuity method to determine the MRP charge which is set out in the annual MRP policy approved by full cabinet each financial year, which results in a lower charge in the earlier period of the repayment schedule but increases over time.

### 3.14 Investment Activity

- 3.14.1 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.
- 3.14.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. As at 30 September 2025, the Council was holding investment balances of £40.0m and had decreased from £47.1m, a change of £7.1m. The investment position is shown in table 8 below.

**Table 9 - Treasury investment activity**

	31 Mar 25	Movement	30 Sep 25
	£m	£m	£m
Local Authority and DMADF Deposits	0.0	0.0	0.0
Money Market Funds	47.1	(7.1)	40.0
<b>Total Cash Investments (Excluding accrued interest)</b>	<b>47.1</b>	<b>(7.1)</b>	<b>40.0</b>

- 3.14.3 The CIPFA Treasury Management Code requires local authorities to consider their counterparty policies considering environmental, social and governance (ESG) information. The Council has regard to funds who have signed up to ESG related initiatives, including the UN Principles for responsible investment, the UK Stewardship Code and the Net-Zero Asset Managers Initiative.
- 3.14.4 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.
- 3.14.5 Investment interest rates on short-term cash holdings remain relatively high but lower than a year ago. As at 30 September 2025, the Council has achieved an average of 4.26% interest income from cash investment holdings, which compares to compares to 5.0% a year earlier. Appendix 2 summarises the council's portfolio as at 30 September 2025 and the average rates. In addition, Appendix 3 details the average rate earned on investments against credit risk exposure.
- 3.14.6 The Council needs to hold cash for day-to-day requirements so holds deposits in short term investments. These provide the Council with improved security through high credit ratings and liquidity through the accessibility function of redeeming funds on the same day.

3.14.7 The Council continues 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.

3.14.8 The progression of risk and return metrics are shown in the extracts from Arlingclose quarterly investment benchmarking in the table 10 below.

**Table 10 - Investment benchmarking**

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return</b>
31.03.2025	4.88	A+	100%	1	4.53%
30.09.2025	4.88	A+	100%	1	4.08%
Similar Local Authorities*	4.53	A+	75%	10	4.52%
All Local Authorities*	4.38	A+	62%	11	4.47%

\*Arlingclose clients only

### 3.15 Non-Treasury Investment Activity

3.15.1 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). All non-Treasury investments are held for service purposes. They include equity stakes and loans to subsidiaries.

3.15.2 As at 30 September 2025 the Council held £252.1m of investments for service purposes:

- Equity in subsidiaries of £36.4m
- Loans to subsidiaries of £215.8m

3.15.4 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 at 30 September 2025, the Council had provided total investment of £218.7m in I4B (£218.7m in 2024/25), which is secured against the company's properties. The investment is split between £182.4m loans and £36.4m equity financing. Based on current loans, the Council is expected to receive £5.3m in interest for loans advanced to I4B by 31 March 2026.

3.15.5 The Council expects to issue a new relation to the Phase 3 loan facility to I4B in the latter half of 2025/26 consisting of £32m capital loan and £8m equity.

This was formally approved by Cabinet on 5 February 2024 in the 2024/25 Budget and Council Tax paper, paragraph 2.12. The £32m capital loan increases the forecast interest income from loans to I4B to £6.6m by 31 March 2026.

3.15.6 First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was formally known as Brent Housing Partnership (BHP). The Council is expecting to receive £0.7m in interest by 31 March 2026 for loans to FWH and is expecting to receive capital repayment of £0.5m. As at 30 September 2025, there were outstanding loans to FWH of £33.4m (£33.8m in 2024/25), which are secured against the properties held within the company.

3.15.7 Loans to subsidiaries are expected to generate £7.3m of income for the Council in 2025/26 (£6.0m in 2024/25). This interest 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.

### **3.16 Treasury Management Training**

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

3.16.7 Training for Members is also kept under review and formal treasury training sessions are provided on an annual basis.

### **3.17 Compliance**

3.17.6 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.

3.17.7 Compliance with the approved prudential indicators, and in particular the authorised limit and operational boundary for external debt is demonstrated within Appendix 4 (Q2 September 2025/26 Prudential Indicators) as required by the 2021 CIPFA Treasury Management Code.

## **4 Stakeholder and Ward Member Consultation and Engagement**

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

## **5 Financial Considerations**

5.1 The financial implications are noted in the report.

## **6 Legal Considerations**

- 6.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators to ensure that the Council's capital investment plans are affordable, prudent, and sustainable. This requires that regular reports be submitted to the relevant Council Committee. Brent Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this code and as such, following consideration by Audit and Standards Advisory Committee, a report setting out the Council's Treasury Management activity and Treasury Management Strategy for the year should be submitted to Full Council for approval.

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

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

## **8 Climate Change and Environmental Considerations**

- 8.1 As part of the Council's Treasury Management Strategy, the Council ensures an assessment is made with regards to environmental, social and governance (ESG) matters for the council's long-term investments.

## **9 Human Resources/Property Considerations (if appropriate)**

- 9.1 There are no Human Resources/Property considerations arising from this report.

## **10 Communication Considerations**

- 10.1 No additional communication strategies are required for this report.

### **Report sign off:**

**Minesh Patel**

Corporate Director, Finance and Resources



## Appendix 1: Economic Commentary 2025/26

### External Context

**Economic background:** The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.

From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.

UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August reading was down from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.

The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.

Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.

The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.

The August Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium term outlook will be influenced by domestic and global developments.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.

The European Central Bank cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.

**Financial markets:** After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.

Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30<sup>th</sup> September.

**Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long term rating on the United States sovereign to Aa1 in May and also affirmed OP Corporate's rating at Aa3.

Then in the second quarter, Fitch upgraded Clydesdale Bank and also HSBC, downgraded Lancashire CC and Close Brothers while Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland and Toronto-Dominion Bank.

After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.

European banks' CDS prices has followed a fairly similar pattern to the UK, as have Singaporean and Australian lenders while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.

Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

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.

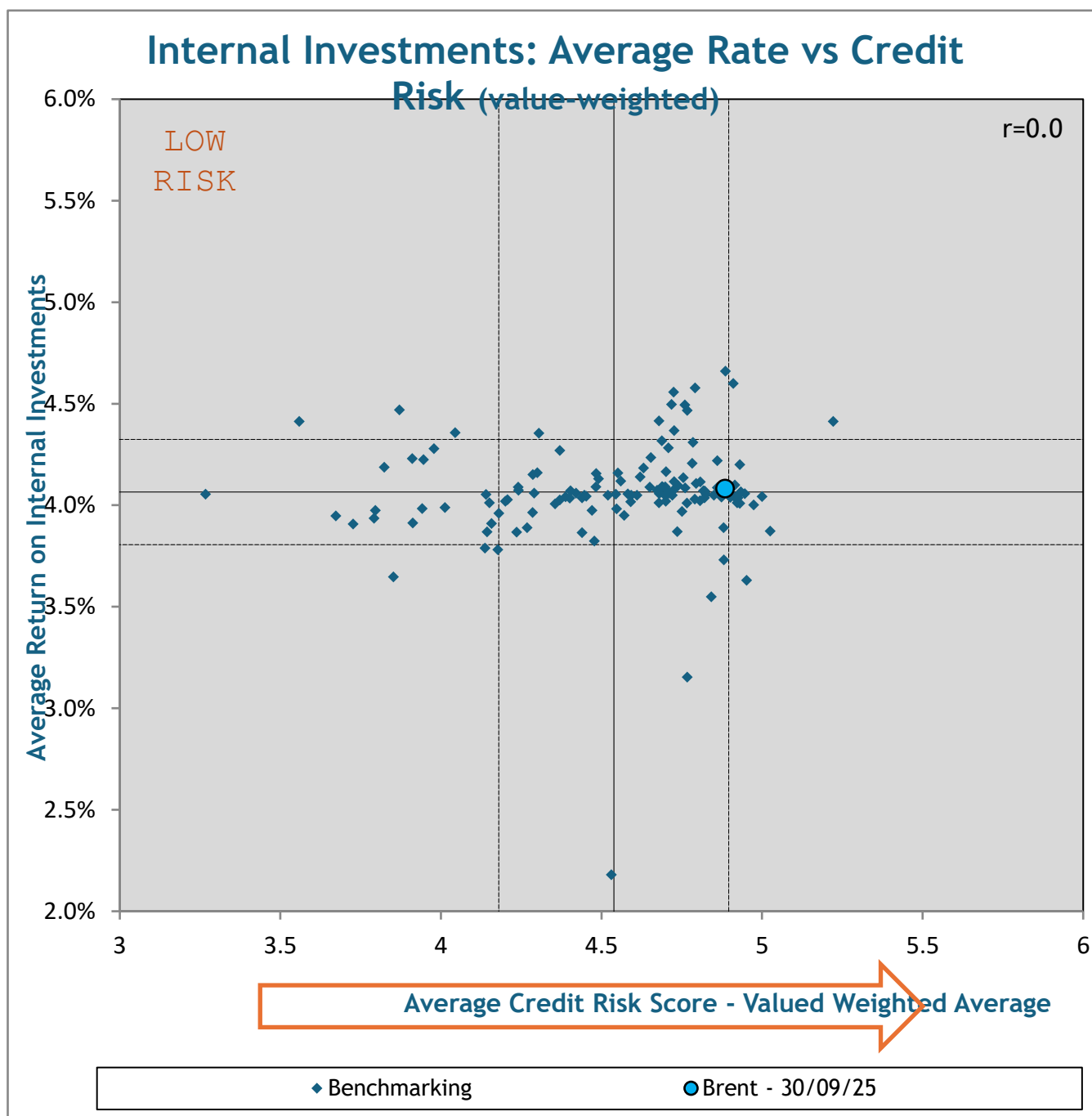
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## Appendix 2 – Debt and Investment Portfolio September 2025.

	Actual Portfolio as at 30 Sept 2025 (£m)	Average Rate as at 30 Sept 2025 (%)
<b>External Borrowing:</b>		
PWLB Maturity Loans	415.9	4.20%
PWLB Equal Instalment Principal Loans	325.8	
Fixed Rate Market Loans	95.0	3.17%
LOBO Loans	49.5	
Short-term Loans	65.0	4.82%
<b>Total External Debt</b>	<b>951.2</b>	<b>4.06%</b>
<b>Investments:</b>		
Money Market Funds	40.0	4.26%
<b>Total Investments</b>	<b>40.0</b>	
<b>Net Debt</b>	<b>911.2</b>	

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### Appendix 3 Internal Investments: Average Rate vs Credit Risk as at 30/09/2025



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.

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

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## **Appendix 4 –Quarter Two 2025/26 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 2 of 2025/26 (August 2025).

Capital Expenditure & Financing at Q2 2025/26 (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total 2024/25-2027/28
	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Totals
Corporate Landlord	11.6	11.0	35.1	23.3	2.7	0.6	81.0
Housing GF	71.0	99.4	10.0	21.1	17.5	0.0	201.5
Schools	22.1	23.1	12.7	12.1	3.0	0.0	70.0
Regeneration	34.6	102.3	46.2	27.6	19.0	0.0	210.8
Public Realm	18.0	34.9	9.6	2.0	6.8	0.2	64.5
South Kilburn	20.4	31.0	24.5	17.1	7.0	0.3	93.1
St Raphael's	0.2	0.4	3.1	12.5	3.9	0.0	16.2
HRA	60.9	33.7	18.6	28.0	13.9	11.1	141.1
<b>Total Capital Expenditure</b>	<b>238.8</b>	<b>335.8</b>	<b>160.0</b>	<b>143.7</b>	<b>73.8</b>	<b>12.2</b>	<b>878.3</b>
<b>Financed By:</b>							
Grants	52.0	75.0	23.7	9.1	5.7	0.6	172.5
Section 106	11.9	46.4	29.2	21.2	14.4	0.0	113.9
Capital Receipts	17.3	6.3	9.8	7.8	2.1	0.4	33.9
Earmarked Reserves	1.2	5.3	2.4	1.0	0.9	0.0	9.4
Major Repairs Reserve	16.6	13.7	17.2	18.1	13.9	0.0	65.6
Revenue Contributions	11.4	6.3	3.8	0.6	0.6	0.0	22.3
Borrowing	128.3	182.8	73.9	85.9	36.2	11.2	460.8
<b>Total Capital Financing</b>	<b>238.8</b>	<b>335.8</b>	<b>160.0</b>	<b>143.7</b>	<b>73.8</b>	<b>12.2</b>	<b>878.3</b>

**(a) Capital Financing Requirement (CFR)**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. This is the amount of the Capital Programme that is funded by borrowing. The Council’s maximum external borrowing requirement for 2025/26 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

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

CFR Movement at Q2 2025/26 (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
<b>Opening CFR</b>	<b>1,254.5</b>	<b>1,357.1</b>	<b>1,520.4</b>	<b>1,573.4</b>	<b>1,639.5</b>	<b>1,657.1</b>
Capital Expenditure	238.8	335.8	160.0	143.7	73.8	12.2
External Resources	(63.9)	(121.4)	(52.9)	(30.3)	(20.1)	(0.6)
Internal Resources	(46.5)	(31.6)	(33.2)	(27.5)	(17.5)	(0.4)
<b>MRP</b>	<b>(24.9)</b>	<b>(18.6)</b>	<b>(19.8)</b>	<b>(18.5)</b>	<b>(17.2)</b>	<b>(16.0)</b>
Capital Loans Repaid	(0.9)	(1.0)	(1.1)	(1.3)	(1.4)	(1.5)
<b>Closing CFR</b>	<b>1,357.1</b>	<b>1,520.4</b>	<b>1,573.4</b>	<b>1,639.5</b>	<b>1,657.1</b>	<b>1,650.8</b>

### (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 2025/26.

Gross Debt & the Capital Financing Requirement at Q2 2025/26 (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
External Loans	900.0	1,081.0	1,089.0	1,138.9	1,145.3	1,126.8
PFI & Leases	32.5	28.5	24.7	22.7	20.4	17.0
<b>Total External Debt Liabilities</b>	<b>932.5</b>	<b>1,109.5</b>	<b>1,113.6</b>	<b>1,161.6</b>	<b>1,165.6</b>	<b>1,143.9</b>
<b>Internal Borrowing</b>	<b>424.6</b>	<b>410.9</b>	<b>459.8</b>	<b>477.9</b>	<b>491.5</b>	<b>506.9</b>
<b>Capital Financing Requirement</b>	<b>1,357.1</b>	<b>1,520.4</b>	<b>1,573.4</b>	<b>1,639.5</b>	<b>1,657.1</b>	<b>1,650.8</b>

### (c) Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Liability Benchmark at Q2 2025/26 (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
CFR	1,357.1	1,520.4	1,573.4	1,639.5	1,657.1	1,650.8
LOBO Loans	59.5	24.5	15.0	5.0	5.0	5.0
Non LOBO Loans	840.5	801.8	745.1	715.4	685.7	656.0
Balance Sheet Resources	(616.7)	(615.7)	(614.7)	(613.7)	(612.7)	(611.7)
Net Loan Requirement	<b>852.7</b>	<b>806.3</b>	<b>740.1</b>	<b>700.4</b>	<b>670.7</b>	<b>641.0</b>
Plus Liquidity Allowance	20.0	20.0	20.0	20.0	20.0	20.0
<b>Liability Benchmark</b>	<b>872.7</b>	<b>826.3</b>	<b>760.1</b>	<b>720.4</b>	<b>690.7</b>	<b>661.0</b>

#### (d) Authorised limit and Operational Boundary for External Debt

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

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

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

Authorised Limit at Q2 2025/26 (£m)	2025/26	2026/27	2027/28	2028/29	2029/30
Authorised Limit	1,800.0	1,900.0	1,900.0	1,900.0	1,900.0
Operational Boundary	1,600.0	1,700.0	1,700.0	1,700.0	1,700.0

The Corporate Director for Finance and Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during Quarter One of 2025/26.

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

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

<b>Upper Limits on one-year revenue impact of a 1% movement in interest rates on Maturing Debt at Q2 2025/26 (£m)</b>	<b>2025/26</b>	<b>2025/26</b>
	<b>Approved Limit</b>	<b>Actual</b>
Upper limit on one-year revenue impact of a 1% rise in interest rates	5.0	0.5
Compliance with limits:		Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	5.0	(0.5)
Compliance with limits:		Yes

#### **(f) Maturity Structure of Fixed Rate Borrowing**

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

<b>Maturity Structure of Fixed Rate Borrowing at Q2 2025/26</b>	<b>Upper Limit</b>	<b>Lower limit</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2025/26</b>
			<b>Actual Borrowing 31.08.2025</b>	<b>Actual Borrowing 31.08.2025</b>	<b>Forecast Borrowing at 31.03.2026</b>	<b>Forecast Borrowing at 31.03.2026</b>	<b>Compliance with limits</b>
	<b>%</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	
Under 12 months	40	0	92.80	9.88%	66.21	8.01%	Yes
12 months & within 24 months	40	0	48.70	5.19%	39.71	4.81%	Yes
24 months and within 5 years	40	0	65.20	6.94%	59.43	7.19%	Yes
5 years and within 10 years	60	0	275.10	29.30%	136.05	16.46%	Yes
10 years and within 20 years	75	0	41.50	4.42%	109.31	13.23%	Yes
20 years and within 30 years	75	0	150.70	16.05%	150.69	18.24%	Yes
30 years and within 40 years	75	0	159.90	17.03%	159.91	19.35%	Yes
Over 40 years	75	0	105.00	11.18%	105.00	12.71%	Yes
<b>Total</b>			<b>938.90</b>	<b>100.00%</b>	<b>826.31</b>	<b>100.00%</b>	

### (g) Ratio of Financing Costs to Net Revenue Stream

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

Financing Costs to Net Revenue Stream at Q2 2025/26	Limit	Forecast	Forecast	Forecast	Forecast	Forecast
	2025/26	2025/26	2026/27	2027/28	2028/29	2029/30
Financing Costs (Interest & MRP) (£m)	35	33.0	37.6	36.0	36.6	35.2
Net Revenue Stream (£m)	431.4	431.4	431.4	448.7	465.8	483.8
Proportion of net revenue stream (%)	8.11%	7.65%	8.72%	8.02%	7.86%	7.28%

Financing costs can be further broken down as follows.

Capital Financing Costs at Q2 2025/26 (£m)	2025/26	2026/27	2027/28	2028/29	2029/30
	Estimated	Estimated	Estimated	Estimated	Estimated
Total Gross External Debt Interest	51.5	57.5	59.9	60.1	59.6
Total Interest Payable & Expenses	53.3	58.7	61	61.3	60.8
Total Interest Receivable	-29.9	-32	-35.9	-37.4	-38
Net Interest	23.4	26.7	25.1	23.9	22.8
MRP (Excluding PFI)	9.6	10.9	10.9	12.7	12.4
<b>Total Interest &amp; MRP</b>	<b>33.0</b>	<b>37.6</b>	<b>36.0</b>	<b>36.6</b>	<b>35.2</b>
Revenue Contributions to Capital Programme	8.6	3.5	3.5	3.5	3.5
<b>Total Capital Financing Costs</b>	<b>41.6</b>	<b>41.1</b>	<b>39.5</b>	<b>40.1</b>	<b>38.7</b>

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

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

Upper Limit for Total Principal Sums invested over 364 Days at Q2 2025/26 (£m)	2025/26	2025/26
	Approved	Actual
Upper Limit for Total Principal Sums Invested Over 364 Days	50.0	0.0

### (i) Security

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

Credit Risk Indicator at Q2 2025/26	2025/26	2025/26
	Approved	Actual
Portfolio average credit rating	A	A+

### (j) Liquidity

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

Liquidity Risk Indicator at Q2 2025/26 (£m)	2025/26	2025/26
	Approved	Actual
Total cash available within 3 months	20.0	49.9

### (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 2025/26, whilst treasury investments are managed under the Treasury Management Strategy 2025/26.

<b>Total Investment Exposure Indicator at Q2 2025/26 (£m)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
Treasury management cash investments	20.0	20.0	20.0	20.0	20.0
Service investments	323.4	322.2	321.0	319.7	318.3
Commercial investments: Property	0.0	0.0	0.0	0.0	0.0
<b>Total Investments</b>	<b>343.4</b>	<b>342.2</b>	<b>341.0</b>	<b>339.7</b>	<b>338.3</b>
Commitments to lend	50.0	50.0	50.0	0.0	0.0
<b>Total Exposure</b>	<b>393.4</b>	<b>392.2</b>	<b>391.0</b>	<b>339.7</b>	<b>338.3</b>

Service investments are further broken down in the table below.

<b>Loans &amp; Investments for service purposes: Category of borrower at Q2 2025/26 (£m)</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Approved Limit</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
I4B Subsidiary Loans	500.0	222.4	222.4	222.4	222.4	222.4
I4B Subsidiary Equity		36.4	36.4	36.4	36.4	36.4
FWH Subsidiary Loans		33.4	32.9	32.5	32.0	31.5
Local Businesses	10.0	0.0	0.0	0.0	0.0	0.0
Schools, Academies and Colleges	55.0	17.4	17.1	16.8	16.5	16.2
West London Waste Authority	20.0	13.9	13.5	13.0	12.4	11.8
Local Charities	10.0	0	0	0	0	0
Housing Associations	50.0	0	0	0	0	0
Local Residents	5.0	0	0	0	0	0



<b>Total</b>	<b>650.0</b>	<b>323.4</b>	<b>322.2</b>	<b>321.0</b>	<b>319.7</b>	<b>318.3</b>
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## (l) Investment Funding

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

<b>Investments Funded by Borrowing at Q2 2025/26 (£m)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
I4B Loans	222.4	222.4	222.4	222.4	222.4	222.4
I4B Equity	36.4	36.4	36.4	36.4	36.4	36.4
First Wave Housing (FWH)	33.4	32.9	32.5	32.5	32.0	31.5
<b>Total Service investments</b>	<b>292.1</b>	<b>291.7</b>	<b>291.2</b>	<b>291.2</b>	<b>290.8</b>	<b>290.3</b>
<b>Total Funded by Borrowing</b>	<b>292.1</b>	<b>291.7</b>	<b>291.2</b>	<b>291.2</b>	<b>290.8</b>	<b>290.3</b>

## (m) Investment Rate of Return


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

<b>Investments net rate of return at Q2 2025/26</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Limit</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
Treasury management investments	3.94%	3.94%	3.75%	3.75%	3.75%	3.75%
Service investments	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%

## (n) Other Investment Indicators

<b>Other investment indicators</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
External Debt (Loans)	1,220.0	1,311.6	1,321.0	1,313.4	1,289.1
Net Service Expenditure	431.4	448.7	465.8	483.8	483.8
Debt to net service expenditure ratio	2.8	2.9	2.8	2.7	2.7

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	<b>Audit and Standards Advisory Committee</b> 3 December 2025
	<b>Report from the Corporate Director, Finance and Resources</b>
	<b>Lead Member – Deputy Leader &amp; Cabinet Member for Finance &amp; Resources</b> <b>(Councillor Mili Patel)</b>
<b>Treasury Management Strategy Report 2026/27</b>	
<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	Four Appendix 1: Treasury Management Strategy 2026/27 Appendix 2: Economic Commentary & Interest Rate Forecast Appendix 3: Average Rate Vs Credit Risk Appendix 4: Existing Investment & Debt Portfolio
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Karima Mbarak, Senior Finance Analyst Capital, Treasury & Commercial Phone: 02089371192 Email: <a href="mailto:karima.mbarak@brent.gov.uk">karima.mbarak@brent.gov.uk</a>  Oliver Simms, Head of Finance (Capital, Treasury and Commercial) Capital, Treasury & Commercial Phone: 02089373484 Email: <a href="mailto:Oliver.simms@brent.gov.uk">Oliver.simms@brent.gov.uk</a>

## 1.0 Executive Summary

- 1.1 This report presents the draft Treasury Management Strategy (TMS) for 2026/27 for consideration by the Committee. The final version of the TMS incorporating the views of this Committee will be included in the annual Budget Setting Report to be presented to Cabinet and Full Council in February 2026. Highlighted areas to be updated for the final

version of the report.

1.2 Key emerging points are as follows:

1. Growth in Council debt to fund the capital programme as shown in Table 1.
2. Council's capital programme based on Period 6 forecast (subject to change) as shown in Table 2.
3. Borrowing Strategy as set out in paragraph 34.
4. Treasury Investment Strategy as set out in paragraph 50  
Investment limits and approved counterparties shown in paragraph 56.
5. Treasury management prudential indicators are set out in paragraph 81.

2.0 **Recommendation(s)**

- 2.1 That the Audit and Standards Advisory Committee considers and comments on the draft Treasury Management Strategy 2026/27 included in Appendix 1.

3.0 **Detail**

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

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

- 3.1.2 The Strategy sets out the framework for Treasury Management activity in 2026/27 and includes details on:

- Borrowing Strategy and sources of debt finance
- Investment Strategy, investment types and prescribed limits
- Treasury Management Indicators for 2026/27
- Alternative options/strategies
- External context
- Local context

- 3.1.3 The draft Strategy is included in Appendix 1 and is currently based on October 2025 capital programme budget data from Programme Managers. This highlighted content is subject to change in the subsequent version of the Strategy to reflect the ongoing work that is currently being undertaken by the Capital Team with Programme Managers in determining the most accurate budget profiles and any

growth in capital budgets. Such changes will be presented to Cabinet and Council in February 2026.

#### **4.0 Stakeholder and Ward Member Consultation and Engagement**

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

#### **5.0 Financial Considerations**

- 5.1 The planned treasury management activity outlined in Appendix 1 will result in interest costs associated with borrowing, as well as the generation of investment income for the Council. The Council's draft capital financing budget for 2026/27, including provisions for Minimum Revenue Provision (sums set aside for the repayment of debt), has been aligned with this Strategy and will form part of the overall budget setting report scheduled to be presented to cabinet in February 2026.

#### **6.0 Legal Considerations**

- 6.1 The Local Government Act 2003 and the regulations made under that Act require the Council to set out an annual statement of its treasury management strategy for borrowing, having regard to the CIPFA Prudential Code of Practice and Treasury Management Code of Practice.

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

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

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

- 8.1 As part of the Council's Treasury Management Strategy, the Council will ensure an assessment is made with regards to environmental, social and governance (ESG) matters for the council's long-term investments.

#### **9.0 Human Resources/Property Considerations**

- 9.1 There are no human resources or property considerations arising from this report.

#### **10.0 Communication Considerations**

- 10.1 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- Draft Treasury Management Strategy 26/27

**To note information highlighted will be updated after 31/12/2025. This report was written before the Budget on 26/11/2025 and will be updated subsequently.**

### Introduction:

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

### Economic Background

4. The impact on the UK from the government's Autumn Budget is likely to be one of the major influences on the Authority's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside high medium- and longer-term rates, modest economic growth, together with ongoing uncertainties around the global economy, stock market sentiment and ongoing geopolitical issues.
5. The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.
6. The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending.
7. CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November

Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.

8. The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.
9. The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. Financial markets anticipate a further 0.25% cut in December, although Chair Jerome Powell has cautioned that this is not guaranteed, signalling the Fed may pause before any additional easing. A factor influencing a potential pause is the ongoing government shutdown, which has delayed the publication of several important data releases used to inform monetary policy decisions.
10. The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

### **Credit outlook**

11. Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
12. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on Arlingclose's (the Council's Treasury Management Adviser) counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.
13. Interest rate forecast (10th November 2025): The Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026,



reaching around 3.75%. This forecast was issued ahead of the Autumn Budget and is likely to be revised once the fiscal measures are announced on 26th November 2025 and their market implications are assessed.

14. Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

15. A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

16. For the purpose of setting the budget, it has been the Council has assumed that new treasury investments will be made at an average rate of 4.0%, and that new long-term loans will be borrowed at an average rate of 5.0% in 2026/27.

## 17. Local Context

18. At 31 October 2025, the Council held £995.5m of borrowing (£915.5m long term and £80.0m short term) and £55.7m of short term cash investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in table 1.

19. As per Table 1, the Council will need to borrow up to £446.8m over the forecast period to support the financing of the capital programme and maturing debt.

## 20. Table 1: Balance sheet summary and forecast

	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029	31/03/2030
£m	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
Capital Financing Requirement	1,357.1	1,549.2	1,702.6	1,738.6	1,750.0	1,732.8
Other debt liabilities*	28.5	24.7	22.7	20.4	17.0	15.6
<b>Loans CFR</b>	<b>1,385.6</b>	<b>1,573.8</b>	<b>1,725.3</b>	<b>1,759.0</b>	<b>1,767.1</b>	<b>1,748.4</b>
Less External borrowing**	(900.0)	(901.0)	(874.0)	(869.0)	(825.3)	(810.3)
<b>Internal (Over) Borrowing</b>	<b>457.1</b>	<b>648.2</b>	<b>828.7</b>	<b>869.7</b>	<b>924.8</b>	<b>922.6</b>
Balance Sheet Resources	(495.7)	(495.7)	(495.7)	(495.7)	(495.7)	(495.7)

<b>Estimated New borrowing/Treasury investments</b>	<b>(47.3)</b>	<b>172.5</b>	<b>352.9</b>	<b>394.0</b>	<b>449.0</b>	<b>446.8</b>
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\* leases and PFI liabilities that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing and additional capital programme debt

21. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This means the Council has minimised its interest costs by utilising internal resources over the short term instead of undertaking more expensive external borrowing. As our internal resources continue to be depleted, there is an increasing need for the Council to undertake new external borrowing to fund the capital programme. However, whilst deferring external borrowing and using internal resources minimises debt interest costs, internal resources will need to be replenished later. This could expose the Council to interest rate risk whereby interest rates could be higher (or lower) than the present day where they have been relatively high and expensive for longer term duration of loans and debt financing.
22. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2026/27.
23. Table 2 sets out the Councils current and future years capital programme and capital financing.

**Table 2: Capital Programme Expenditure and Financing**

<b>Capital Expenditure &amp; Financing (£m)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total 2025/26-2029/30</b>
	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
Corporate Landlord	12.4	34.3	23.3	2.7	0.6	73.3
Housing GF	115.2	10.5	21.1	17.5	0.0	164.3
Schools	30.6	24.7	5.8	3.0	0.0	64.1
Regeneration	108.2	43.7	26.7	16.6	0.0	195.2
Public Realm	40.3	9.5	1.6	6.2	0.2	57.8
South Kilburn	31	24.9	20.7	7.6	1.2	85.4
St Raphael's	0.4	6.9	12.5	0.0	0.0	19.8
HRA	33.3	104.9	28.0	14.0	11.1	191.3
<b>Total Capital Expenditure</b>	<b>371.4</b>	<b>259.4</b>	<b>139.7</b>	<b>67.6</b>	<b>13.1</b>	<b>851.2</b>
<b>Financed By:</b>						
Grants	79.3	23	9.1	5.7	0.6	117.7

Section 106	48.9	32	21.2	14.4	0.0	116.5
Capital Receipts	6.3	9.8	33.9	2.1	0.4	52.5
Earmarked Reserves	5.3	2.4	1	0.9	0.1	9.7
Major Repairs Reserve	13.7	17.2	18.1	13.9	11.1	74.0
Revenue Contributions	6.3	0.6	0.6	0.6	0.6	8.7
Borrowing	211.6	174.4	55.8	30	0.3	472.1
<b>Total Capital Financing</b>	<b>371.4</b>	<b>259.4</b>	<b>139.7</b>	<b>67.6</b>	<b>13.1</b>	<b>851.2</b>

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

**Table 3: Capital financing costs**

	2025/26	2026/27
Net interest Costs (£m)	Forecast	Estimate
Total Gross External Debt Interest (Current and new debt)	44.4	56.2
Total Interest Payable & Expenses	46.1	57.3
Total Interest Receivable	(24.2)	(27.6)
<b>Net Interest</b>	<b>21.9</b>	<b>29.7</b>

25. The cost of new loans is based on a budgeted interest rate of 5.0%. The Council also has an ongoing obligation to service existing long dated fixed rate debt that has been raised secured to fund capital programmes of the past. The increase in capital financing costs is also attributable to Minimum Revenue Provision (MRP), a statutory charge to the Revenue Account for the repayment of debt. MRP is increasing due to new capital spend that is being financed through borrowing, as well as existing borrowing associated with past capital programmes that requires to be repaid over the life of the assets that have enhanced or constructed. The Council uses the annuity method to determine the MRP charge, which results in a lower charge in the earlier period of the repayment schedule but increases the charge over time.
26. Rising interest rates and limited available reserves and grant funding makes delivering the Council's ambitious capital programme very challenging. The Council manages its borrowing position proactively and pressures are incorporated into the Medium-Term Financial Strategy. Through this proactive approach, the Council aims to maintain a balanced budget while continuing to invest in essential infrastructure and services for the community through the capital programme.

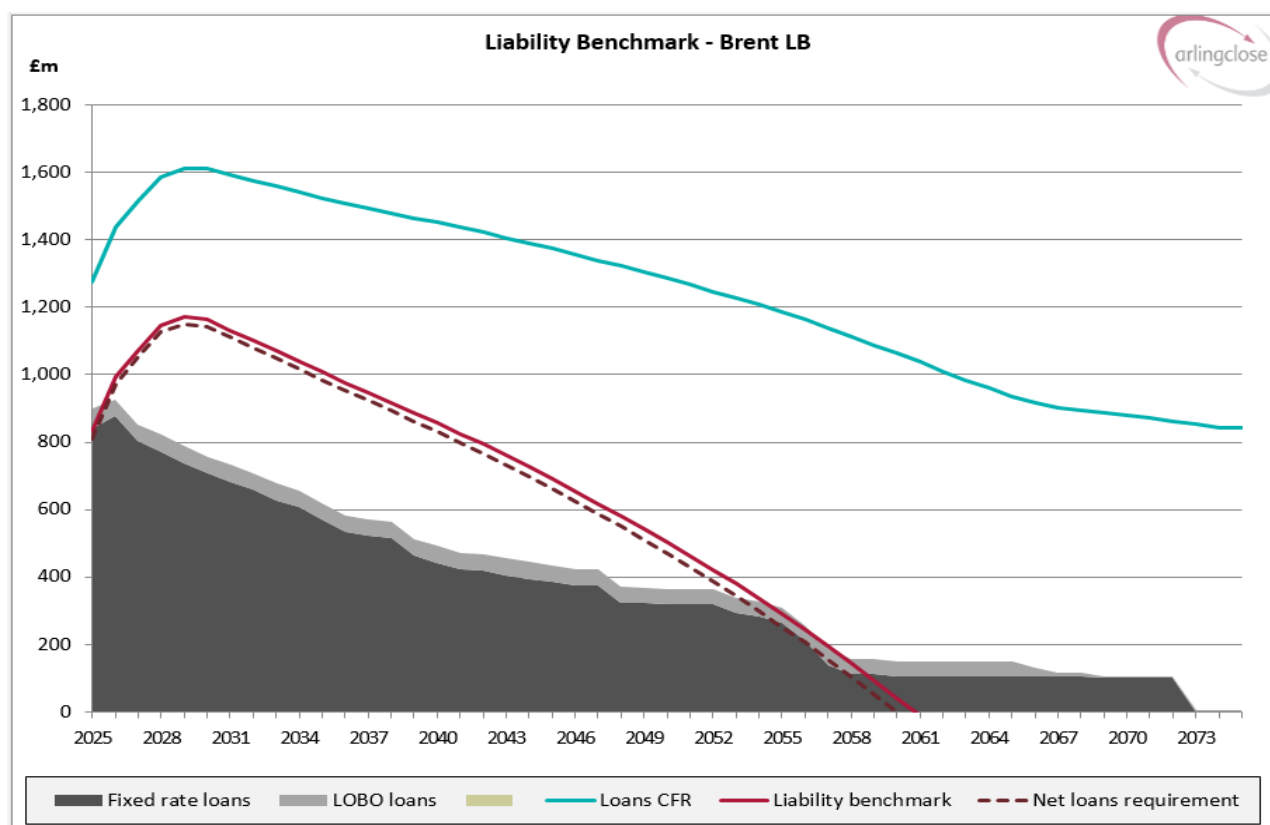
## Liability Benchmark

27. To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.
28. 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.
29. Following on from the medium-term forecasts in Table 3, the long-term liability benchmark assumes Minimum Revenue Provision (MRP) on new capital expenditure based on estimated asset lives in line with the Council's MRP policy. Most asset lives are estimated between 5 and 50 years. The chart below shows the profile of the Capital Financing Requirement (CFR).

### 30. Table 4: Prudential Indicator: Liability benchmark

Liability Benchmark (£m)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
CFR	1,357.1	1,549.2	1,702.6	1,738.6	1,750.0	1,732.8
LOBO Loans	34.5	25.0	10.0	10.0	10.0	0.0
Non-LOBO Loans	876.0	864.0	859.0	815.3	810.3	810.3
Balance Sheet Resources	(495.7)	(495.7)	(495.7)	(495.7)	(495.7)	(495.7)
Net Loan Requirement	861.4	1,053.4	1,206.9	1,242.9	1,254.3	1,237.1
Plus Liquidity Allowance	20.0	20.0	20.0	20.0	20.0	20.0
<b>Liability Benchmark</b>	<b>881.4</b>	<b>1,073.4</b>	<b>1,226.9</b>	<b>1,262.9</b>	<b>1,274.3</b>	<b>1,257.1</b>

31. The Loan CFR represents the need to fund capital expenditure through borrowing. The Liability benchmark represents the level of borrowing requirement once reserves and working capital has been considered. Where the liability benchmark exceeds the Council's current borrowing levels this indicates the real need to borrow. The graph below from Arlingclose shows the council's liability benchmark as at 31 October 2025.



## Borrowing Strategy

32. As of 31 October 2025, the Council held £995.5m of loans, an increase of £95m compared to balances held at the start of the financial year (£900m). The balance sheet forecast in Table 1 shows that the Council expects to borrow up to £446.8m by 2029/30, however, this is dependent on how the capital programme progresses. The Council may also borrow additional sums to pre-fund future years' requirements as well as replenish the internal borrowing position, providing this does not exceed the authorised limit for borrowing in the years ahead.
33. **Objectives:** The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

## Strategy:

34. The Council's borrowing strategy continues to prioritise security, liquidity and yield as well as address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
35. Interest rates have increased across the yield curve over the past year. Interest rates are currently high for longer term durations making it expensive for the council to borrow over 10 years. Therefore, short term borrowing is a cheaper option for the Council and the Council has varied its portfolio by securing local

authority loans with a 1-year duration. This does however expose the Council to interest rate risk should rates rise in the future.

36. The Council will continue to work closely with our Treasury advisors, Arlingclose, to ensure borrowing occurs at optimal points avoiding the worst of the market volatility. The Council follows the advice of Arlingclose and takes a “little and often approach” to borrowing. This means borrowing relatively small amounts regularly with varying maturities. This enables the Council to take advantage of temporary reductions in interest rates and vary the terms of the loans to limit the risk of large sums needing to be repaid or refinanced at the same time.
37. The Council's Borrowing Strategy for 2026/27 is to maintain its debt portfolio Pool Rate within this range of 4.0% to 5.5%. At 31 October 2025, the average debt Pool Rate (excluding PFI) was 4.05%.
38. To ensure long term stability of the debt portfolio, a proportion of the portfolio will be funded by long term borrowing using a little and often approach.
39. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
  - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - National Wealth Fund (previously known as the UK Infrastructure Bank Ltd)
  - Any institution approved for investments (see below)
  - Any other bank or building society authorised to operate in the UK.
  - Any other UK public sector body including the Greater London Authority
  - UK public and private sector pension funds (except the local Brent Pension Fund)
  - Capital market bond investors.
  - Retail investors via a regulated peer-to-peer platform
  - Any other special purpose companies created to enable local authority bond issues.
40. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
  - Leasing
  - Hire purchase
  - Similar asset-based finance
41. The Council has previously raised most of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities should they offer more favourable rates and not significantly increase the admin burden. In line with the requirements of the

Prudential Code, the Council does not borrow primarily for yield and has no plans to in future. This ensures continuing access to PWLB borrowing facilities.

42. In addition to the above, the Council may borrow short-term loans to cover temporary cash flow pressures from other local authorities or public sector bodies and banks.
43. The Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
44. **LOBOs:** As at 31 October 2025 the Council held £49.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.
45. One LOBO of £9.5m may undergo a rate review in 2026/27 resulting in a potential change in the loan rate. Due to higher interest rates, there is an elevated risk that the LOBO will be called, resulting in higher interest rates or refinancing. The default option of refinancing shall be the PWLB, but this will be kept under review. The Council will assess the financial implications of the best approach and either repay the LOBO loan using existing cash resources (where applicable) or raise new loans.
46. **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.
47. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. Future rescheduling opportunities will be kept under review by Officers as the interest rate environment changes. Any decision to undertake debt rescheduling will be the subject of a separate report by the Corporate Director for Finance and Resources in consultation with the Lead Member for Finance.

### Treasury Investment Strategy

48. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. When cash balances are high the Council will defer the decision to borrow for the capital programme until such time cash balances deplete. Cash balances are forecasted to reduce over time as the Council is a net borrower.
49. **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return,

minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. The ESG Policy is discussed below.

50. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments such as Local Authority deposits or Money-Market Funds. Cash invested beyond the liquidity duration will be in accordance with the investment instruments set out in Table 5. However, it is anticipated that the Council will not have significant cash balances to invest into long durations. The Council will maintain a minimum investment balance of £10m to ensure the Council complies with the requirements to be a professional client under MIFID II regulations.
51. **ESG Policy** - Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds for greater than a year, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
52. Currently, most of the Council's surplus cash remains invested in short-term money market funds. The average rate of interest received on short-term investments during the year to 31 October 2025 was 4.23% with an average duration of 1 day and an average weighted risk rating of A+. Due to the Council's borrowing requirement, there is unlikely to be scope to improve the short-term investment returns achieved as liquidity of the surplus funds will play a key role.
53. **Business models:** Under the IFRS 9 standard introduced in 2019, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
54. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 5, subject to the limits shown

**Table 5: Investment limits**



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

† Time limits: These start on the earlier of date that the Authority is committed to make the investment and the date that cash is transferred to the counterparty.

\*please refer to Minimum credit rating paragraph below

55. **\*Minimum Credit Rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose long-term credit rating is no lower than A-. The Council uses the lowest rating quoted by the main rating agencies, as recommended by CIPFA. The Council uses the credit rating relevant to the specific investment or class of investment, or, if unavailable, the counterparty credit rating. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered. Within these criteria the Corporate Director for Finance and Resources has discretion to accept or reject individual institutions as counterparties based on any information which may become available.
56. **Government:** Loans to and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
57. **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.
58. For authorities subject to local government reorganisation, the counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that this authority will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.
59. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. There is no upper limit to the maximum credit loss that the Council could suffer in the event of a bail-in scenario. See section 70 below for arrangements relating to operational bank accounts. Investments in unsecured deposits will be limited to £20m.
60. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed. Investments with registered providers will be limited to £20m in 2026/27.
61. **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase

agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. The Council and its advisors remain alert for signs of credit or market distress that might adversely affect the Council. Investments in secured deposits will be limited to £20m. A higher limit applies for investments fully secured on UK or other government collateral.

**62. Money market funds (MMFs):** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times. Deposits will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £20m. As of the 31 October 2025 the council held £55.7m in MMFs with no more than £20m in each fund available to the council.

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

#### **Alternative investment options will include:**

**64. Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Although considered as pooled funds, Money Market Fund's (MMFs) are discussed separately in the previous two paragraphs. Investments in pooled funds will be limited to £20m in 2026/27.

**65.** The IFRS9 Statutory Override was originally in place until 31 March and has been extended for existing pooled funds until 31 March 2029. Any new pooled fund investments made after 1 April 2024 will not be subject to the override. This means gains and losses will need to be recognised in the Comprehensive Income & Expenditure Account, impacting revenue outturn. As of 31 October 2025, the Council currently has no investments in Pooled Funds (other than MMFs) at present but may make prudent use of them in the future.

66. **Real estate investment trusts (REITs):** Shares in companies that invest in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. The risk with any investments in REITs is that shares cannot be withdrawn but can be sold on the stock market to another investor which leaves the Council open to market risk. Investments in REITs will be limited to £20m in 2026/27.
67. **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
68. **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The Council currently continues to bank with National Westminster Bank (NatWest) who meet the Council's minimum credit criteria. Should Natwest's creditworthiness deteriorate below the Council's minimum credit criteria, then as far as is consistent with operational efficiency, no money will be placed with NatWest and credit balances in the various Council accounts will be kept to a minimum level.
69. **Unrated Counterparties:** For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £200,000 per counterparty as part of a diversified pool e.g., via a peer-to-peer platform.
70. **Risk Assessment:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Any institution will be suspended or removed should any factors give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Should an entity's credit rating be downgraded so that it does not meet the Council's approved criteria then:
- No new investments will be made.
  - Full consideration will be made to the recall or sale of existing investments with the affected counterparty.
71. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day.
72. This will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

73. **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
74. Having an appropriate lending list of counterparties, remains critically important to protecting Brent's cash investments. A list of extremely secure counterparties would be very small, and the limits with each would be correspondingly high. This would expose the Council to a risk of an unlikely but potentially large loss. This arises because the arrangements for dealing with banks in difficulty now require a loss to be imposed on various categories of liabilities of the banks to allow the bank to recapitalise itself and continue in business (sometimes referred to as bail in).
75. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2022; 2008 and 2020, this is not reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.
76. **Reputational Risk:** The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.
77. **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £413.9m on 31st March 2026. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and Council subsidiaries) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.
78. **Liquidity management:** The Council uses internal purpose-built cash flow modelling tools to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The Council aims to spread its liquid cash over at least two providers (e.g., bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## TREASURY MANAGEMENT PRUDENTIAL INDICATORS

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

**Table 6: Credit risk indicator**

Credit risk indicator	Target
Portfolio average credit rating	A

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

**Table 7: Liquidity risk indicator**

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

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

**Table 8: Interest rate risk indicator**

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

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

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

**Table 9: Refinancing rate risk indicator**

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

*\*Time periods start on the first day of each financial year. LOBOs are classified as maturing on the next call date i.e., the earliest date that the lender can require repayment to ensure prudent and careful planning as part of managing the council's security and liquidity risk.*

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

**Table 10: Price risk indicator**

Price risk indicator	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m	£50m	£50m

### Related Matters

85. The CIPFA Code requires the Council to include the following in its treasury management strategy.
86. **Financial Derivatives:** A Derivative is a contract between two or more parties to hedge against the risk associated with the performance of an underlying asset.
87. Local authorities have previously made use of financial derivatives embedded into its loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk. Brent Council has not previously used such instruments.
88. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).
89. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of financial risks for the Council. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

90. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
91. In line with the CIPFA Code, the Council will seek external advice and consult with Members before entering financial derivatives to ensure that it fully understands the implications however there are no current plans to enter this type of arrangement. This will include analysis of the impact on interest rate, refinancing, counterparty, market, regulatory and legal risks, together with an assessment on the effectiveness of the derivative.
92. **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.
93. The Council is eligible for the PWLB HRA rate, which is 0.4% below the Standard Rate, and is available. This discounted rate can be used to support local authorities borrowing for the Housing Revenue Account's capital programme and for refinancing existing HRA loans. The Council may choose to raise PWLB loans for the HRA in 2026/27 under the HRA concessionary rate subject to HRA affordability.
94. **Markets in Financial Instruments Directive:** The MiFID II regulations took effect from January 2018 which saw the council reclassified as a retail client with the opportunity to opt up to professional client status. Retail clients have access increased protection however this would be balanced against potentially higher fees and access to a more limited range of products. The Council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers. Given the size and range of the Council's treasury management activities, the Corporate Director for Finance and Resources believes this to be the appropriate status for the Council's treasury management activities.
95. **Financial Implications:** A draft capital financing budget of £39.1m for 2026/27 has been determined to enable the Council to service its debt in a timely manner; to ensure it complies with the Statutory MRP Guidance and to allow the Council to continue with the delivery of its proposed capital programme in a prudent and affordable manner.
96. **Other Options Considered:** The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Council believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.



**Table 11: Alternative Strategies**

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

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## Appendix 2: Economic Commentary Economic & Interest Rate Forecast November 2025

### Underlying assumptions:

- The economic data, monetary and fiscal commentary have heightened the downside risks to our Bank Rate forecast, making rate cuts beyond 3.75% increasingly likely. As noted in the September forecast, however, we expect the Budget on 26th November 2025 to be the deciding factor for the path for interest rates. We will therefore review our interest rate forecast after this event.
- The MPC maintained Bank Rate at 4.0% in a dovish 5-4 vote, but a cut to 3.75% looks increasingly likely as the Governor teeters precariously on the divide between the hold and cut camps. While denying the Budget was an influence on his decision, it surely played into his desire to have more information before easing policy.
- Inflation surprised by holding at 3.8% in September and is forecast to fall to 3.5% by year end. However, household inflation expectations have picked up, likely largely the result of the noticeable rise in food prices, feeding caution among some policymakers.
- While services inflation remains somewhat elevated, spare capacity has opened up in the labour market and wage growth is moderating, which should place further downward pressure on inflation. Continuation of the rapid growth in administered prices is also unlikely to occur to the same extent.
- Underlying GDP growth remains subdued. While H1 2025 has been relatively strong, Q3 GDP growth has slowed, with July/August's figures suggesting a lack of momentum. Business investment is lackluster and private sector output constrained by weaker domestic demand and spending. Ongoing uncertainty over the global outlook is still discouraging capital investment, particularly in the manufacturing sector. Downside risks persist, most notably the high probability of a tighter fiscal environment after the Budget, which may place downward pressure on consumption and growth.
- A more hawkish fiscal stance and easing inflation expectations have delivered lower gilt yields for the government. Given the outlook for growth and inflation, the key risk for yields appears to be Labour getting its own party on side with broad-based tax rises. Failure to do so could once again undermine credibility and lift gilt yields. Other factors continue to influence yields and boost term premia, the persistence of which is difficult to estimate.

### Forecast:

- Bank Rate was retained at 4.0% in November. We continue to forecast a 0.25% rate cut in December to 3.75%.
- The UK Budget is an inflection point that may materially change the interest rate outlook. We will further review our interest rate forecast after this event; if in line with our expectations, our central forecast for Bank Rate will likely decrease below 3.75%.
- Short yields have declined to reflect a lower path for Bank Rate.
- Medium and long-term gilt yields have also declined but remain elevated for various reasons, both domestic and international. These issues may not be resolved quickly, but the UK Budget will be a key market driver.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.80	3.75	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.94	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>10yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.47	4.45	4.45	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>20yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	5.10	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
<b>50yr gilt yield</b>													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.70	4.75	4.65	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95

PWLB Standard Rate = Gilt yield + 1.00%

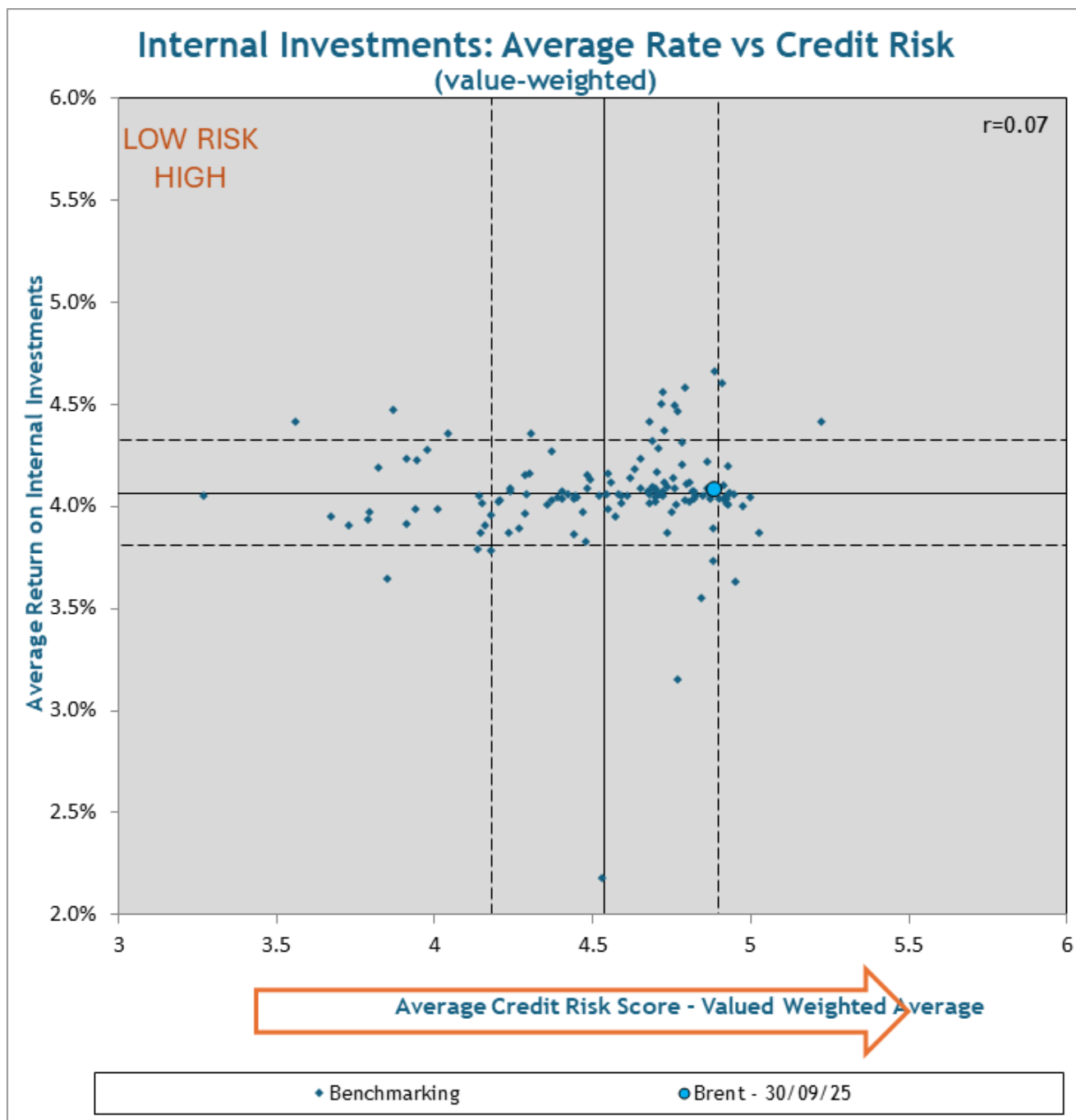
PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

### Appendix 3 - Average Rate vs Credit Risk

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.



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

\*benchmarking is completed on a quarterly basis via Arlingclose, latest available in September 2025.

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#### Appendix 4: Existing Investment & Debt Portfolio

	31/12/2025 Actual Portfolio £m	31/12/2025 Average Rate %
<b>Long-term borrowing:</b> Public Works Loan Board		
LOBO's Private Placement		
<b>Short-term borrowing:</b> Local Authorities		
<b>Total External Borrowing</b>		
<b>Other long-term liabilities:</b> Private Finance Initiative Finance Leases		
<b>Total other long-term liabilities</b>		
<b>Total gross external debt</b>		
<b>Treasury investments:</b> Money Market Funds		
<b>Total treasury investments</b>		
<b>Net debt</b>		

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# **Audit Findings (ISA 260) Report for the London Borough of Brent**

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Year ended 31 March 2025

December 2025



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3 December 2025

Dear Cllr Jumbo Chan

## **Audit Findings for London Borough of Brent for the year ended 31 March 2025**

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [Transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sophia Brown  
Key Audit Partner  
for Grant Thornton UK LLP

**Chartered Accountants**

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# 01 Headlines and status of the audit

Page 131

# Headlines (1)

This page and the following summarises the key findings and other matters arising from the statutory audit of London Borough of Brent (the 'Authority') and the preparation of the Group and Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Group and Authority's financial statements give a true and fair view of the financial position of the Group and Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund financial statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

The accounts audit commenced in July 2025 and remains ongoing, with completion planned for the end of December. Our findings are summarised on pages 19 to 53 of this report. To date, we have 3 adjustments to the financial statements, resulting in a £3.6m adjustment to the Authority's Comprehensive Income and Expenditure Statement, decreasing the financial position. These adjustments do not affect the level of the Authority's usable reserves. We have raised recommendations for management as a result of our audit work (page 44) and audit adjustments are detailed at page 35. Our follow up of prior year audit recommendations is include at page 54.

Our audit work is ongoing, and we currently are not aware of any matters requiring modification of our audit opinion, subject to the following outstanding items:

- Plant, property and equipment: Evidence from valuer was insufficient; queries returned. Outstanding: with valuer, significant work ongoing.
- IFRS 16 / Leases: Lease sample selected, but testing on hold pending updated leases note. Outstanding: leases note and lessors listing with management.
- Movement in Reserves: Work largely complete, pending review. Outstanding: with audit team for review.
- Cash and cash equivalents: Work ongoing. Outstanding: with audit team.
- Financial instruments: Awaiting finalised disclosures. Outstanding: with management.
- Completion of all remaining audit testing: Samples to be reviewed by audit, some are complex. Outstanding: with audit team.
- Other information: Outstanding: with audit team to review in full once financial statement are revised.
- Receipt of management representation: Part of audit completion procedures.
- Review of the final set of financial statements: Part of audit completion procedures.

# Headlines (2)

## Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

Our VFM work and detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the September 2025 Audit & Standards Committee.

We identified 3 significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Refer to the *Value for money* section of this report for further detail, pages 59 to 60.

# Headlines (3)

## Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group Audit (Whole of Government Accounts) has been certified by the Comptroller & Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## Significant matters

We encountered significant challenges during this year’s audit. Last year we highlighted significant deficiencies in the valuation of property, plant and equipment (PPE) which led to numerous errors and disclosure misstatements. While management has made efforts to address some of these issues for 2024-25, the late completion of the 2023-24 audit in February 2025 meant there has not been much time to implement the required changes. The draft 2024-25 financial statements were not delivered by the agreed date of 18 July 2025, and were delayed until 18 August 2025, missing the 30 June 2025 statutory publication deadline. The main reason for delay continues to be in respect of the Authority’s PPE valuation. We have faced substantial problems with the PPE valuations, including receipt of incorrect valuation reports, duplicate property valuations, difficulties in reconciling the fixed asset register with the valuer’s report, and slow responses from the valuer.

The implementation of IFRS 16 has added further complexity, requiring complete revision of the leases disclosure. Management’s efforts to resolve IFRS 16 issues resulted in further issues within the Authority’s capital processes, and additional errors within the accounts. These combined factors have caused delays to the audit timetable, required unplanned audit resource, driving increased audit costs.

Further detail is provided on the following 3 pages.



# Headlines (4)

Significant difficulties and delays

Area	Commentary
Delay of draft financial statements	The delay in receiving the draft financial statements for audit a month later than planned occurred because management was focused on resolving significant prior-year issues with property, plant and equipment (PPE) balances and disclosures, and completing the required work for the first-year implementation of IFRS 16. As a result, the timing and progress of the audit were substantially impacted. At times we paused the audit, and we also secured additional audit resources once we confirmed the audit could not be completed by the original September 2025 deadline.
Audit work post-September 2025	Audit resource was originally allocated from mid-June until end of September 2025. Due to audit delays we agreed to continue the audit into October and November 2025. This additional audit resource was not included in the original budget.
IFRS 16	We carried out testing on lessor amounts and disclosures; however, management subsequently informed us that the listing provided was incomplete, requiring us to re-select our sample. Additionally, the entire leases disclosure was subsequently rewritten when management identified a significant volume of errors in the underlying data, which meant the original disclosure was materially inaccurate.
PPE valuations	<p>Our initial review of management’s reconciliation of the fixed asset register (FAR) to the valuation report identified some variances. Management also informed us that original valuation report was incorrect, for example it contained duplicate valuations. We did not receive the final valuation report which reconciled to the FAR until 22 October 2025 which significantly delayed our work in this and meant that some audit procedures had been carried out multiple times.</p> <p>We selected General Fund (GF) and Housing Revenue Account (HRA) assets to testing, sharing the samples with the valuer on 30 October 2025. The initial response regarding the HRA samples was unsatisfactory, prompting follow-up requests the following day which remained outstanding for over a week. Additionally, the response for the GF sample took more than two weeks to be received from the valuer.</p>

# Headlines (5)

## Significant difficulties and delays (continued)

Area	Commentary
PPE prior period adjustments (PPAs)	<p>Work on the 2 PPAs relating to PPE were not anticipated in our audit plan and has resulted in the need for additional audit resource. The PPAs required complex reconciliations between the fixed asset register (FAR), valuation reports, and the financial statements.</p> <p>During our review, we also identified concerns regarding whether in-year movements, such as depreciation, were appropriately captured and correctly accounted for, as they appeared to be excluded from management’s calculations.</p> <p>To obtain sufficient assurance, we selected a sample of 11 asset adjustments to test, to gain assurance over the FAR cleansing exercise and the PPA adjustment entries. This work is in progress, refer to page 29 for further detail.</p>
PPE garage valuations / completeness risk	<p>Management has shared the HRA garage valuations, which were carried out separately from the core valuations by an independent valuer (not WHE). The new valuation of the garages is £11.3m, compared to £4.8m in the FAR/draft accounts, resulting in a £6.5m error. We are finalising our audit procedures on this matter, and if we conclude that the error is accurate, the adjustment will be reflected in the Audit Adjustments section, page 35.</p> <p>There is a completeness risk because management initially submitted an incomplete record of garages owned, making it unclear whether all garages have been included.</p> <p>Our work in this area has been delayed as we had to wait for the new valuer to complete the garage valuations, which took place in late October/early November. Now that the valuation has been completed, management has concluded that 706 garages plus 2 cages are owned.</p>
Creditors and debtors sample selections	<p>There was significant delay in obtaining the debtor and creditor listings required for our sample selection. Once management provided the listings, further revisions were necessary by management, resulting in multiple exchanges before we received final versions suitable for sampling.</p>
Financial instruments	<p>Management informed us that a significant rework of the financial instruments disclosures (Notes 24–26) was required. This was partly due to errors in the original preparation, as well as wider issues identified (such as leases) that impacted the disclosures. We had already completed a significant amount of audit work in this area based on the draft financial statements provided for audit.</p> <p>The updated disclosures were prepared in two stages: first, correcting the initial preparation errors; then updating for wider issues. These matters caused considerable delay and resulted in additional time spent on this area.</p>

# Headlines (6)

Significant difficulties and delays (continued)

Area	Commentary
PPE additions	Management informed us that it was appropriate for us to select our additions sample from the fixed asset register. This was not acceptable due to sub-sampling concerns and we emphasised the need for a complete listing of individual additions. We requested management to provide capital expenditure listing to support our work. However, the capital expenditure listing did not reconcile to the accounts in terms of categorisation. When raised with management we received pushback that the overall reconciliation was sufficient, which we disagreed with. It took additional time for management to provide an appropriate listing that reconciled correctly to the additions by asset category line in the PPE disclosure, enabling us to complete our sample selection.
Capital grants unapplied	We emphasised to management the need for a complete listing that did not require sub-sampling. In the case of capital grants unapplied, we engaged in multiple discussions with management regarding the appropriate sampling approach. The initial listings provided required several rounds of revision and clarification before we were able to identify the final items suitable for testing.
Capital issues	<p>Management informed us that due to time constraints and competing priorities (IFRS 16 and PPE work), there were issues relating to capital where standard reviews did not take place. This resulted in errors in the disclosures and required additional audit work.</p> <p>In capital creditors, management identified two errors from the sample we selected and in expenditure completeness testing we identified one error relating to capital expenditure that was not accrued at year-end. This occurred because management did not complete its review of capital accruals. For errors, refer to <i>Audit Adjustments</i> section on page 35.</p> <p>In capital grants, we identified one error where a capital grant received in advance was incorrectly recorded as capital grant income. Management explained that this was due to the omission of capital grants received in advance from the financial statements, based on their view that the amounts were immaterial. We performed additional audit work and agree that these amounts are immaterial.</p>

# Headlines (7)

## National context – audit backlog

### Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

# Headlines (8)

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

### Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

### Impact on the Authority

In the current year, the implementation of IFRS 16 has resulted in the first-time recognition of right-of-use assets of £19.8m. Additionally, corresponding movements are charged in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

New accounting policies have been included in the financial statements, and additional disclosures relating to leases have been added in accordance with the requirements of the IFRS 16 as adopted by CIPFA Code.

Our work on leases is ongoing. There have been delays in this work since as detailed on page 9.

In testing to date, we identified an error of £5.7m due to management using an incorrect Excel formula in calculating the lease liability using net present value and present value methods. Refer to the *Audit adjustments* section (page 35) for further detail.

# 02 Group audit

# Group audit

In accordance with ISA (UK) 600 Revised, as Group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the Group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final Group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the Group	Scope at planning	Scope at final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
London Borough of Brent	Yes	Scope 1	Scope 1	Grant Thornton UK	Sophia Brown	<div><div></div>Green</div>	Audit is in progress – an unmodified audit option is anticipated.
East Wave Housing Ltd	No	Scope 3	Scope 3	Grant Thornton UK	Stephen Dean	<div><div></div>Green</div>	Audit complete - unmodified audit opinion issued.
LB Holdings Ltd	No	Scope 3	Scope 3	Grant Thornton UK	Stephen Dean	<div><div></div>Green</div>	Audit complete - unmodified audit opinion issued.
LGA Digital Services	No	Out of Scope	Out of scope	N/A	Not audited	N/A	
Barham Park Trust	No	Out of scope	Out of Scope	N/A	Not audited	N/A	

Key

Scope 1

Scope 2

Scope 3

Out of scope

Green

Amber

Red

Audit of entire financial information of the component, either by the Group audit team or by component auditors (full-scope)

Specific audit procedures designed by the Group auditor (specific scope)

Specific audit procedures designed by a component auditor (specific scope)

Out of scope components are subject to analytical procedures performed by the Group audit team to Group materiality

Planned procedures are substantially complete with no significant issues outstanding

Planned procedures are ongoing/subject to review with no known significant issues

Planned procedures are incomplete and/or significant issues have been identified that require resolution

# Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 3	Grant Thornton UK	We will not involve or rely on the work of component auditors, given the limited area in subsidiaries requiring testing. Instead, we will conduct testing for significant accounts and transactions at the group-level.	None
Out of scope	N/A	We will not involve or rely on the work of component auditors, given the limited area in subsidiaries requiring testing. Instead, we will conduct testing for significant accounts and transactions at the group-level.	None



# 03 Materiality

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# Our approach to materiality

As communicated in our Audit Plan presented to the Audit & Standards Committee on 5 June 2025, we determined materiality at the planning stage to be £22.6m, based on 2% of prior year gross expenditure. At year-end, we reconsidered materiality based on the draft financial statements. We have not revised materiality levels as the change based on actual 2024-25 gross expenditure results in minimal change to materiality levels determined at the planning stage.

	Group £	Authority £	Qualitative factors considered
Materiality for the financial statements	22,624,000	22,524,000	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community; therefore, gross expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 2% to be an appropriate rate to apply to the gross expenditure to calculate the materiality.
Performance materiality	14,705,600	13,970,320	Our performance materiality is based on a percentage of the materiality for the financial statements listed above. The threshold applied is 65% of headline materiality. The percentage is lower than last year due to errors and control issues identified during the 2023-24 audit.
Materiality for senior officers' remuneration	20,000	20,000	We consider senior officer remuneration and termination benefits as sensitive disclosures and of public interest. We therefore set a lower materiality figure to ensure adequate procedures are performed and identified misstatements of lower amounts are reported to those charged with governance. No changes on threshold since the planning stage.
Reporting threshold	1,131,200	1,126,200	This balance is set at 5% of materiality for the financial statements.

# 04 Overview of significant and other risks identified

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# Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

The below table summarises the significant and other risks discussed in more detail on the subsequent pages. Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of control	Significant	↔	✓	Low	● Green
Valuation of land & buildings	Significant	↔	✗	High	● Red
Valuation of council dwellings	Significant	↔	✗	High	● Red
Valuation of net pension fund liability	Significant	↔	✗	High	● Green
IFRS 16 leases implementation	Significant	↔	✗	Low	● Red
Risk of fraud in revenue recognition (rebutted)	Significant	↔	✗	Low	● Green
Presumed risk of fraud in expenditure recognition (completeness of non-pay expenditure)	Other	↔	✗	Low	● Green

### Key

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Green

 - Not likely to result in material adjustment or change to disclosures within the financial statements
- Amber

 - Potential to result in material adjustment or significant change to disclosures within the financial statements
- Red

 - Likely to result in material adjustment or significant change to disclosures within the financial statements

# Significant risks (1)

Risk identified	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, <b>in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the Group and Authority</b>, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"><li>• Evaluated the design effectiveness of management controls over journals;</li><li>• Analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li><li>• Identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration. Our primary testing identified entries that could potentially be used to achieve planned budgets, to address risks of senior office manipulation and address findings from the IT Audit (see below);</li><li>• Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and</li><li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>Our IT Audit identified one significant deficiency (excessive access permissions) and two deficiencies (inappropriate access retention and limited logging &amp; review) in controls relevant to the financial statements. These control deficiencies were factored into our journal strategy and testing.</p>	<p>1. We identified 1 significant control deficiency in our journals testing. We tested a total of 20 journals, and this significant deficiency was found within 9 of the tested journals:</p> <p><b>Segregation of duties</b> – 9 out of 20 journals tested were found to be posted by an individual outside of their remit. Furthermore, middle management who approved these journals in the system had prepared the journals and instructed the individual to post them, before subsequently approving them in the system. This creates a significant segregation of duties issue within the journal process and raises concerns about potential management override. However, in all 9 cases, there was an additional layer of approval outside of the system, providing assurance that the journals were subject to further scrutiny. We flag this as a significant control deficiency.</p> <p>2. We also identified 2 deficiencies from our testing strategy.</p> <p><b>Missing journal checklist</b> – The journal checklist was not included in the supporting evidence. Management confirmed this control is not currently performed. While the checklist covers internal quality aspects, (such as ensuring journal descriptions are appropriate, standard naming conventions are used, and entries are in the correct format) we do not consider its absence to present a fraud or material misstatement risk.</p> <p><b>Incomplete user listing</b> – The journal user listing was inaccurate, with incorrect start and termination dates. Some users marked as terminated were still active. This aligns with IT audit findings around insufficient monitoring of system access. Refer to <i>Audit adjustments</i> section (page 35) for detailed findings.</p>

# Significant risks (2)

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of land &amp; buildings – 2024-25 £972m net book value</b></p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"> <li>• Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work;</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>• Discussed with and wrote to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met;</li> <li>• Engaged our own valuation expert, Lambert Smith Hampton, to provide commentary on;               <ul style="list-style-type: none"> <li>– The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li>– The valuation methodology and approach, resulting assumptions and any other relevant points.</li> </ul> </li> <li>• Challenged the information and assumptions used by the valuer to assess the accuracy, completeness and consistency with our understanding;</li> <li>• Tested revaluations made during the year to see if they have been input correctly to the fixed asset register; and</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year-end.</li> </ul>	<p>Due to delays in receiving the final valuation report from Wilks, Head &amp; Eve, a significant portion of our detailed work in this area remains ongoing. This includes work relating to the review and testing of valuations, including assets not revalued during the year. Delays have been compounded by slow and incomplete responses from the valuer.</p> <p>Our assessment of the valuer’s competence, objectivity, and compliance with valuation standards has not raised any concerns.</p> <p>We have agreed with management that the PPE disclosure and OLB balance are overstated by approximately £1.6m which will be adjusted for. This overstatement is a result of late delivery of final valuations from the valuer. Refer to <i>Audit Adjustments</i> section (page 35) for detail of the adjustment.</p>
<p>The Authority re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value using Wilks Head &amp; Eve LLP (WHE) as their valuer. This represents a significant estimate by management in the financial statements due to the size and numbers involved and the sensitivity of the estimate to key changes in assumptions.</p> <p>Management must ensure the carrying value of assets not revalued at year-end is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>Other land and buildings (OLB) comprises specialised assets which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset. The remainder of OLB is not specialised in nature and is valued at existing use in value.</p> <p>The total amount of OLB assets revalued at year-end was £624.8m as at 31 March 2025. We therefore identified valuation of land and buildings as a significant risk, particularly around the key assumptions and inputs applied by the valuer at the financial statement date to determine the current value of the assets. As a result, we selected <b>17 assets for testing covering £290.9m of the £624.8m revalued during the year.</b></p>		

# Significant risks (3)

## Risk identified

### Valuation of council dwellings – 2024-25 £ 853.9m net book value

The Authority is required to revalue its social housing in accordance with MHCLG’s Stock Valuation for Resource Accounting guidance. The guidance requires the use of Beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.

Management conducted a full revaluation of the housing stock in 2021-22 using the Beacon methodology which is consistent with the Code (full valuation performed within the last 5 years). The valuer reviewed market changes from 1 April 2024 to 31 March 2025 to correctly state the value of HRA stock held by the Authority during the financial period in current terms. Management engaged its valuer Wilks, Head & Eve LLP (WHE) to complete the valuation of these properties.

The total amount of council housing assets **revalued at year-end** represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions. As a result, we selected **2 beacon assets and 1 non-beacon asset covering £74.6m of the £219.7m** revalued during the year.

## Audit procedures performed

To address the risk, we have:

- Assessed management’s processes, assumptions, and instructions to valuation experts, including the scope of their work;
- Evaluated the competence, capabilities, and objectivity of the valuation expert;
- Obtained confirmation from the valuer on the valuation basis to ensure compliance with the Code;
- Engaged our own valuation expert, Lambert Smith Hampton, to provide commentary on:
  - The instruction process against CIPFA/IFRS/RICS requirements; and
  - The valuation methodology, assumptions adopted, and other relevant considerations.
- Challenged the valuer’s information and assumptions for completeness and consistency with our understanding;
- Performed sample testing of Beacon properties to confirm representative selection and correct application of valuations to similar assets;
- Compared the estimate to valuation trends for similar London properties; and
- Reviewed management’s assumptions for assets not revalued during the year and how they ensured these are not materially different from year-end current value.

## Key observations

Due to delays in receiving the final valuation report from Wilks, Head & Eve, a significant portion of our detailed work in this area remains ongoing. This includes work relating to the review and testing of valuations, including assets not revalued during the year. Delays have been compounded by slow and incomplete responses from the valuer.

Our assessment of the valuer’s competence, objectivity, and compliance with valuation standards has not raised any concerns.

We have agreed with management that the PPE disclosure and Housing Revenue Account (HRA) balance are overstated by approximately £9.5m which will be adjusted for. This overstatement is a result of late delivery of final valuations from the valuer. Refer to *Audit Adjustments* section (page 35) for detail of the adjustment.



# Significant risks (4)

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of net pension liability – 2024-25 £217m</b></p> <p>The Authority's share of the pension fund net liability, reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A small change in inputs can have a significant impact on the estimated pension fund liability. Notably the discount rates and inflation rates are key assumptions where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.</p> <p>We therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the actuary's calculation. We identified the valuation of the Authority's pension fund net liability as a significant risk.</p>	<ul style="list-style-type: none"> <li>To address this risk, we:</li> <li>Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>Evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work;</li> <li>Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>Assessed the accuracy and completeness of the information provided by management to the actuary to estimate the liability;</li> <li>Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.</li> </ul>	<p>Our audit work is complete, and we note one disclosure misstatement due to the omission of the Virgin Media case, which management has agreed to update in the final accounts (refer to <i>Audit Adjustments</i> section, page 35).</p> <p>We are satisfied that the judgments and estimates made by management regarding the valuation of the net pension liability were appropriate. We found no material misstatement arising from management bias in respect of these judgments and estimates.</p> <p>The prior year issue relating to IFRIC 14 assessment is resolved, management applied the correct accounting treatment.</p> <p>We reviewed the IAS19 assurances from the auditor of the Brent Pension Fund. The pension fund auditor identified the following differences between the fund managers' confirmations and the figures recorded in the financial statements:</p> <ol style="list-style-type: none"> <li>LCIV Infrastructure Fund and LCIV Private Debt Fund were understated by £3.5m;</li> <li>Alinda Infrastructure Parallel Fund III was understated by £0.236m; and</li> <li>Capital Dynamics Generation VII Fund was overstated by £0.025k.</li> </ol> <p>This resulted in a total understatement of £3.7m which is below our performance materiality (refer to <i>Audit Adjustments</i> section, page 35).</p> <p>We have not identified any other issues related to this estimate.</p>



# Significant risks (5)

Risk identified	Audit procedures performed	Key observations
<p><b>IFRS 16 Leases implementation – Right-of-use (ROU) asset closing balance – 2024-25 £19.8m</b></p> <p>IFRS 16 Leases is now mandatory for all local government bodies from 1 April 2024. The standard replaced IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives, and SIC-27 Evaluating the substance of transactions involving the legal form of a lease).</p> <p>Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as ROU assets, representing the right to use the underlying leased assets, and a corresponding liability representing its obligation to make lease payments.</p> <p>The Code adapts IFRS 16 and requires that the subsequent measurement of the ROU asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p> <p>We considered the implementation of IFRS 16 as other risks, noting the significant changes to disclosures required under the new standard. At year-end, a ROU asset of £19.8m remains in the Authority’s balance sheet. The ROU figure is close to materiality and therefore considered a significant risk given the risk of completeness in first year of implementation.</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the processes and controls in place by management to ensure that the Authority’s ROU assets and corresponding liabilities are not materially misstated. This included understanding steps implemented by management to identify leases impacted by IFRS 16, ensuring completeness;</li><li>• Obtained the lease register from management and compared to the prior year to identify any leases omitted.;</li><li>• Selected samples where the Authority acted as a lessee and recalculated the beginning balance and lease liability figure ;</li><li>• Considered management’s rational for classifying lease arrangements as either leases, short-term leases, or low-value leases;</li><li>• Reviewed accounting policies and disclosures in relation to IFRS 16; and</li><li>• Reviewed disclosures made in the accounts in relation to ROU asset values and lease liabilities to ensure compliance with the requirements of IFRS 16 as adapted in the CIPFA Code.</li></ul>	<p>Our work on leases is in progress.</p> <p>Work to date identified an error in the lease liability calculation. Management applied an incorrect calculation, resulting in a £5.7m misstatement. This error will be adjusted by management. Once management shares the adjustment with us and we review it, it will be added to the <i>Audit Adjustments</i> section (page 35) if appropriate.</p> <p>Management experienced difficulties preparing the lessee disclosure, requiring the note to be rewritten after audit work had begun due to a significant volume of errors in the underlying data.</p> <p>There were also delays in providing a complete lessor listing, driven by poor data quality, omission of rent reviews, and a focus on lessees over lessors following IFRS 16 changes.</p>

# Other risks (1)

Risk identified	Audit procedures performed	Key observations
<p><b>Risk of fraud in revenue recognition (rebutted)</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition;</li><li>• opportunities to manipulate revenue recognition are very limited; and</li><li>• the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable.</li></ul> <p>We do not consider this to be a significant risk for the Authority and as such there is no specific work planned for this risk.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"><li>• Selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness;</li><li>• Inspected transactions which occurred in the year and ensure that they have been included in the current year; and</li><li>• Confirmed our understanding of the business process and determine if there are any relevant controls.</li></ul>	<p>Our audit work is almost concluded, subject to review, and has not identified any issues that would lead us to change our conclusion from the planning stage that the risk of fraud arising from revenue recognition can be rebutted.</p> <p>However, we have one control recommendation where the reconciliation between the OVR310 report and the HB subsidy workbook was not performed, refer to <i>Action Plan</i> (page 44).</p>

# Other risks (2)

Risk identified	Audit procedures performed	Key observations
<p data-bbox="104 287 1116 372"><b>Presumed risk of fraud in expenditure recognition (completeness of non-pay expenditure)</b></p> <p data-bbox="104 372 1116 508">As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition.</p> <p data-bbox="104 508 1116 636">There is a risk the Authority may manipulate expenditure to that budgeted by under-accruing non-pay expense incurred during the period or not record expenses accurately to improve financial results.</p> <p data-bbox="104 636 1116 793">In line with the Public Audit Forum Practice Note 10, having considered the risk in relation to fraud in expenditure recognition and the nature of the Authority’s expenditure streams, we determine that the risk of fraud arising from expenditure can be rebutted because:</p> <ul data-bbox="104 793 1116 979" style="list-style-type: none"><li>• There is little incentive to manipulate expenditure recognition;</li><li>• Opportunities to manipulate expenditure are very limited; and</li><li>• The culture and ethical framework of local authorities, including the London Borough of Brent, mean that all forms of fraud are seen as unacceptable.</li></ul> <p data-bbox="104 979 1116 1146">However, we have identified that due to the level of estimation involved in manual accruals of expenditure, and the potential volume of large accruals at year-end, there is an increased risk of error in the completeness of expenditure recognition.</p>	<p data-bbox="1116 287 1778 329">To address the risk, we:</p> <ul data-bbox="1116 329 1778 965" style="list-style-type: none"><li>• Inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period;</li><li>• Inspected a sample of accruals made at year-end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year-end. We also compared size and nature of accruals at year-end to the prior year to help ensure completeness of accrued items; and</li><li>• Investigated manual journals posted as part of the year-end accounts preparation that reduce expenditure, to assess whether there is appropriate supporting evidence for the transaction.</li></ul>	<p data-bbox="1778 287 2443 565">During our testing, we identified one error where expenditure relating to the 2024–25 financial year was incorrectly recorded in the 2025–26 financial year, resulting in an understatement of 2024–25 expenditure. The issue arose due to a lack of review of capital accruals during the year.</p> <p data-bbox="1778 565 2443 879">Work is ongoing to understand the extent and impact of this lack of review, which could result in further audit testing. We raise a control recommendation (refer to <i>Action Plan</i>, page 44) to address this finding, and management will adjust for the identified error (refer to <i>Audit Adjustments</i> section, page 35, for further detail).</p>

# 05 Other findings

# Other findings – significant matters

Management recorded 3 prior period adjustments (PPAs) for 2024-25. 2 PPAs relate to Property, Plant and Equipment (PPE) and 1 concerns the capital commitments disclosure.

Issue	Commentary	
PPA – PPE (2 in total)	<p>There are 2 PPAs relating to PPE. During 2024-25 management undertook a cleansing exercise of the FAR which identified two significant issues within PPE.</p> <ol style="list-style-type: none"><li>1. Approximately £19m of assets could not be supported and were written off or disposed of from the FAR.</li><li>2. Around £79m of assets were misclassified between PPE categories.</li></ol> <p>Management concluded that these errors existed in both the current and prior years, requiring PPAs to restate prior year comparatives.</p>	<p><b>Auditor view</b></p> <p>We are in the process of completing audit work on both PPAs. Our review of the prior year and current year PPE disclosures has identified errors in both, and corrections are being agreed with management.</p> <p>We requested supporting evidence for a sample of 11 asset adjustments to test (relating to both disposals and reclassifications) to provide assurance over the FAR cleansing exercise and the PPA adjustment entries. This work is in progress.</p> <p><b>Management response</b></p> <p>To be updated once audit work is finalised.</p>
PPA – Capital commitments	<p>A prior period restatement was made for Alpertown Bus Garage Housing Development as the £46.5m capital commitment relating to the lease payments was not included in the 2023-24 figures. This is a disclosure note only and does not impact the accounts.</p>	<p><b>Auditor view</b></p> <p>Management must ensure its year-end processes capture all significant capital commitments. Work is ongoing in this area.</p> <p><b>Management response</b></p> <p>To be updated once audit work is finalised.</p>

# Other findings – information technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Change management	Batch scheduling	
Oracle Fusion – main ledger system	Detailed ITGC assessment (design effectiveness only)	<div><div></div></div> Red	<div><div></div></div> Red	<div><div></div></div> Green	<div><div></div></div> Green	<b>Management override of control</b> – It was identified there is a risk arising from excessive system administrative permissions granted to business users without clear justification.  We addressed this risk in our journal testing and confirmed that none of the users posted journals during the year, eliminating the risk of management override of controls.

Assessment:

- Red** – Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Amber** – Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- Green** – IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Black** – Not in scope for assessment

# **06 Communication requirements and other responsibilities**

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# Other communication requirements

Issue	Commentary
Matters in relation to fraud	We previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period, and no other issues were identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from management, which is presented as a separate item for presentation along this report. We requested a specific representation in relation to any potential equal pay claims in relation to the Authority.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted, and the requests were sent. We currently await final counterparty responses to conclude our work.
Disclosures	We report disclosure misstatements in at <i>Audit Adjustments</i> section (page 35) of this report. Management corrected all material disclosures issues identified.
Audit evidence and explanations	All information and explanations requested from management were provided.
Significant difficulties	We encountered significant difficulties throughout the audit which has delayed the signing of the audit opinion. See <i>Headlines</i> section (pages 8-11) for more information.



# Other responsibilities (1)

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities.</li><li>• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li></ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"><li>• the nature of the Authority and the environment in which it operates;</li><li>• the Authority’s financial reporting framework;</li><li>• the Authority’s system of internal control for identifying events or conditions relevant to going concern; and</li><li>• management’s going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified; and</li><li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

# Other responsibilities (2)

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund financial statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work in this area is ongoing, we have no matters to report at this stage.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit;</li> <li>• if we have applied any of our statutory powers or duties; and</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul> <p>Our work in this area is ongoing, we have no matters to report at this stage.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that detailed work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work required and received confirmation from the National Audit Office that the audit of the Whole of Government Accounts consolidation pack for the period ended 31 March 2025 is complete and certified by the Comptroller and Auditor General.</p> <p>We are satisfied that this work does not have a material effect on the financial statements for the period ended 31 March 2025.</p>

# 07 Audit adjustments

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# Audit adjustments – adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £
<b>1. Property, Plant &amp; Equipment (PPE) – other land &amp; buildings (OLB)</b>				
In reconciling the fixed asset register (FAR) with the final valuer's report, an overstatement of £1.6m was identified within PPE Note 1a.				
Dr. Revaluation Reserve £1.6m		1,600,000		
Cr. Property, Plant & Equipment £1.6m	Nil	(1,600,000)	Nil	Nil
<b>2. PPE – council dwellings</b>				
In reconciling the FAR with the final valuer's report, an overstatement of £9.5m was identified within PPE Note 1a.				
Dr. Revaluation Reserve £9.5m		9,500,000		
Cr. PPE – Council dwellings £9.5m	Nil	(9,500,000)	Nil	Nil
<b>3. Expenditure cut-off</b>				
We identified an error of £3.7m where expenditure relating to the 2024-25 financial year was incorrectly recorded in the 2025-26 financial year, resulted in an understatement of 2024-25 expenditure.				
Dr. Expenses £3.7m	3,677,000	(3,677,000)	3,677,000	Nil
Cr. Cash £3.7m				
<b>Overall impact</b>	<b>3,677,000</b>	<b>(3,677,000)</b>	<b>3,677,000</b>	<b>0</b>

# Audit adjustments – misclassification & disclosure

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been adjusted by management.

Disclosure	Misclassification or change identified	Adjusted?
Statement of accounting policies – 4.1	Accounting policy 4.1: Inventories and long-term contracts was included as a disclosure within the Note but the Authority does not hold inventory. Management agreed to remove this disclosure note from the accounting policies.	Yes
Note 38 – Fair value	The entirety of Note 38 - Fair value was omitted from the draft financial statements. Management has since provided an updated Note 38.	Yes
Note 32-37 – Pensions	There was an omission of disclosure relating to the Virgin Media case in the pension Notes. Given the impact of the Court of Appeal's decision and the government's confirmation that it intends to introduce legislation allowing affected pension schemes to retrospectively obtain written actuarial confirmation between 6 April 1997 and 5 April 2016, management concluded it was appropriate that the Virgin Media case should be included in the disclosure.	Yes
Revenue expenditure narrative	We noted a variance of £2.7m in Housing Revenue Account (HRA) between the Outturn Report and revenue expenditure in the draft financial statements of £4.9m and Note 14 Expenditure & Funding Analysis of £2.2m. The difference in the Outturn Report is due to timing, with £4.9m an estimate included at the time. Management confirmed that the HRA should read £2.2m as per the HRA Note.	Yes
Note 12 - Financing & investment Income and Expenditure	The figures stated in Note 12 for pensions interest and interest receivable were reversed when compared to the ledger. Management confirmed this was an error and will update correct figures in the financial statements.	Yes
Group PPE Note	An inconsistency was found between the Single Entity Accounts and the Group Accounts with the £30.2m Impairment Losses/(Reversals) recognised in the Surplus/Deficit in the wrong line in the Group Accounts.	Yes
Group Cash Flow Statement	In auditing the Movement in Reserves Statement, we identified an error in the Group Accounts within the Group Cash Flow Statement line Surplus/Deficit on Provision of Services. The draft accounts reported a figure of £104.7m, which will be corrected to £101.3m. The adjustment will not impact other Notes and is limited to this line item.	Yes

# Audit adjustments – unadjusted misstatements (1)

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
<b>1. Movement in Reserves Statement (MIRS)</b>					
A £2.4m error was identified where Section 106 and Community Infrastructure Levy contributions were recorded as income but should be credited to Capital Grants Unapplied, with expenditure financed from Capital Grants Unapplied. Instead, the financing taken from below the line in the CIES, causing a £2.4m imbalance in the MIRS during the year, although no impact on the year-end balance.					The error is not material
Dr. Adjustments between accounting basis and funding basis under regulations £2.4m		2,400,000			
Cr. Capital Grants Unapplied £2.4m		(2,400,000)			
Dr. Capital Grants Unapplied £2.4m		2,400,000			
Cr. Capital Adjustment Account £2.4m	Nil	(2,400,000)	Nil	Nil	

# Audit adjustments – unadjusted misstatements (2)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
<b>2. Pension liability</b>					
The pension fund auditor’s testing of level 3 investments identified the following discrepancies between the fund managers’ confirmations and the figures recorded in the financial statements:					Error is estimated and not material
1. LCIV Infrastructure Fund and LCIV Private Debt Fund understated by £3.5m;					
2. Alinda Infrastructure Parallel Fund III understated by £0.236m; and					
3. Capital Dynamics Generation VII Fund overstated by £0.025m.					
Total understatement of £3.7m in the Authority’s pension assets.					
Dr. Pension Fund liability £3.7m	(3,700,000)	3,700,000	(3,700,000)	Nil	
Cr. Actuarial gains on pension assets and liabilities £3.7m					
<b>Overall impact of current year unadjusted misstatements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

# Impact of unadjusted misstatements in the prior year (1)

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023-24, and the resulting impact upon the 2024-25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024-25 financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
<b>1. Pension liability</b> From the pension fund auditor's testing of level 3 investments, the following discrepancies were identified between the fund managers' confirmations and the figures recorded in the financial statements: <ol style="list-style-type: none"> <li>The LCIV Infrastructure Fund is understated by £845,042;</li> <li>The Alinda Infrastructure Parallel Fund III is understated by £363,111; and</li> <li>Capital Dynamics investments are understated by an aggregate variance of £1,014,954.</li> </ol> Overall, the total assets are understated by £2.2m in the pension fund accounts. The Authority's share of these assets is 86%, resulting in an understatement of £1.9m in the Authority's pension assets. Dr. Pension fund liability £1.9m Cr. Actuarial gains on pension assets and liabilities £1.911m					Error is estimated and not material
	(1,911,000)	1,911,000	(1,911,000)	Nil	



# Impact of unadjusted misstatements in the prior year (2)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
<b>2. Property, Plant &amp; Equipment</b>					
In reconciling the fixed asset register (FAR) with the revised valuer's report, a discrepancy of £3.2m was identified. Management is unable to provide justification or rectify the difference.					Not material
Dr. Property, Plant & Expenditure £3.225m		3,225,000			
Cr. Revaluation Reserve £3.225m	Nil	(3,225,000)	Nil	Nil	
<b>3. Cash &amp; Cash Equivalents</b>					
We identified a cumulative unreconciled difference of £0.891m between the bank balance per the general ledger/trial balance and the bank confirmations.					Not material
Dr. Cash & Cash Equivalents £0.891m		891,000			
Cr. Receivables £0.891m	Nil	(891,000)	Nil	Nil	

# Impact of unadjusted misstatements in the prior year (3)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
4. Property, Plant & Equipment					
The valuer used an incorrect area of 0.62 hectares in the valuation calculations instead of the correct area of 0.82 hectares. This 0.2 hectare difference results in an understatement in the asset value of £1.7m.					Not material
Dr. Property, Plant & Equipment £1.7m		1,700,000			
Cr. Revaluation Reserve £1.7m	Nil	(1,700,000)	Nil	Nil	
5. Short-term Creditors					
We found that 4 of our samples were not actually a creditor. We identified a factual misstatement of £253,519. After extrapolating these errors, we projected an overstatement of £3,184,603.					Not material
Dr. Short-term Creditors £3.185m					
Cr. CIES £3.185m	(3,185,000)	3,185,000	(3,185,000)	Nil	
Overall impact of prior year unadjusted misstatements	(5,096,000)	5,096,000	(5,096,000)	0	

# Impact of unadjusted misstatements in current and prior years

The table below considers the overall impact of unadjusted misstatements in current and prior years.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Conclusion
Overall impact of unadjusted misstatement in the current year	(3,700,000)	3,700,000	(3,700,000)	Impact not material in current year.
Overall impact of unadjusted misstatement in the prior year	(5,096,000)	5,096,000	(5,096,000)	Impact not material in prior year, no change in net expenditure position in current year.
Net expenditure impact	(8,796,000)	8,796,000	(8,796,000)	The impact of prior period and/or current period unadjusted misstatements is not material and does not change the reported position of Authority.

# 08 Action plan

# Action plan – financial statements audit (1)

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	<p><b>1. Journal poster and approver</b></p> <p>9 out of 20 journals tested were found to be posted by an individual outside of their remit. Furthermore, managers who approved these journals in the system had prepared the journals and instructed the individual to post them, before subsequently approving them in the system. For the 9 journals identified, we confirmed that an additional level of approval was obtained outside the Oracle system.</p> <p>This creates a significant segregation of duties issue within the journal process and raises concerns about potential management override. We flag this as a significant control deficiency as we cannot confirm whether the additional approval was consistently applied across all cases.</p>	<p>We recommend that journals should be prepared and posted by individuals who understand the content and have the appropriate remit. Those approving journals should not be involved in their preparation or posting. Managers should avoid instructing junior colleagues to post journals on their behalf, especially if they intend to approve them.</p> <p><b>Management response</b></p> <p>We will review controls for journals and issue a revised Required Financial Practice Note in 2025-26 and provide training to finance staff to ensure that the required controls are understood.</p>
● Medium	<p><b>2. Journal user listing</b></p> <p>The journal user listing was inaccurate, with incorrect start and termination dates. Some users marked as terminated were still active. This issue also aligns with IT Audit’s findings, which highlighted the risk that management does not currently monitor who is logging into the Oracle system.</p>	<p>We recommend that management implements stronger controls to be clear on who has access to the system.</p> <p><b>Management response</b></p> <p>The report for Journal Users has now been updated to only include active workers and exclude pending workers (which was the case in the audit finding). We can report at any time who has logged into Oracle and at present we monitor this on a quarterly basis to check those users who have not logged in over 90 days that their access is made inactive after contacting their managers to check if they may be on long-term absence.</p>

- Key
- High – Significant effect on control system and/or financial statements
  - Medium – Limited impact on control system and/or financial statements
  - Low – Best practice for control systems and financial statements

# Action plan – financial statements audit (2)

Assessment	Issue and risk	Recommendations
<div> <div>●</div> <div>Medium</div> </div>	<div> <div>3. Capital grants received in advance</div> <div>Due to time pressures, management did not complete work on capital grants received in advance and it was not included within the draft financial statements. The capital grants received in advance figure is immaterial. We have performed additional work to gain assurance that the omission does not cause material misstatement of the accounts.</div> </div>	<div> <div>We recommend that the capital grants received in advance work is concluded in conjunction with production of the draft financial statements.</div> <div>Management response</div> <div>We will review the timetable to ensure this is included for 2025-26.</div> </div>
<div> <div>●</div> <div>Medium</div> </div>	<div> <div>4. Capital accruals</div> <div>In our creditors and expenditure completeness testing, 3 errors were identified arising from management not completing their year-end review of capital accruals. The absence of these reviews results in incorrect recording of expenditure and increases the risk of material misstatement in the financial statements.</div> </div>	<div> <div>We recommend that management completes an annual review of capital accruals.</div> <div>Management response</div> <div>Management acknowledges the audit finding and agrees with the recommendation. A formal review of capital accruals will be incorporated into the year-end timetable to ensure completeness and accuracy of financial reporting including:</div> <div> <ul style="list-style-type: none"> <li>Adding a mandatory review and sign-off step for all capital accruals within the year-end process.</li> <li>Aligning the review process with the finance team’s year-end close schedule to ensure timely completion.</li> <li>Communicating the revised procedure and training with Finance and service teams ahead of the 2025/26 year-end close.</li> </ul> </div> </div>

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- Key

● High

– Significant effect on control system and/or financial statements

● Medium

– Limited impact on control system and/or financial statements

● Low

– Best practice for control systems and financial statements

# Action plan – financial statements audit (3)

Assessment	Issue and risk	Recommendations
<div> <div>●</div> <div>Medium</div> </div>	<div>5. Reconciliation between OVR310 and HB subsidy workbook</div> <div>We noted one customer and client receipts key sample with the difference of £48,607 between the OVR310 report and the NEC final HB workbook. Management explained that this discrepancy is due to timing differences between the subsidy year closing and the financial year-end, which are not perfectly aligned. The OVR310 report is run based on the financial year.</div>	<div>We recommend that management performs a reconciliation between the OVR310 report and HB subsidy workbook at year-end.</div> <div>Management response</div> <div>The OVR310 report and HB subsidy workbook will be reconciled at the year-end.</div>
<div> <div>●</div> <div>Medium</div> </div>	<div>6. Intangible assets not amortised</div> <div>Management identified that five assets with finite useful lives were not amortised during the year due to the incorrect useful life set up in the system. We re-performed management’s workings to confirm this finding and did not identify other instances.</div> <div>These assets currently have a net book value of £1.1m which is a trivial overstatement of the balance sheet for 2024-25. While the impact is immaterial for the current year, if not addressed by management, there is a risk that this issue could become material in future periods.</div>	<div>We recommend that management reviews and validates the useful lives of intangible assets on an ongoing basis.</div> <div>Management response</div> <div>We will review assets with missing useful lives and ensure that these are updated in 2025-26.</div>

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- Key

● High

– Significant effect on control system and/or financial statements
- Medium

– Limited impact on control system and/or financial statements
- Low

– Best practice for control systems and financial statements

# Action plan – financial statements audit (4)

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Low</div></div>	<p><b>7. Journals checklist</b></p> <p>Management’s journal processes require a journals checklist to be included as part of supporting journal evidence. We identified instances where the checklist was not included.</p> <p>In discussion with management, we understood that the quality control process is intended to include a review of journal entries and their supporting documentation, including the checklist. Where evidence is insufficient, the journal poster will be held accountable.</p> <p>Management confirmed that this control is not currently being performed. We reviewed the contents of the journal checklist and consider it an important element of the Authority’s internal processes. However, we do not believe its absence significantly increases the risk of fraud or material misstatement in the financial statements.</p>	<p>We recommend that that management ensures the journal checklist is included within the support evidence for every journal posted and that the relevant review around the checklist is performed per the journal postings process.</p> <p><b>Management response</b></p> <p>Management will review the controls for journals and issue a revised Required Financial Practice Note in 2025-26 and provide training to finance staff to ensure that the required controls are understood.</p>

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- Key
- High – Significant effect on control system and/or financial statements
  - Medium – Limited impact on control system and/or financial statements
  - Low – Best practice for control systems and financial statements



# Action plan – financial statements audit (5)

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p><b>8. Completeness of change in circumstances reports / retrospective payroll change reporting</b></p> <p>In sampling from the payroll changes in circumstances (CICs) listings, we noted that the 2024-25 reports have CICs with effective start dates dating back to 2021, hence showing changes occurring in previous financial years. Management informs that managers often submit payroll requests for changes retrospectively, contributing to incomplete listings for each financial year.</p> <p>We challenged management, who confirmed that the report is only used for audit purposes and therefore does not impact the accounts.</p>	<p>We recommend that managers should always report changes to employee assignments to payroll in a timely manner – immediately after manager approval, and the payroll team should ensure prompt processing of changes.</p> <p>In addition, managers should ensure justification of retrospective payroll changes is documented and approved and complete monthly review/reconciliation of pending payroll changes.</p> <p><b>Management response</b></p> <p>The Oracle change of contract process does follow an approval workflow where different levels of approval are required before any request is processed by payroll.</p> <p>Payroll promptly actions all changes within any payroll window to ensure payment in the following payroll period. Payroll saves any-off Oracle approvals in the Payroll Input folder showing the justification for the change and who it was approved by.</p> <p>We will look to develop a new report which shows all change of contract transactions for a given period with the status of each e.g. whether it's completed or pending approval. Will look to have this implemented by 28 February 2026.</p>

# Action plan – financial statements audit (6)

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p><b>9. Misclassification of action reason for work hour changes</b></p> <p>The changes in circumstances reports include entries under the 'Action reason' column marked as 'Change in work hours'. However, entries do not always reflect an actual change in total weekly working hours or FTE. Management confirmed that managers often select the incorrect action reason when submitting changes, or errors occur when payroll staff record and process these changes. Management clarified that the report is used solely for audit purposes and does not impact the accounts.</p>	<p>We recommend management introduces guidance and training for managers and payroll staff responsible for inputting payroll changes. We also recommend that these changes are reviewed following the change being made.</p> <p><b>Management response</b></p> <p>We are introducing Oracle Guided Learning (OGL) for the Oracle Change of Contract process. This will prompt managers to use the correct Action Types and Action Reasons when submitting a request. This will work across all change of contract types and hope to have this implemented by 31 January 2026.</p> <p>The new report (mentioned in action plan issue 8 above) will show all change of contract transactions for a given period with the status of each, and will also show each level of approver on completed changes. Will look to have this implemented by 28 February 2026.</p>

# Action plan – IT Audit (1)

Our IT Audit findings are set out on page 30 of this report. 3 significant deficiencies within IT controls relevant to the audit of the Authority’s financial statements were identified in the area of security management. Below we outline the findings and associated recommendations.

Assessment	Issue and risk	Recommendations
● High	<p><b>1. Excessive system administrative permissions assigned to business users</b></p> <p>During IT Audit's review of Oracle Fusion it was noted that certain business users, primarily from the HR and Payroll teams, were assigned system roles that included permissions for 'Manage menu customisations' and 'Functional setup manager'. Management was unable to confirm whether the users required all of the assigned permissions for their job responsibilities, as these permissions appear to include system administrative access and may provide elevated privileges beyond what is necessary for their business functions.</p> <p>The risk here is where system administrative permissions are assigned to business users without clear justification, there is a risk of unauthorised or unintended changes being made to system configurations. This may compromise system integrity, weaken segregation of duties, and increase the likelihood of errors or misuse of privileged access.</p>	<p>We that management enhances the existing Quarterly Logical Access Review process by incorporating a review of the detailed permissions within user roles, not just the role assignments themselves. This review should ensure that:</p> <ul style="list-style-type: none"><li>• Roles assigned to users remain appropriate for their job responsibilities; and</li><li>• The permissions embedded within each role are valid, necessary, and do not grant excessive or administrative access beyond what is required.</li></ul> <p>Any roles or permissions deemed inappropriate should be promptly adjusted or removed to uphold the principle of least privilege and maintain robust access controls.</p> <p><b>Management response</b></p> <p>We will review all the relevant roles and remove the administrative roles which they may not require for their job, ensuring that users can continue to carry out the necessary activities as part their normal duties.</p> <p>This will need to split into separate stages including review of the roles, feasibility to remove permissions, testing to ensure users can carry out their activities. Work has already progressed to develop this with full implementation expected in February 2026</p>

- Key
- **High** – Significant effect on control system and/or financial statements
  - **Medium** – Limited impact on control system and/or financial statements
  - **Low** – Best practice for control systems and financial statements

# Action plan – IT Audit (2)

Assessment	Issue and risk	Recommendations
● Medium	<p><b>2. Unnecessary system permissions not revoked promptly following user position change</b></p> <p>During IT Audit's review, it was identified that a user who had transitioned from a financial to a non-financial role retained certain financial system permissions beyond the effective date of the role change. Management clarified that although some financial system roles were not removed, the permissions could not be used to make changes to system data without other roles that had already been revoked.</p> <p>Where system access is not promptly updated following a change in user role, there is a risk that individuals may retain inappropriate access, potentially enabling unauthorised or erroneous transactions. Additionally, such accounts could be exploited by other users to bypass internal controls.</p>	<p>We recommend that management should enhance the Daily Position Change Check process to ensure that all permissions inconsistent with the user's new role are fully and promptly removed. This should include reviewing the current process to confirm that it captures all relevant permissions for removal and that the revocation is consistently executed and documented for each identified case.</p> <p><b>Management response</b></p> <p>There is a currently a process for checking position changes on a daily basis, where unnecessary roles will be removed. The example identified was a manual check that was missed. Additional training has been completed and process notes have been reviewed to ensure that the process is followed consistently going forward.</p>

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- Key
- High – Significant effect on control system and/or financial statements
  - Medium – Limited impact on control system and/or financial statements
  - Low – Best practice for control systems and financial statements

# Action plan – IT Audit (3)

Assessment	Issue and risk	Recommendations
● Medium	<p><b>3. Limited user access logging and monitoring</b></p> <p>During IT Audit's review, it was noted that system logging for user access and activity was limited. Specifically, the logs to capture user login history and record significant actions performed within the system were not enabled. Furthermore, there was no formal process in place for the routine monitoring of user activities, particularly for high-risk users. This hinders the timely identification of suspicious behaviour or unauthorised access and delayed appropriate remedial action.</p> <p>Without formal and regular reviews of system access and activity logs, inappropriate or anomalous user behaviour may go undetected. This increases the risk of unauthorised changes to configurations or data, particularly by privileged users, and may delay investigation and corrective action in the event of a security incident.</p>	<p>It is recommended that management considers enabling the Security Configuration Changes audit report in Oracle Fusion to capture key modifications to roles, privileges, and access policies. Management may also consider developing customised audit trails that reflect the Authority's specific operational and risk requirements.</p> <p>A formal, documented process should be established for the independent and periodic review of audit logs. This process should clearly define responsibilities, review criteria, and escalation protocols. It is further recommended that the scope of these reviews include privileged and administrative accounts to ensure adequate oversight of high-risk access. Identified issues should be investigated, with remedial actions taken and documented to support accountability and strengthen the control environment.</p> <p><b>Management response</b></p> <p>We will look to develop a report which shows user login history. These reports will be reviewed regularly to ensure users with administrative roles are only accessing the system in line with their job roles, to ensure only relevant active users are logging into the system. We will also look to review the capability within oracle to see if reporting on key modifications in the system routinely is feasible and review a process around this. We have carried out a review of audit logging for the specific business areas with their leads across all financially critical areas and has been found to be sufficient. Work has already progressed to develop this with full implementation expected in February 2026.</p>

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- Key
- High – Significant effect on control system and/or financial statements
  - Medium – Limited impact on control system and/or financial statements
  - Low – Best practice for control systems and financial statements

# Follow up of prior year recommendations (1)

We identified the following issues in the audit of the Authority’s 2023-24 financial statements, which resulted in 6 recommendations being reported in our 2023-24 Audit Findings Report. Management has implemented 3 of our recommendations with 3 recommendations in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	<p><b>1. FTE changes in circumstances (assessed as medium risk)</b> – In the prior year, in our changes in circumstances testing we identified one case which was a valid change but missed the appropriate approval. We raised a management action point (control weakness).</p> <p>Similarly, in the current year we tested 12 samples of FTE change in circumstances. We identified an incorrect FTE number in one of the samples. After several discussions with management, we found the report provided to audit team was inaccurate, with incorrect parameters used. Management subsequently provided a revised report with the correct parameters, and our testing was re-performed where we identified a new error. As a result, we needed to extend our testing, selecting an additional 14 samples. We found no errors in the additional sample, leading us to conclude that we could rely on FTE reports for our payroll substantive analytical procedures.</p> <p><b>Risk</b> – If proper protocols are not followed and the HR system is not updated in a timely manner, the FTE report may be inaccurate resulting in incorrect employee benefits paid and incorrect records maintained.</p> <p><b>Recommendation</b> – Management should review FTE reports to ensue that the FTE CiCs are updated in a timely and accurate manner.</p>	<p>This new report has been developed and is now in use as and when required. The report shows all assignment changes for any given period(s) and matches with what is shown on the Oracle history screens.</p> <p>The FTE report is now also in use and includes all current employees as well as any leavers in a given period(s).</p>

# Follow up of prior year recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p><b>2. Property, plant &amp; equipment (PPE) (assessed as medium risk)</b> – On examining the FAR and conducting audit procedures to reconcile the PPE note in the financial statements with the trial balance and the valuer’s report, we found that management had not included OLB assets amounting to £18.5m in the FAR, as indicated in the valuer’s report. When challenged, management explained that they were not satisfied with the valuation of those assets and therefore did not update their revalued amounts in the FAR.</p> <p>We also identified that council dwellings of £26.7m were not revalued in-year. In raising this issue, management decided to revalue these assets due to their materiality. The FAR and PPE note were updated on receipt of the final valuation report and necessitated significant changes to the PPE note.</p> <p>Furthermore, we found errors in the PPE note regarding PPE transfers, additions, and revaluations leading to multiple iterations of the disclosure. We also identified material issues in the assets under construction balance.</p> <p>We have also reported errors in relation to the disclosed gain on disposal, with an overstatement of £10.5m in the financial statements.</p> <p><b>Risk</b> – Incorrect PPE valuations and errors within PPE transfers, additions, disposals and assets under construction can result in material inaccuracies within the PPE note and Balance Sheet.</p> <p><b>Recommendation</b> – A detailed reconciliation, by asset category, must be performed on a regular (monthly or quarterly) basis between the FAR and general ledger, with a full reconciliation of both at year-end to the valuer’s reports. This will ensure any discrepancies or inconsistencies between the FAR, ledger and valuer reports are identified and resolved in a timely manner.</p>	<p>The finance team reviewed the asset register and focused on fixing the most material issues for 2024-25, this resulted in prior period adjustments made to the draft financial statements as detailed on page 29.</p> <p>Further work planned and resourced for 2025-26 to enhance the quality of data held by the Authority to make this more robust in years to come.</p>

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# Follow up of prior year recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	<p><b>3. Bank reconciliation statement (BRS) (assessed as medium risk)</b> – We observed discrepancies between the Authority’s bank statements and the general ledger. We noted that the general ledger balance for the bank accounts did not match the general ledger bank balance in the bank reconciliation statements.</p> <p><b>Risk</b> – If the bank reconciliation statements are not correctly prepared it may lead to material issues and unexplained reconciling items.</p> <p><b>Recommendation</b> – The preparation of the BRS should be reviewed in detail with monthly reconciliations to investigate any reconciling items. <b>3. Bank reconciliation statement (BRS) (assessed as medium risk)</b> – We observed discrepancies between the Authority’s bank statements and the general ledger. We noted that the general ledger balance for the bank accounts did not match the general ledger bank balance in the bank reconciliation statements.</p> <p><b>Risk</b> – If the bank reconciliation statements are not correctly prepared it may lead to material issues and unexplained reconciling items.</p> <p><b>Recommendation</b> – The preparation of the BRS should be reviewed in detail with monthly reconciliations to investigate any reconciling items.</p>	<p>Cash in transit codes were amended by Finance Business Partners to debtor codes for the corresponding service area.</p> <p>The amendments were setup by IT on Pay360 to ensure correct allocation.</p> <p>Continuous monitoring is applied to ensure correct codes are used.</p>



# Follow up of prior year recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p><b>4. Property, plant &amp; equipment – valuation of PPE (assessed as high risk)</b> – We identified several errors within PPE in relation to the reconciliation between the fixed asset register (FAR) and the valuation reports, and there been adjustments to addition and disposals. In addition, management revalued assets during the audit that were initially missed from the valuation process.</p> <p><b>Risk</b> – Weakness in the PPE valuation process increases the risk of misstatements in the financial statements. This causes delays to the audit and takes up considerable officer time in resolving errors and issues identified.</p> <p><b>Recommendation</b> – Management must strengthen the PPE valuation process to ensure accuracy of financial reporting. We recommend that:</p> <ol style="list-style-type: none"> <li>1. Management carries out the PPE valuation as at 31 March (financial year-end) rather than as at 1 April.</li> <li>2. There must be a co-ordinated effort by both the finance and estate teams to ensure that all assets requiring revaluation are correctly identified and for the valuer to be provided with all required information.</li> <li>3. Management needs robust review procedures to be in place to ensure that the FAR reconciles with the valuation report and with the financial statements.</li> <li>4. Management must check that other linked balances (additions, disposals, revaluation reserve, surplus or deficits on the revaluation reserve, gains or losses on asset disposal) are consistent with the PPE note and consistent with the FAR where applicable.</li> </ol>	<p>Management carried out a review of asset revaluations and sent far more assets to be revalued than it would in a normal year in order to provide greater assurance that the valuations are up to date.</p> <p>Further work is planned and resourced for 2025-26 to build on the work undertaken so far and make this more robust in future years.</p>

# Follow up of prior year recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	<p><b>5. Review of subsidiary accounts and consolidation workings (assessed as medium risk)</b> – Management does not currently perform a detailed review of subsidiary accounts and consolidation working papers before recording the amounts in the financial statements. This lack of review increases the risk of errors and misstatements in the consolidated financial statements.</p> <p><b>Risk</b> – Without a thorough review process, there is higher likelihood of inaccuracies in the financial statements, which could lead to incorrect financial reporting and potential non-compliance with accounting standards.</p> <p><b>Recommendation</b> – Management should implement a control procedure to conduct a detailed review of all subsidiary accounts and consolidation working papers. This review should be performed by an individual/team before the amounts are recorded in the financial statements. The review process should include verifying the accuracy and completeness of the subsidiary accounts and ensuring that all consolidation adjustments are appropriately documented and applied.</p>	<p>The working papers for consolidation were revised this year, based on guidance from CIPFA. The subsidiary accountants reviewed the consolidation to ensure that items were correctly classified.</p>
In progress	<p><b>6. Council dwellings (assessed as medium risk)</b> – Management uses a beacon basis for council dwelling valuation. There are approximately 90 beacon groups which are varied by another 200+ variants to reflect the various characteristics of the remaining dwellings. Detailed testing of the beacon groups was performed in 2021-22 with no issues noted. However, management has not updated or reviewed the beacon analysis since 2021-22 as part of their valuation exercise.</p> <p><b>Risk</b> – Failing to update or review the beacon analysis as part of the valuation exercise poses risk of inaccurate valuation and could result in material inaccuracies within the PPE note and Balance Sheet.</p> <p><b>Recommendation</b> – Management should regularly update and review their beacon analysis as part of the council dwellings valuation exercise. This would provide assurance that net book value of council dwellings is not materially different from the current value.</p>	<p>Management has reviewed the guidance on stock valuation to identify under what circumstances Beacons need to be updated and is satisfied that the Beacons remain appropriate for the existing HRA assets. New HRA assets were revalued site by site which ensures that these valuations are sufficiently accurate for the accounts.</p>

# 09 Value for money arrangements


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# Value for money arrangements

## Approach to value for money work for the year ended 31 March 2025


The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.




**Improving economy, efficiency and effectiveness**

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



**Financial sustainability**

How the body plans and manages its resources to ensure it can continue to deliver its services.



**Governance**

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we identified three significant weaknesses in arrangements. Two significant weaknesses are within financial sustainability and one in improving economy, efficiency and effectiveness. Full details are included in our 2024-25 Auditor's Annual Report, presented to Audit & Standards Committee in September 2025.

# **10 Independence considerations**

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# Independence considerations (1)

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no independence matters that we would like to report to you. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group and Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Independence considerations (2)

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. See below non-audit related services charged for the 2024-25 financial year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees	Threats identified	Safeguards
<b>Audit-related</b>			
Housing Benefits Assurance Process	£29,220 plus day rate of £1,500 for additional work required	Self-interest because this is a recurring fee  Self-review because GT provides audit services	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fixed fees for this work total £51,720 in comparison to the total fee for the audit scale fee of £545,235 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self-review threat, the timing of certification work is done after the audit is complete, materiality of the amounts involved to our opinion and unlikelihood of material errors arising, and the Authority has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers' Pension Return	£12,500	Self-interest because this is a recurring fee  Self-review because GT provides audit services	
Certification of Pooling of Housing Capital receipts return	£10,000	Self-interest because this is a recurring fee  Self-review because GT provides audit services	

# Fees and non-audit services (1)

Below, we confirm the 2024-25 audit fees charged to date and outlines. We also outline proposed additional fees arising from delays and challenges with the audit requiring unplanned input and additional audit resource.

Audit fees	Proposed fee per the Audit Plan £	Final fee £
Scale fee for Brent Council audit	545,235	545,235
Additional procedures/resources required (as described on pages 8-11)		
• IFRS 16*		TBC
• PPE valuations (including HRA garages)		10,000
• Prior period adjustments*		TBC
• Creditor and debtor sample selection		2,000
• Financial instruments		2,000
• Capital issues		2,500
• Additions		1,000
• Capital grants unapplied		1,500
Total audit fees	545,235	TBC

\*TBC as work in these areas remains in progress.



# Fees and non-audit services (2)

Audit-related fees	Final fee £
I4B Holdings Ltd audit	50,600
First Wave Housing Ltd audit	47,500
Overrun fees agreed (I4B and FWH)	4,000
Brent Pension Fund audit	105,000
Total audit fees (excluding VAT)	207,100

None of the above services were provided on a contingent fee basis.

# Fees and non-audit services (3)

Audit-related fees for other services	Proposed fee as the Audit Plan £	Final fee £
Certification of Housing Benefits Assurance Process – 2023-24	28,500	£29,220
Certification of Housing Benefits Assurance Process – 2024-25	28,500	£29,220
Certification of Pooling of Housing Capital Receipts return – 2024-25	10,000	10,000
Certification of Teachers' Pensions return – 2021-22	7,500	7,500
Certification of Teachers' Pensions return – 2022-23	10,000	10,000
Certification of Teachers' Pensions return – 2023-24	12,500	12,500
Certification of Teachers' Pensions return – 2024-25	12,500	12,500
<b>Total non-audit fees (excluding VAT)</b>	<b>£109,500</b>	<b>£110,940</b>

None of the above services were provided on a contingent fee basis.

# 11 Appendices

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# A. Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
For the statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence.	●	●
Not Significant matters in relation to going concern	●	●
Matters in relation to the Group audit, including: Scope of work on components, involvement of Group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the Group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

# A. Communication of audit matters with those charged with governance (2)

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

# B. DRAFT Audit opinion (1)

## DRAFT Independent auditor's report to the Members of the London Borough of Brent

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of London Borough of Brent (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2025, which comprise the Balance Sheet, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Cash Flow Statement, Notes and disclosures to the core statements, including a summary of significant accounting policies, Housing Revenue Account Income and Expenditure Statement, Collection Fund Account, the Notes to the Collection Fund accounts, Group Balance Sheet, Group Consolidated Income and Expenditure Statement, Group Cash Flow Statement, Group Movement in Reserves and Notes to the Group financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## B. DRAFT Audit opinion (2)

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance and Resource's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance and Resource's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance and Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance and Resource with respect to going concern are described in the relevant sections of this report.

## B. DRAFT Audit opinion (3)

### Other information

The other information comprises the information included in the Annual Governance Statement and the narrative report, other than the financial statements and our auditor's report thereon, and our auditor's report on the Pension Fund financial statements. The Corporate Director Finance and Resource is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year period for which the financial statements are prepared is consistent with the financial statements.



## B. DRAFT Audit opinion (4)

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority and the Corporate Director Finance and Resource

As explained more fully in the Statement of Responsibilities , the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Finance and Resource. The Corporate Director Finance and Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance and Resource determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance and Resource is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

## B. DRAFT Audit opinion (5)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

- We enquired of management and the Audit & Standards Committee concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit & Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

## B. DRAFT Audit opinion (6)

### Auditor's responsibilities for the audit of the financial statements cont.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraud in income and expenditure recognition, and potential management bias in determining accounting estimates for the valuation of land and buildings (including council dwellings and leases), the valuation of the pension fund net liability, and the completeness of expenditure accruals. We determined that the principal risks were in relation to manual journals that altered the Authority's financial performance for the year, post year-end and closing journal entries. Our audit procedures involved:

- Evaluation of the design effectiveness of controls that the Corporate Director of Finance Resource has in place to prevent and detect fraud;
- Analysis of the journals listing and determination of the criteria for selecting high risk unusual journals;
- Identification and testing of unusual journal entries made during the year and the accounts production stage for appropriateness and corroboration;
- Reviewing and testing transfer between the General Fund and HRA and inter-group journals.
- Challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuations, council dwelling valuations, PFI valuations, the valuation of the defined benefit net pension fund liability, grants and income recognition, PFI provisions, minimum revenue provision, and manual expenditure accruals; and
- Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

## B. DRAFT Audit opinion (7)

### Auditor's responsibilities for the audit of the financial statements cont.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations, council dwelling valuations, lease valuations, PFI valuations, depreciation, the valuation of defined benefit net pension fund liabilities, provisions, income and expenditure accruals, PFI liabilities, credit loss and impairment allowances, and fair value estimates. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;

Page 202 knowledge of the local government sector in which the group and Authority operates; and

understanding of the legal and regulatory requirements specific to the Authority and group including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- The Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## B. DRAFT Audit opinion (8)

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing further to report except that on 25 September 2025, we identified three significant weaknesses:

- Two significant weaknesses in relation to Financial Sustainability; and
- One significant weakness in relation to Improving Economy, Efficiency, and Effectiveness.

### Financial Sustainability

#### 1. Significant weakness in setting realistic future budgets to avoid a draw on reserves and the use of Exceptional Financial Support

The Authority faced continued financial pressures in 2024–25. Service overspends of £15.5 million were covered using earmarked reserves, released after an exercise to re-purpose reserves to support the revenue budget and enhance financial resilience. Rising demand pressures, particularly in temporary accommodation and social care, has made delivering balanced budgets increasingly challenging. The Authority’s Medium-Term Financial Strategy anticipates a cumulative budget gap of £28 million by 31 March 2029.

We recommend the Authority must urgently take additional difficult decisions to ensure that a realistic budget can be set for next year and in the medium-term, so this can be delivered without the need to further draw on reserves nor Exceptional Financial Support from central government.

## B. DRAFT Audit opinion (9)

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources cont.

### 2. Significant weakness in Identification and delivery of savings

The Authority has yet to fully develop the pipeline of savings to close the projected budget gap of £28 million in the MTFS until 2028-29. Progress is being made with savings plans for 2026-27 identified as part of the budget setting process but a budget gap remains. To support this, the Authority is developing its Embrace Change Transformation programme, although this is currently in the early stages and lacks clarity and full organisational understanding and embedding.

Our recommendation states that it is critical that savings through the Embrace Change Transformation Programme are quantified and integrated into the Medium-Term Financial Strategy (MTFS) providing a pipeline of sufficient recurrent savings and income generation schemes supported by robust business cases through collaboration and business transformation.

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### Improving Economy, Efficiency, and Effectiveness

### 3. Significant weakness relating to serious failings in quality and safety standards (Housing)

There is a significant weakness in the Authority’s arrangements to deliver economy, efficiency and effectiveness in the Authority’s housing services, as indicated by the Regulator of Social Housing (RSH) awarding the Authority a ‘C3 grading’ in May 2025 for serious failings in meeting quality and safety consumer standards, following the self-referral made to the RSH by the Authority.

We recommend the Authority should ensure that governance and oversight arrangements for the Housing Improvement Plan provide assurance for officers and Members over timely delivery of actions and that improvements are sustained and embedded across housing services.

## B. DRAFT Audit opinion (10)

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks;
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## B. DRAFT Audit opinion (11)

### Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for London Borough of Brent for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

### Use of our report

This report is made solely to the Members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

[\*\*Signature\*\*]

**Sophia Brown**, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[\*\*Date\*\*]





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# Audit Findings Report (ISA 260) for Brent Pension Fund

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Year ended 31 March 2025

3 December 2025



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03 December 2025

Dear Cllr Jumbo Chan

## **Audit Findings Report for the Brent Pension Fund for the year ended 31 March 2025**

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

### **Chartered Accountants**

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DRAFT –

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Matt Dean

Director  
for Grant Thornton UK LLP

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#### Chartered Accountants

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# Headlines and status of the audit

# Headlines

## Financial statements

### Introduction

These are the key findings and other matters arising from the statutory audit of Brent Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

### ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

### Audit Work

Our audit work was completed during July to September 2025. Our findings are summarised on pages 35 to 41.

We have identified one disclosure adjustment to the notes to the financial statements that has resulted in a **£45 million** adjustment to the Pension Fund's Capital Commitments Disclosure Note. As this is a disclosure amendment, it has no impact on the reported position of the Fund as at 31 March 2025. Audit adjustments are detailed on page 35.

We have identified **£3.718 million** of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed on page 36.

In addition an unadjusted classification error has been identified within our testing of Transfers Out. Two errors were noted in relation to amounts the pension fund had received in error and subsequently refunded to the relevant individuals. The sum of the errors was extrapolated over the absolute population for Transfers Out for which a projected misstatement of **£1.214 million** was identified. These unadjusted differences are detailed on page 37.

Management is proposing not to amend the financial statements on the basis that the above differences are not material both quantitatively and qualitatively. The Audit and Standards Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out on page 39. Our follow up of recommendations from the prior year's audit are detailed on pages 42 through 44.

*Continued overleaf*



# Headlines

## Financial statements

### Audit Work - continued

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- receipt and review of the Pension Fund Annual Report;
- receipt of management representation letter; and

review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. As the Administering Authority audit will not be finalised until after this date we are unable to issue our final audit opinion on the Pension Fund financial statements until it is and therefore our final consistency report has also not yet been produced. The Fund has published the Annual Report without our report but with an explanation for the delay on its website.

We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts and our work on the Annual Report has been completed. This is expected to be in January 2026 ahead of the statutory deadline of 27 February 2026.

# Headlines

## Local & National Context – Administration and Governance

The total membership of the Brent Pension Fund was 22,794 people as at the end of March 2025. Of this number around one third are active employees who still contribute to the scheme. In total, there were 44 active employers covered by Brent Pension Fund at the end of March 2025.

We have received requests from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2024/25 IAS 19 valuation process. This work has been substantially completed and appropriate assurances will be provided in due course.

## National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2025 are estimated to be approximately **£61.2 million**. The deficit recovery period is 20 years. Contributions will decrease slightly from 33.5% in 2023-24 to 32% of pensionable pay in 2024/25.

The 2025 triennial valuation is now well progressed with cleansed information being provided to the actuary in August. Preliminary results are expected in the autumn and the anticipation is that funding levels across the sector will improve.

# Headlines

## Local & National Context – Investments and Funding

The net assets of Brent Pension Fund as at the end of March 2025 amounted to **£1,312.8 million** (31 March 2024: **£1,261.2 million**).

At the end of May 2025 the Government published its response to the ‘Fit for the Future’ consultation. Its key proposals include:

- **reforming asset pooling** - transferring all assets to the management of the pool alongside taking principal investment advice from the pool and delegating implementation of the investment strategy to the pool
- **boosting investment in local areas and regions** - setting out the approach to local investment in the Investment Strategy Statement and working with relevant Strategic Authorities to identify suitable local investment opportunities, and
- **strengthening the governance of LGPS Administering Authorities and LGPS pools** - undertaking an independent governance review once in every three-year period, have an independent advisor without voting rights, rather than an independent member of a committee and prepare strategies on governance, knowledge and training and administration.

The minimum standards for pooling and the independent governance review will be introduced in the Pension Schemes Bill which is about to enter the Committee stage in Parliament. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements.

The Fund is in the London CIV pool and already well advanced with pooling. During 2024/25 the Fund continued to move assets into the pool.

As at 2024/25 year end, there is 1 new Investment (LCIV UK Housing Fund £15m) through the London CIV (level 2) and £45m has been committed to also LCIV Private Debt II Fund with the initial contribution within 25/26 FY.

Pooled funds with the London CIV now represent **£435.6m** of the fund’s **£1,310.3m** net investments. Assets under LGIM and BlackRock are classed as under pooled management **£765.4m**. Therefore, the total pooled, or under pooled management are **£1,200.9m**, which is 92% of the funds net investment assets. .

# Financial statements

# Financial statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Brent Pension Fund, the Audit and Standards Committee fulfil the role of those charged with governance. The Audit and Standards Committee considers the draft financial statements and is part of the overall member oversight process. We have determined they are an appropriate sub-group to communicate with under ISA (UK) 260.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

# Financial statements (continued)

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 3 December 2025, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

# Materiality

# Our approach to materiality

As communicated in our Audit Plan dated April 2025, we determined materiality at the planning stage as **£23.9m** based on 1.9% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024-25 figures in the draft financial statements. The updated materiality was determined as **£24.9m** based on 1.9% of Gross Investment Assets as at 31 March 2025.

A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- We have determined materiality at **£24.9 million** based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.
- We have used 1.9% of gross investment assets as at 31 March 2025 as the benchmark for our materiality.
- The benchmark percentage applied has increased from 1.5% in the prior period audit, to 1.9%, based on the following factors:
  - The Fund's portfolio being primarily level 2 assets, for which market data is available for audit purposes.

## Performance materiality

- We have determined performance materiality at **£18.7 million**, which is based on 75% of headline materiality. We have revised the performance materiality due to the actual gross investment assets changing from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

## Specific materiality for the Fund Account

- We have determined a lower separate materiality for the Fund Account at **£7.4 million**, this is based on 10% of gross expenditure (in the fund account) as at March 2025. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have revised the fund account materiality as a result of revised gross expenditure figure on 2024-25 draft financial statements.
- **Reporting threshold**
  - We will report to you all misstatements identified in excess of **£1.2 million**, in addition to any matters considered to be qualitatively material.



# Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	24,895,700	The Fund’s portfolio is primarily level 2 assets, for which market data is available for audit purposes. Headline Materiality for planning equates to 1.9% of your gross investment assets as at 31 March 2025.
Performance materiality	18,671,775	Performance Materiality is based on a percentage (75%) of the overall materiality.
Specific materiality for the fund account	7,430,000	<p>The contribution and benefit structures of the Fund are of moderate complexity. There are 44 employers in the scheme, of which the London Borough of Brent, itself, represents 79% of total contributions.</p> <p>Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2025.</p>
Trivial matters - reporting threshold	1,244,785	Triviality is based on 5% of the overall materiality

# Overview of audit risks

# Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks (SCOT+).

Material only are material financial statement line items not associated with risks of material misstatement.

Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

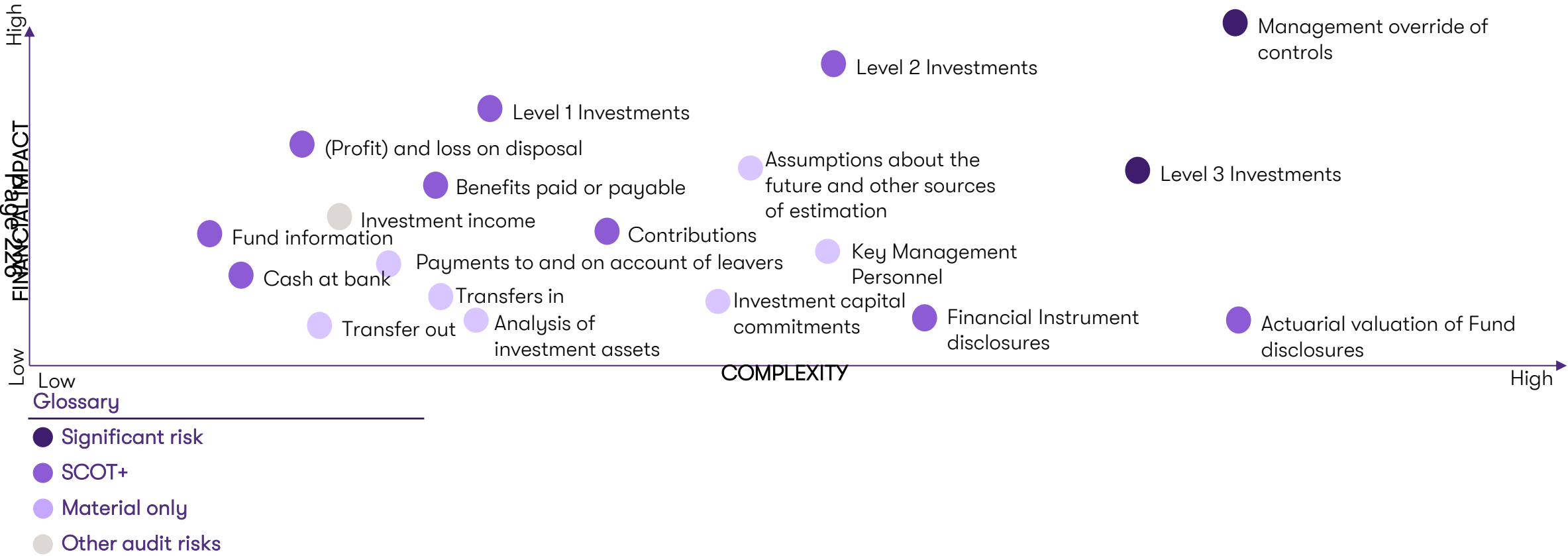
In the graph overleaf, we have presented the, significant risks, SCOT+, material only and other risks relevant to the audit.

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# Overview of audit risks

There have been no changes to the audit risk assessment communicated in our audit plan.



# Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of Level 3 Investments	Significant	↔	✗	High	●
Valuation of Level 2 Investments	SCOT+	↔	✗	Medium	●
Valuation of Level 1 Investments	SCOT+	↔	✗	Low	●
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	SCOT+	↔	✗	Medium	●
Cash and cash equivalents	SCOT+	↔	✗	Low	●
Contributions Receivable	SCOT+	↔	✗	Low	●
Benefits Payable	SCOT+	↔	✗	Low	●
(Profit) and loss on disposal and changes in value of investments	SCOT+	↔	✗	Low	●

- ↑

Assessed risk increased since audit plan
- ↔

Assessed risk consistent with audit plan
- ↓

Assessed risk decrease since audit plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant changes to disclosures within the financial statements

# Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
<div>Management override of controls</div> <div>in accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.</div> <div>Significant</div>	<div>As part of our audit procedures, we have:</div> <div><div>1. Evaluated the design and implementation of relevant controls around the financial reporting process.</div><div>2. Challenged management’s key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias.</div><div>3. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.</div><div>4. Used our data analytic software (‘Inflo’) to interrogate journal entries, with particular focus on those journal entries that exhibited unusual characteristics such as journals with unusual posting combinations, journals that were back-posted or journals that were posted by unusual users. Journal entries identified as high risk were then tested to supporting documentation</div></div>	<div>From the work completed we have noted no material adjustments or findings in relation to management override of controls. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology.</div>

# Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of level 3 investments</b></p> <p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p> <p><b>Significant</b></p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Evaluated the design and implementation of relevant controls of management’s process for valuing Level 3 investments.</li><li>2. Obtained and reviewed the audited financial statements for Level 3 Funds.</li><li>3. Obtained an investment manager report for the same date as the audited financial statements and compared the two valuations.</li><li>4. Obtained purchase and sale transactions in respect of the investment near the reporting date, compare the transaction price to the reported price at year-end</li><li>5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts.</li><li>6. Challenged management’s classification of the assets.</li><li>7. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.</li></ol>	<p>From the work performed we have identified a <b>£3.7 million</b> under-statement of the Net Assets of the Fund in respect of the valuation of level 3 investments due to Northern Trust (the custodian) sending out statements on the last day of the quarter, however, these are based on the previous quarter’s price, this contributed to the variance noted above. Further information on this can be found within the Unadjusted Misstatements section of this report.</p> <p>We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.</p>

# Other findings



# Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

## Summary of management's approach

### Level 3 investments - £113.8 million

The Pension Fund has investments in Private equity, infrastructure and private debt, that total **£113.8 million** on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

The value of the investment has decreased by **£8.9 million** in 2024/25, largely due to decrease in Capital Dynamics Private Equity fund investments. The net year on year movement of Capital Dynamics Private Equity fund was a reduction in value of £15.8 million. The majority of the Capital Dynamics private equity mandate has now been returned to the Fund as cash. During 24-25, cash returned to the Fund totalled c£8.6m and the Market Value decreased by c£7m.

## Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – the investment managers
2. Reviewed the audited financial statements of the investment accounts.

(continued overleaf)

# Other findings – key judgements and estimates (continued)

## Audit comments (continued)

3. Ensured consistency of the investment management report with the financial statements
  4. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate)
  5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
  6. Considered the completeness and accuracy of the underlying information used to determine the estimate
  7. Considered the impact of any changes to valuation method from the prior period
  8. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
- Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.
- We did identify a **£3.7 million** under-statement in respect of the valuation of level 3 investments due to Northern Trust (the custodian) sending out statements on the last day of the quarter, however, these are based on the previous quarter's price, this contributed to the variance noted above.

## Assessment

- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

## Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Other findings – key judgements and estimates (continued)

## Summary of management's approach

### Level 2 investments - £1,132.9 million

The Pension Fund has investments in Pooled investments, and Pooled property investments that total **£1,132.9 million** on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Fund Sub Committee, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

Most of these investments are not traded on an open exchange/market and to determine the value, management rely on the valuations provided by the investment managers.

The value of these investments has increased by **£40.4 million** in 2024/25, largely due to Change in Market Value of Pooled Investments and additional investment in the LCIV UK Housing Fund where the Pension Fund invested a further **£15 million** during the financial year.

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## Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – the investment manager
2. Ensured consistency of the investment management report with the financial statements

(continued overleaf)

# Other findings – key judgements and estimates (continued)

Audit comments (continued)	
Page 234	3. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate)
	4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts
	5. Considered the impact of any changes to valuation method from the prior period
	6. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
	7. Evaluate managements classification within the fair value hierarchy.
	Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the CIPFA Code, and the estimate is adequately disclosed in the financial statements.

Assessment	
	● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate ‘IT Audit Findings’ report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Change management	Batch scheduling	
General Ledger – Oracle Fusion	Detailed ITGC assessment (design effectiveness only)	<div>● [Red]</div> *See overleaf for a significant deficiency	<div>● [Red]</div>	<div>● [Green]</div>	<div>● [Green]</div>	Management override of controls
Pension Administration System (UPM by Civica)	ITGC assessment	<div>● [Green]</div>	<div>● [Green]</div>	<div>● [Green]</div>	<div>● [Green]</div>	Contributions receivable, Benefits payable and the actuarial valuation

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

# Other findings – Information Technology (continued)

As a result of the IT Audit, the following deficiencies have been identified:

- DISC1 - Significant Deficiency: This relates to excessive system administrative permissions assigned to business users without clear justification a risk of unauthorised or unintended changes being made to system configurations. This may compromise system integrity, weaken segregation of duties, and increase the likelihood of errors or misuse of privileged access.
- DISC2 - Deficiency: User initials 'SR', has unnecessary system permissions not revoked promptly following user position change with the risk that the user may retain inappropriate access to the system.
- DISC3- Deficiency: Finally system logging for user access and activity was limited and without formal and regular reviews of system access and activity logs, inappropriate or anomalous user behaviour may go undetected.

These are detailed further in our separate 'IT Audit Findings' report which has been shared with management. There was no direct impact on the planned financial audit approach of the Fund. We have also provided recommendations regarding the above within 'IT Audit Findings' report.

# Communication requirements and other responsibilities

# Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	Matters in relation to related parties	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
Page 238	Written representations	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Pension Fund, which is included in the Audit and Standards Committee papers. We have not requested that management make any non-standard representations.</li> </ul>
	5 Confirmation requests from third parties	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted and the requests were sent. We have received all requests.</li> </ul>
6	Disclosures	<ul style="list-style-type: none"> <li>Our work identified one material omission, in relation to Note 24 Capital Commitments, which we identified had been understated by £45 million as a new commitment made close to year end had been omitted. Management has agreed to adjust the accounts accordingly.</li> </ul>
7	Audit evidence and explanations	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>



# Other communication requirements (continued)

## Going Concern

### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

### Commentary

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

(continued overleaf)

# Other communication requirements (continued)

## Going Concern

### Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# Other responsibilities

Issue	Commentary
Other information	<p>The Pension Fund is administered by the London Borough of Brent (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>Our work is complete. We have not found any issues regarding your other information.</p>
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>We have reviewed annual report and can report that the financial statements included therein are consistent with the audited financial statements.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>

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# Audit adjustments

# Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance. We have noted no adjusted misstatements which impact upon the balances reported in Net Assets Statements and Fund Account.

Disclosure misstatement	Auditor recommendations
<p><b>Note 24 – Contingent liabilities and capital commitments</b></p> <p>As part of our review of Capital Commitments we noted that Brent Pension Fund has <b>£45 million</b> commitment as an eligible investor into LCIV Private Debt Fund II had been omitted from the draft disclosure.</p>	<p>We recommend that management update the final version of the SOA to reflect this.</p> <p><b>Management response</b></p> <p>This update has been processed in the final set of accounts.</p>
<p><b>Note 17 – Nature and extent of risks arising from financial instruments.</b></p> <p><b>b.) – Credit Risk</b></p> <p>Casting error - the total under Note 17b Credit Risk Exposure for 31 March 2025 is listed as being <b>£44.1 million</b> instead of <b>£63.5 million</b>.</p>	<p>We recommend that management update the final version of the SOA to reflect this.</p> <p><b>Management response</b></p> <p>This update has been processed in the final set of accounts.</p>
<p><b>Various notes</b></p> <p>There were various spelling, formatting, casting and other minor adjustments made as a result of the audit process. These were not individually significant</p>	<p>We recommend that management update the final version of the SOA to reflect these minor amendments.</p> <p><b>Management response</b></p> <p>These updates have been processed in the final set of accounts.</p>

# Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total net assets per final accounts					1,312,800	
1	Differences identified between the value of level 3 investments disclosed in the financial statements and the capital statements as at 31 March 2025.						The Pension Fund has not adjusted the error as below Performance Materiality
	Level 3 investments: LCIV Infrastructure Fund is understated by <b>£3,507,688</b> ;						
	Alinda Infrastructure Parallel Fund III, is understated by <b>£236,074</b> ; and Capital Dynamics: the investments are understated by an aggregate variance of <b>£25,842</b> .			3,718			
1	Profit and loss on disposal of investments and changes in value of investments				(3,718)		
	Total net assets – recalculated to include unadjusted misstatements					1,316,518	

# Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total Net Assets Account£'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total Net Assets per Final Accounts					1,312,800	
2	Within our testing of Transfers Out, two errors were identified. Both were in relation to amounts the fund received in error and subsequently refunded to the relevant individuals. These were not genuine Transfers Out, but were reversals of Transfers Ins. The sum of the errors has been extrapolated over the absolute population of Transfers out, which resulted in a projected misstatement of £1,214k. This is a classification error and has nil impact on the closing Net Assets figure.						The Pension Fund has not adjusted the error as below Performance Materiality
2	Transfers In	1,214					
2	Transfers Out		(1,214)				
	Total Net Assets– recalculated to include unadjusted misstatements					1,312,800	

# Unadjusted misstatements

This is an unadjusted misstatement identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

This unadjusted misstatements does not impact upon the balances reported in Net Assets Statements and Fund Account.

Disclosure misstatement	Auditor recommendations
<div>Page 246</div> <p><b>Note 9 – Benefits Payable</b></p> <p>As per CIPFA Code <b>6.5.5.1 (a)</b> guidance Benefits Payable should be disclosed separately on the Note for the Administering authority, Scheduled bodies and admitted bodies.</p>	<p>We recommend that management update Note 9 to ensure the total benefits payable are presented separately for the administering authority, scheduled bodies and admitted bodies .</p> <p><b>Management response</b></p> <p>Management has confirmed that the Oracle Payroll system has prevented them to be able to separate the Administering Authority and the Scheduled bodies Benefits payables until December 2024. As they had made transition from the Oracle Payroll to LPPA system, this is now possible from January 2025 onwards. Management is confirming that for 25/26 accounts, the Benefits payable will be provided on separate lines on Note 9 for Administering authority, scheduled bodies and admitted bodies.</p> <p>Target date: 25/26 SoA</p>



# Action plan

We have identified below three recommendations for the Pension Fund in the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2025/26 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● [Red]	<p><b>Excessive System Administrative Permissions Assigned to Business Users</b></p> <p>During our review, we noted that certain business users, primarily from the HR and Payroll teams, had been assigned system roles that included permissions for 'Manage Menu Customisations' and 'Functional Setup Manager'. The entity was unable to confirm whether the users required all of the assigned permissions for their job responsibilities, as these permissions appear to include system administrative access and may provide elevated privileges beyond what is necessary for their business functions.</p> <p><b>Risk</b> Where system administrative permissions are assigned to business users without clear justification, there is a risk of unauthorised or unintended changes being made to system configurations. This may compromise system integrity, weaken segregation of duties, and increase the likelihood of errors or misuse of privileged access.</p>	<p>It is recommended that management enhance the existing Quarterly Logical Access Review process by incorporating a review of the detailed permissions within user roles, not just the role assignments themselves.</p> <p><b>Management response</b></p> <p>We will review all the relevant roles and remove the administrative roles which they may not require for their job, ensuring that users can continue to carry out the necessary activities as part their normal duties.</p> <p>This will need to split into separate stages including review of the roles, feasibility to remove permissions, testing to ensure users can carry out their activities. Work has already progressed to develop this with full implementation expected in February 2026.</p> <p>Target date: 28-Feb-2026</p>

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Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

# Action plan

	Assessment	Issue and risk	Recommendations
1	● [Amber]	<p><b>Transfers In made in error, to be reversed instead of being recorded as Transfers Out</b></p> <p>During our testing of Transfers Out, two errors were identified. Both were in relation to amounts the fund received in error and subsequently refunded to the relevant individuals. These were not genuine Transfers Out, but were reversals of Transfers In. The sum of the errors has been extrapolated over the absolute population of Transfers out, which resulted in a projected misstatement of £1,214k. This is a classification error and has nil impact on the closing Net Assets figure.</p> <p><b>Risk</b> Where reversed Transfers In are classified as Transfers Out, it results in both Transfers Out and Transfers In to be overstated. Significantly large Transfers In in error that are classified as Transfers will result in errors within the financial statement that are material.</p>	<p>It is recommended that management incorporates a review of Transfers In and ensures if there are not genuine Transfers In, when they are returned, they are reversed, instead of being recorded as Transfers Out.</p> <p><b>Management response</b> The Brent Pension Fund has taken away these findings and resolved to create a new distribution set which allows the fund to refund erroneous Transfer Ins and reverse the income on the Transfer Ins code. The distribution set can be used in the future to reverse an incorrect transfer in and make a payment by BACS</p> <p>Management have reviewed the second error identified. This transaction reversed correctly and doesn't result in transfers in and out to be overstated.</p> <p>Target date: 30-Nov-2025</p>

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

# Action plan

Assessment	Issue and risk	Recommendations
1	<div><div>● [Amber]</div><div><b>Benefits Payable Note 9</b><p>As per CIPFA Code <b>6.5.5.1 (q)</b> guidance Benefits Payable should be disclosed separately on the Note for the Administering authority, Scheduled bodies and admitted bodies.</p><p><b>Risk</b></p><p>Combining administering authority and scheduled bodies in Note 9 (Benefits Payable) breaches Code paragraph <b>6.5.5.1(q)</b>, reducing transparency and comparability. This may lead to non-compliance findings, audit challenge, and governance concerns as stakeholders cannot assess employer-specific benefit trends.</p></div></div>	<div><div><b>Management response</b></div><div>The management has confirmed that the Oracle Payroll system has prevented them to be able to separate the Administering Authority and the Scheduled bodies Benefits payables until December 2024. As they had made transition from the Oracle Payroll to LPPA system, this is now possible from January 2025 onwards. The management is confirming that for 25/26 accounts, the Benefits payable will be provided on separate lines on Note 9 for Administering authority, scheduled bodies and admitted bodies.</div><div>Target date: 25/26 SoA</div></div>

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

# Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	<div><div>✓</div><div><p><b>Fund’s process of monitoring performance</b></p><p>During our risk assessment and planning procedures, it came to light that management of the Fund does not utilise internally generated outturn reports to monitor and report their financial performance and expenditures, a standard practice for pension funds. These reports offer a comprehensive overview of actual financial outcomes in comparison to budgeted amounts, serving as an effective tool for tracking financial performance. Instead, they rely on investment monitoring reports generated by Hymans Robertson (the actuary) at Q3, 2023, and Q1, 2024.</p><p><b>Risk</b></p><p>There is a potential risk that the fund may not effectively monitor actual performance while waiting for the actuaries' reports.</p><p><b>Auditors' recommendation:</b></p><p>For the Fund to prepare and utilise quarterly outturn reports to measure the performance of the fund during the course of the year</p></div></div>	<p><b>Management Response:</b> Management currently does not have a M9 outturn report however, monitoring is completed on key areas. This includes investment monitoring reports, reconciliation and monitoring of contributions throughout the year, and an analytical review at year-end.</p>

**Assessment:**

- ✓ Action completed
- Work in progress / Partially addressed
- ✗ Not yet addressed

# Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<p><b>Agreement between the Fund and Custodian</b></p> <p>Through our examination of the service organizations utilized by the Fund, it was identified that the custody agreement between the Fund and Northern Trust was executed after the year-end, specifically on 20 June 2024. Discussions revealed that management held multiple meetings to conclude this agreement. Consequently, the Fund did not have a formally signed agreement for the financial year ending 31 March 2024.</p> <p><b>Risk</b></p> <p>Although we have not classified this as a significant risk, there is a possibility that during the period when the agreement was not signed, the custodian may not be legally bound by the agreement and, therefore, not liable for any actions.</p> <p><b>Auditors' recommendation</b></p> <p>It is recommended that the Fund ensure all legal contracts relating to the financial year are signed within that year.</p>	<p>Please, note that Master Custody agreement is valid for three years from the effective date June 2024. Therefore, it was not required to obtain a new contract in 2024-25.</p> <p>Based on the above, we have marked this recommendation as Action completed. This will be revisited once the contract comes back up for renewal.</p>

Assessment:

- ✓ Action completed
- Work in progress / Partially addressed
- ✗ Not yet addressed

# Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✖	<p><b>School Employer Contribution Rates</b></p> <p>From our testing over the employee/employer contributions we noted that the Pension Fund reviews the contributions schedules at the beginning of each year to ensure that the right employer contributions are paid, and instructions are issued to school/payroll providers.</p> <p>It was identified that a sample of schools had paid incorrect rate of employer contributions in 2023/24 as they had not updated the contribution rates.</p> <p><b>Risk</b></p> <p>There is a risk that incorrect contributions are recorded in the financial statements.</p>	<p>Please, note that the same issue has been encountered during 2024/25 audit.</p> <p>Therefore, we continue to highlight this as a weakness in the control environment and the prior year recommendation stands.</p> <p>It was noted that the management issues instructions to school/payroll providers, however, it is highlighted that appropriate review of correct contributions paid needs to take place at the beginning of the year.</p>

**Assessment:**

- ✓ Action completed
- Work in progress / Partially addressed
- ✖ Not yet addressed

# Independence considerations

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

Matter	Conclusion
Our firm provides audit services to the London Collective Investment Vehicle (LCIV)	We have concluded that these services would not have an impact on our independence, on the basis that these entities are legally and operationally independent from this pension scheme. In addition, these services are being provided by a team which is separate and independent from our audit team. The result of their work would not have any impact in the financial statements that are subject to our audit. We have considered that an objective reasonable and informed third party would concur with this conclusion.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. In this context, we confirm that there are no such matters.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.



# Independence considerations (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	Grant Thornton UK LLP have been appointed as the London CIV's new auditor. The London CIV are a LGPS asset pool for which Brent Pension Fund are one of the 32 Shareholders. We are satisfied that this does not impact upon our independence (see page 45).
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Fees and non-audit services

We confirm below are our final fees charged for the audit. There were no fees for the provision of non-audit services.

Audit fees	£
Audit of Pension Fund	105,000
ISA 315*	0
Total	105,000

ISA 315 is included within the published 2024/25 scale fees.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## Reconciliation to Financial Statements

Per Audited Financial Accounts Note 11 the audit fee is £105,000 for 24/25 fy.

# Appendices

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# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

### Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

## B. Internal controls

We confirm that we have not identified a deficiency or a significant deficiency in our evaluation of relevant controls for 2024/25.

Relevant controls are those that auditors believe may prevent, detect or correct a material misstatement.

We are satisfied that our audit findings in relation to IT Audit does not constitute deficiencies to relevant controls, in line with the above definition.



“The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.” (ISA (UK) 265)

# C. Our team and communications

Grant Thornton core team

**Matt Dean**  
Engagement Lead/  
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

**Saniya Malik**  
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

**Tamara Dolidze**  
Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

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	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Client Surveys</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• Audit Progress and Sector Update Reports</li><li>• The Audit Findings Report</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# D. Logistics

## The audit timeline



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### Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit and Standards Committee
- Issue the Audit Plan to management and Audit and Standards Committee
- Planning meeting with Audit and Standards Committee to discuss the Audit Plan

### Key elements

- Document design and implementation effectiveness of systems and processes
- Review of key judgements and estimates
- Issue Audit Progress Report and sector update to management and Audit and Standards Committee

### Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

### Key elements

- Draft Audit Findings Report issued to management
- Audit Findings meeting with management
- Draft Audit Findings Report issued to Audit and Standards Committee
- Audit Findings Report presentation to Audit and Standards Committee
- Finalise and sign financial statements and audit report





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	<b>Audit &amp; Standards Advisory Committee</b> 3 December 2025
	<b>Audit &amp; Standards Committee</b> 3 December 2025
	<b>Report from the Corporate Director of Finance &amp; Resources</b>
	<b>Lead Member – Deputy Leader &amp; Cabinet Member for Finance &amp; Resources</b> <b>(Councillor Mili Patel)</b>
<b>Statement of Accounts 2024/25</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not Applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Three: Appendix A: LB Brent Draft Letter of Representation Appendix B: LB Brent Pension Fund Draft Letter of Representation Appendix C: LB Brent Pension Fund Draft Audit Opinion
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Corporate Director of Finance & Resources 020 8937 6528 Email: Minesh.Patel@brent.gov.uk

## 1.0 Purpose of the Report

- 1.1 This report provides an update on the statement of accounts for the Council and Pension Fund for 2024/25

## 2.0 Recommendation(s)

Audit & Standards Advisory Committee is asked:

- 2.1 To recommend that the Audit & Standards Committee delegate approval of the draft letters of representation to Grant Thornton for the Council and Pension Fund to the Corporate Director of Finance & Resources, as set out in Appendices A and B.
- 2.2 To recommend the Audit & Standards Committee approve the final statement of accounts for 2024/25, subject to a written assurance being provided that all outstanding matters and adjustments contained in the Audit Findings report had been made. If there were any material adjustments required as a result of the final Audit Findings report being issued, these would be reported back to the committee
- 2.3 To recommend the Audit & Standards Committee agree the audit fees for 2024/25, as set out in section 3.2.9 of this report.

### **3.0 Background**

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

- 3.1.1 The statement of accounts is the formal audited accounts of the Council. The purpose of the statement of accounts is to give clear information on the Council's overall finances and demonstrate stewardship of public money for the year. Being able to independently demonstrate that the Council's financial affairs are sound, will ensure the Council can achieve its Borough Plan priorities and objectives.

#### **3.2 Detail**

- 3.2.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the "report to those charged with governance" also referred to as the ISA260 (Audit Findings Report). The Council's external auditors, Grant Thornton, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work.
- 3.2.2 At the time of despatch of this report, Grant Thornton are in the process of finalising the audit of the 2024/25 accounts and their ISA260 (Audit Findings Report). A draft Audit Findings Report will be presented to the committee at this meeting.
- 3.2.3 At the time of writing, most of the key audit areas have been reviewed by Grant Thornton, with some awaiting review by their senior management. The main outstanding areas are Plant, Property & Equipment and Leases. The issues in both these areas are similar in that the council has experienced poor record keeping by service areas relating to these items in recent years, so these areas have required extensive review both at the preparation and audit stages for the 2024/25 accounts to ensure that they are materially correct.

- 3.2.4 The council has been working on an improvement plan to address the shortcomings of its records of assets since the completion of the audit of the 2023/24 Statement of Accounts. So far, this has focused on improving the records of those areas with the most material assets and issues, especially Assets under Construction and recently completed capital schemes. A second phase of these works has just started which is planned to address the remaining issues, such as ensuring that all property assets have the correct Universal Property Reference Number, reconciling the list of the council's assets back to the records held by the Land Registry on asset ownership, and ensuring that all areas of the council maintain adequate inventories of their assets as the council's constitution requires. Alongside this, Internal Audit has reviewed the Property department's Asset register and associated processes as this contains most of the council's non-housing assets, and will be making recommendations shortly.
- 3.2.5 The Group Accounts also need to be audited once the other audit items are complete. At this point, the underlying single entity accounts will have been audited, so the audit of the Group Accounts focuses on whether the single entity accounts have been combined correctly. It is not anticipated that this will identify any material issues.
- 3.2.6 A series of 'backstop' dates were introduced by the government in 2024 as part of its plans to clear local authority audit backlogs. If the audit of the accounts cannot be completed before the backstop date then the auditor can issue a modified or disclaimed audit opinion. A disclaimer of opinion states that the auditor does not express an opinion on parts of the financial statements. For 2024/25, the backstop date is 27 February 2026. It is understood that for 2023/24, 87% of authorities published their audited accounts by the backstop date.
- 3.2.7 At the time of despatch of this report, it is expected that the accounts will be signed before the backstop deadline of 27 February 2026. The final accounts and final Audit Findings Report will be sent to the committee as soon as practically possible.
- 3.2.8 As part of the accounts sign off process, Brent are required to issue a letter to the auditors that sets out the responsibilities and representations made by Brent to the auditor to confirm that certain matters have been undertaken and confirm the responsibilities of Brent to ensure there is no misunderstanding. The draft letters for the Council and Pension Fund are set out in Appendices A and B.
- 3.2.9 Details of audit fees are set out in the Audit Findings Report. The fees as per the original audit plan are £545,235 and the additional fees incurred, primarily as a result of the additional work required on Plant, Property and Equipment, totals £19,000. Further fees may be incurred as part the audit of leases if additional work is required. As part of the accounts sign off process, members are asked to agree the additional audit fees.

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

4.1 There are no direct considerations arising out of this report.

## **5.0 Financial Consideration**

5.1 There are no financial implications arising as result of this report.

## **6.0 Legal Considerations**

6.1 There are no legal implications arising as result of this report.

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

7.1 Not applicable.

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

8.1 Not applicable.

## **9.0 Human Resources/Property Considerations**

9.1 Not applicable.

## **10.0 Communication Considerations**

10.1 Not applicable

### **Report sign off:**

***Minesh Patel***

Corporate Director of Finance &  
Resources

**[\*\*Prepare on client letterhead\*\*]**

Grant Thornton UK LLP  
8 Finsbury Circus  
London EC2M 7EA

**[\*\*Click here and enter date of letter\*\*]**

Dear Grant Thornton UK LLP

## **London Borough of Brent Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of London Borough of Brent ("the Authority") and its subsidiary undertakings ("the group") as shown in Appendix I to this letter, for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the group and Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include plant, property and equipment valuations, pension fund net liability valuation, fair value estimates, PFI liability estimates, IFRS 16 estimates, provisions estimate, estimates for income and expenditure accruals, and expected credit loss and impairment allowance estimates. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally

valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process and no changes were made. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Authority financial statements:
  - a. there are no unrecorded liabilities, actual or contingent;
  - b. none of the assets of the group and Authority has been assigned, pledged or mortgaged; and
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Authority and their financial position at the financial year-end 31 March 2025 for the reasons noted on the schedule. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. The prior period adjustments disclosed in the Statement of Accounts are under the title “Prior Period Errors” and are materially accurate and complete. There are no other prior period errors to bring to your attention.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Authority’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the group and Authority means that, notwithstanding any intention to cease the group and Authority operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Authority’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Authority's ability to continue as a going concern need to be made in the financial statements.



- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.

### Information Provided

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the group and Authority from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the group and Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the group and Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority's financial and operating performance over the period covered by the financial statements.

### Approval

The approval of this letter of representation was minuted by the Authority's Audit & Standards Committee at its meeting on 3 December 2025.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the London Borough of Brent**

## **Appendix I**

### **List of subsidiary undertakings**

1. First Wave Housing Ltd
2. I4B Holdings Ltd
3. LGA Digital Services
4. Barham Park Trust

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**[\*\*Prepare on client letterhead\*\*]**

Grant Thornton UK LLP  
8 Finsbury Circus  
London  
EC2M 7EA

**[\*\*Click here and enter date of letter\*\*]**

Dear Grant Thornton UK LLP

## **Brent Pension Fund Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Brent Pension Fund ("the Fund") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Fund financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Level 3 investments, Level 2 investments and the Valuation of Pension Liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related

disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent;
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged; and
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:
  - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
  - b. the financial reporting framework permits the Fund to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xiii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### Approval

The approval of this letter of representation was minuted by the Fund's Audit and Standards Committee at its meeting on [\*\*date\*\*].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Fund**



## Unadjusted misstatements schedule

### Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total net assets per final accounts					1,312,800	
1	Differences identified between the value of level 3 investments disclosed in the financial statements and the capital statements as at 31 March 2025.						The Pension Fund has not adjusted the error as below Performance Materiality
1	Level 3 investments: LCIV Infrastructure Fund is understated by <b>£3,507,688</b> ; Alinda Infrastructure Parallel Fund III, is understated by <b>£236,074</b> ; and Capital Dynamics: the investments are understated by an aggregate variance of <b>£25,842</b> .			3,718			
1	Profit and loss on disposal of investments and changes in value of investments				(3,718)		
	<b>Total net assets – recalculated to include unadjusted misstatements</b>					<b>1,316,518</b>	

### Unadjusted misstatements

Commercial in Confidence

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total Net Assets Account £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total Net Assets per Final Accounts					1,312,800	
2	Within our testing of Transfers Out, two errors were identified. Both were in relation to amounts the fund received in error and subsequently refunded to the relevant individuals. These were not genuine Transfers Out, but were reversals of Transfers Ins. The sum of the errors has been extrapolated over the absolute population of Transfers out, which resulted in a projected misstatement of £1,214k. This is a classification error and has nil impact on the closing Net Assets figure.						The Pension Fund has not adjusted the error as below Performance Materiality
2	Transfers In	1,214					
2	Transfers Out		(1,214)				
	<b>Total Net Assets – recalculated to include unadjusted misstatements</b>					<b>1,312,800</b>	

# Unadjusted misstatements

This is an unadjusted misstatement identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.  
This unadjusted misstatements does not impact upon the balances reported in Net Assets Statements and Fund Account.

Disclosure misstatement	Auditor recommendations
<p><b>Note 9 – Benefits Payable</b></p> <p>As per CIPFA Code <b>6.5.5.1 (q)</b> guidance Benefits Payable should be disclosed separately on the Note for the Administering authority, Scheduled bodies and admitted bodies.</p>	<p>We recommend that management update Note 9 to ensure the total benefits payable are presented separately for the administering authority, scheduled bodies and admitted bodies .</p> <p><b>Management response</b></p> <p>The management has confirmed that the Oracle Payroll system has prevented them to be able to separate the Administering Authority and the Scheduled bodies Benefits payables until December 2024. As they had made transition from the Oracle Payroll to LPPA system, this is now possible from January 2025 onwards. The management is confirming that for 25/26 accounts, the Benefits payable will be provided on separate lines on Note 9 for Administering authority, scheduled bodies and admitted bodies.</p> <p>Target date: 01 – Apr - 2025</p>

# Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

## Opinion on financial statements

We have audited the financial statements of Brent Pension Fund (the 'Pension Fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2025, which comprise the Pension Fund Accounts, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director, Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director, Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director, Finance and Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director, Finance and Resources' with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements.

The Corporate Director, Finance and Resources' is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

### **Responsibilities of the Authority and the Corporate Director, Finance and Resources**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director, Finance and Resources. The Corporate Director, Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director, Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Corporate Director, Finance and Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013, Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of management and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals:

Using data analytics, we considered all journal entries for fraud and set specific criteria to identify the entries we considered to be high risk. Such criteria included journals with unusual values; journals posted after the year end; journals with a material impact on the surplus/deficit for the year; and journals created by senior managers.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on what we deem to be high risk journals,
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

	A	E	F	G	H	I	J
1	<b>ASAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA 2025-26</b>						
2	Topic / Date	16-Jun-25	23-Jul-25	25-Sep-25	03-Dec-25	03-Feb-26	24-Mar-26
3	<b>Internal Audit &amp; Investigations</b>						
4	Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
5	Annual/Interim Counter Fraud Report	X			X		
6	Internal Audit Plan Progress Update				X		
7	Internal Audit Strategy & Plan						X
8	<b>External Audit</b>						
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	<b>Financial Reporting</b>						
14	Treasury Management Mid-term Report				X		
15	Treasury Management Strategy				X		
16	Statement of Accounts & Pension Fund Accounts		X		X*		
17	Treasury Management Outturn Report		X				
18	Progress on implementation of FM Code		X				
19	<b>Governance</b>						
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			X	
22	Social Housing Regulator 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	<b>Risk Management</b>						
26	Strategic Risk Register Update			X			
27	Emergency Preparedness		X				
28	Deep Risk Dive					X	
29	<b>Audit Committee Effectiveness</b>						
30	Review the Committee's Forward Plan	X	X	X	X	X	X
31	Review the performance of the Committee (self-assessment)		X			X	
32	Chair's Annual Report	X					
33	Training Requirements for Audit Committee Members (as required)						
34	<b>Standards Matters</b>						
35	Standards Report (including gifts & hospitality)	X		X	X		X
36	Annual Standards Report						X
37	Complaints & Code of Conduct					X	
38	Review of the Member Development Programme and Members' Expenses (incorporating Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal)						X
39	<b>Committee Development</b>						
40	Treasury Management Training						
41	Levels of Control and Lines of Defence Training						
42	Review of Committee performance linked to Global Internal Audit Standards						
43	Role of External Audit & Committee						
44							
45	* Requires approval by Audit & Standards Committee						

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