Notice of Meeting

Governance & Audit Committee
Councillor Karim (Chair),
Councillor O'Regan (Vice-Chair),
Councillors Allen, Ejaz, Haffegee, Neil, Robertson and Zahuruddin

Wednesday 24 January 2024, 7.30 - 9.30 pm
Council Chamber - Time Square, Market Street, Bracknell, RG12 1JD

Bracknell Forest Council

Agenda

All councillors at this meeting have adopted the Mayor's Charter which fosters constructive and respectful debate.

Item	Description	Page
1.	**Apologies for Absence**	
	To receive apologies for absence and to note the attendance of any substitute members.	
2.	**Declarations of Interest**	
	Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting. Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days. Any Member with an affected Interest in a matter must disclose the interest to the meeting. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.	
3.	**Minutes of previous meeting**	3 - 6
	To approve as a correct record the minutes of the previous meeting of the Committee	
4.	**Urgent Items of Business**	
	Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.	
5.	**Treasury Management Strategy Statement**	7 - 34
	To update the Committee on progress in 2023/24 and to review the Treasury	

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	Management Report for 2024/25. **Reporting:** Calvin Orr, Head of Finance & Business Services	
6.	**Interim Internal Audit Update**	35 - 54
	To receive an update on progress on the annual Internal Audit Plan. **Reporting:** Sally Hendrick, Head of Audit & Risk Management	

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Published: 16 January 2024

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GOVERNANCE & AUDIT COMMITTEE
20 SEPTEMBER 2023
7.30 - 8.49 PM

Present:
Councillors O'Regan (Vice-Chair), Allen, Ejaz, Haffegee, Neil and Zahuruddin

Apologies for absence were received from:
Councillors Karim and Robertson

15. **Declarations of Interest**

There were no declarations of interest.

16. **Minutes of previous meeting**

RESOLVED that the minutes of the meeting of the committee held on the 19 July 2023 be approved as a correct record, and signed by the Chairman.

17. **Urgent Items of Business**

There were no urgent items of business.

18. **Annual Governance Statement**

Sanjay Prashar, Borough Solicitor presented the Annual Governance Statement.

The Annual Governance Statement was a statutory document which the Local Authority was required to produce under accounts and audit regulations. The Statement included assessment of the Council's governance arrangements and how these operated over the last 12 months, assessing the structure, policy, culture and values of the organisation.

The report was based on the CIPFA principles of good governance. Members' attention was drawn to each principle in the report in turn, and Sanjay highlighted some particular areas for focus in each.

Members received the actions from last year's report which included the smooth transition with a new Head of Paid Service, which had gone well. Other areas of action were ongoing, including the dissolution of Downshire Homes Board, the SEND action plan, contracts management, recruitment and retention work and a review of whistleblowing policy were carried over into the next year's action plan. Members received the action plan for the current year.

It was noted that in light of the new administration, the Borough Solicitor and the Assistant Director: Democratic & Registration Services would be undertaking a review of the Council's Constitution later in the year which would be presented to Governance & Audit members before being signed off by Council.

The Council Plan was also being developed now for the remainder of this administration, and officers were planning how to make the budget setting process as effective as possible in light of new political balance this year.

In response to questions, the following points were noted:

- Members requested that the dates on the action plan be reviewed and amended if necessary. **(Action: Sanjay Prashar)**
- While an existing whistleblowing policy was in place for staff to use, a review of the existing policy was due. It was commented that the review would take into account officers' experience and practicalities rather than any change to legislation. The review process would include better promotion of the policy, as members agreed it was important that staff were aware of such a process being in place.
- It was noted that recruitment and retention was a challenge across the local government sector and was not unique to this Council. In Bracknell Forest, agency staff were used to provide cover in key areas, but this resulted in additional financial pressure. The Council's Employment Committee and associated Local Joint Committee would receive regular reports on issues around recruitment and retention.

It was **RESOLVED** that the draft Annual Governance Statement ("AGS") and Action plan appended to the report be approved.

19. **Interim Internal Audit Update**

Sally Hendrick, Head of Audit and Risk Management presented the Internal Audit Update.

Recruiting auditors remained a challenge for the team, and while apprentices were being trained in the team, it would take time until these officers were able to deliver full audits. Capacity issues within the team meant that progress had been delayed. A principal auditor post was being advertised. It was recognised that the salaries attached to local government audit roles were significantly below market rates, the struggle to recruit led to the use of costly agency staff.

Eight internal audits had been completed with two grants, and it was noted that this was below the usual number comparative to other years.

Members' attention was drawn to those audits with significant issues arising. The Council Tax and Business Rates audit had included major recommendation regarding the process for property inspections, reconciliations, and refund processes. The School Transport audit had identified concerns around procurement processes and complaint recording processes. An audit of iESE had identified areas of concern around decisions which had been taken around waivers. An audit in relation to one school had identified areas of significant weakness around business interests, purchasing processes and budget monitoring.

As there was no internal Counter Fraud team in Bracknell Forest, the Corporate Investigations team at Reading Borough Council were contracted by the Council. This year, the Corporate Investigations team had undertaken Blue Badge work which had investigated a fraudulent case which had been prosecuted by Bracknell Forest's legal team with a number of penalties arising.

In response to questions, the following points were noted:

- The nature of the complaints made about home to school transport were from parents to the service and could relate to minor issues.
- The main challenge for recruiting internal audit staff was finding candidates with the necessary skills and expertise, as very few auditors were in the job market.
- Bracknell Forest purchased some resource from the Wokingham Borough Council Internal Audit team, and the number of purchased days had increased from 100 to 150 this year. This arrangement had been ongoing for around 10 years and was working well with a good quality service, although the preference would be to recruit internal Bracknell Forest auditors.
- It was noted that the professional market was challenging in many sectors, and raising advertised salaries would not necessarily improve the situation.
- It was noted that the issues relating to the iESE audit related more to the procurement processes associated with their appointment than with the involvement of the previous Leader of this Council. Officers had found a lack of testing in the market when the Council appointed consultancy firms, and the contract waiver required to appoint iESE had not been followed the waivers process through the Council's Executive.
- The Business Change programme aimed to make the organisation as robust and resilient as possible, including assessing factors to make the Council more attractive to permanent employees.

Members noted the report.

20. **Strategic Risk Register**

Sally Hendrick presented the Strategic Risk Register.

The risk register had been in place for many years in the same format to capture the risks assessed by members of Corporate Management Team. The risk register captured work in progress, and was an ongoing document. Members were invited to offer their feedback on the risk register to the Council's Corporate Management Team.

The risk register was monitored by the Strategic Risk Management group as chaired by the Borough Treasurer, and would be reviewed by Corporate Management Team periodically.

It was clarified that the 'Targets' assigned to each risk showed the Council's risk appetite.

In response to questions, the following points were noted:

- Members were concerned that Risk 6: Climate Change seemed to focus on the risks of reputational damage if the climate change action plan was not delivered rather than on the risks of climate change itself. This feedback would be presented to Corporate Management Team, however it was suggested that the risk register could only consider the issues in the Council's control. Officers offered to review the wording of Risk 6.
- Members requested that the current actions section be reordered to reflect priority order. **(Action: Sally Hendrick)**
- The budget setting process for 2024/25 was underway at the moment, and there were lots of budget pressures ongoing. The report included detail on the rationale of risk tolerance scoring.
- The risk rating reflected the difference between the current position and the risk tolerance for each item.

- Each area of the risk register fed into other areas of the Council, for example the issues relating to Risk 2: Impact of pressure on local health system would be monitored through the various partnership boards between the Council and Health services. The Executive Director: People was involved in several Frimley Health boards, and health issues were also discussed at the Health and Wellbeing Board. Corporate Management Team maintained oversight of the risk register.
- Each directorate maintained its own separate risk register at operational level, which would include actions being taken to address specific risks.

Members noted the report and provided their feedback as above on the risk register to Corporate Management Team.

CHAIRMAN

TO: GOVERNANCE AND AUDIT COMMITTEE
24 JANUARY 2024

TREASURY MANAGEMENT REPORT 2024/25 AND 2023/24 MID-YEAR REVIEW
(Director of Finance)

1 PURPOSE OF DECISION

1.1 The Council must operate a balanced budget, which broadly means cash raised during the year plus any use of reserves will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity before considering maximising investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the longer-term cash flow planning needs to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses.

1.3 The Local Government Act 2003 requires a local authority to "have regard to" guidance issued by, or specified by, the Secretary of State. As such, the Council is required to have regard to the Prudential Code and the Code of Practice on Treasury Management in the Public Sector, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.4 CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021. The Council is updating its Capital Strategy and the new prudential indicators and these will be included in the final Treasury Management Strategy Statement published in March 2024.

1.5 The Code of Practice requires the Council's annual Treasury Management Strategy (and associated documents) to be examined and reviewed by a responsible body. An additional primary requirement of the code is for the receipt by Full Council of a Mid-Year Review of the Treasury Management activities of the authority.

1.6 This report seeks to achieve both these requirements of updating Members on progress in 2023/24 and to review the Treasury Management Report for 2024/25.

2 RECOMMENDATIONS

2.1 That the Committee consider and review the Mid-Year Review Report.

2.2 That the Committee agree that the Mid-Year Review Report be circulated to all Members of the Council.

2.3 That the Committee review the Treasury Management Report in Annex A for 2024/25 prior to its approval by Council.

3 REASONS FOR RECOMMENDATIONS

3.1 The reasons for the recommendations are set out in the report.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 The Code of Practice requires the Council's annual Treasury Strategy to be examined and reviewed by a responsible body and for that body to review progress of the Council's treasury management activities. The Governance and Audit Committee has been nominated by Council to be that body.

5 SUPPORTING INFORMATION

Mid-Year Review

5.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first nine months of 2023/24
- A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy
- The Council's capital expenditure
- A review of the Council's investment portfolio for 2023/24
- A review of compliance with Treasury and Prudential Limits for 2023/24

Economic Update

5.2 Whilst the Council is in no longer debt-free the level of internal resources has enabled the Council to avoid any new long-term external borrowing since 2018. However, this position is no longer sustainable and additional external borrowing will be required in 2024/25 onwards to support the Capital Programme.

5.3 The prolonged period of low global interest rates changed markedly from April 2022 onwards, with central banks around the world increasing rates. The first half of 2023/24 saw interest rates rise by a further 100bps, taking the Bank Rate from 4.25% to 5.25% and possibly the peak in the tightening cycle. Short- and Medium-term gilts remain elevated as inflation continually surprised on the upside. Whilst CPI Inflation has fallen from 8.7% in April to 3.9% in November, its lowest rate since February 2022, it is still significantly above the Bank of England target rate of 2.5%. Further, a cooling in labour market conditions has not led to any easing of wage growth, which is still rising at over 7%. The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year with output falling in 10 out of the 17 sectors.

5.4 As the growing drag from higher interest rates intensifies over the next six months, the economy may continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government support have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession.

5.5 But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. The Bank of England is expected to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

5.6 In its latest monetary policy meeting on 14 December, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation it was noted that the risks to its inflation projection were still skewed to the upside such that the mean projection for CPI inflation was 2.2% at a two-year horizon. In terms of current market view, pricing suggests that rates will be on hold for some months to come, with easing in the latter half of the financial year.

Treasury Management Strategy Statement Review

5.7 The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by the Council on 24th February 2023. There are no policy changes to the TMSS in 2023/24

Review of Investment and Debt Portfolio 2023/24

5.8 The Council held £18.400m of investments as at 31 December 2023 and the investment portfolio yield for the first nine months of the year is 4.85% against a benchmark (SONIA) of 4.88%.

Investment	Maturity	Amount (£'000)	Rate (%)
Money Market Funds			
Aberdeen	1 Day	3,800	5.27
Black Rock	1 Day	4,575	5.30
Federated	1 Day	9,975	5.32
Goldman Sachs	1 Day	25	5.20
Deutsche	1 Day	25	5.27
Total Investments		**18,400**	

5.9 The 2023/24 interest budget assumed that an average interest rate of 4% would be earned on the Council's investment portfolio. This was based on an assumption that the MPC would begin to increase interest rates during 2023 from the base of 3% in November 2022. However, as noted above, events over the last 10 months have resulted in an unanticipated sharper rise in rates beyond anything that was foreseen 12 months ago. Whilst this has benefitted the Council's investment yield it has also increased the short-term borrowing costs that the Council has incurred to ensure sufficient liquidity during the year.

5.10 The normal cash-flow for a local authority is characterised by surplus cash at the start of the financial year (as Council Tax and Business Rates are paid in usually over a 10-month cycle) and a deficit in the final 3 months of the year as expenditure increases and income falls. This creates pressure during the last quarter of the year in the money markets available to local authorities. In the last two years demand has outstripped supply and as such the interest rate on short-term borrowing has increased significantly. These pressures were noted earlier this year and as such a decision was taken in late October to secure borrowing early to ensure the Council has sufficient liquidity through February and March 2024.

5.11 As such the level of short-term borrowing is higher at this point in the year than in previous years. Furthermore, as noted above, the Council no longer holds sufficient surplus cash to avoid borrowing long-term to fund its Capital Programme (as it has done in past years) therefore it will be necessary to extend its long-term borrowing with the PWLB. However, with interest rates expected to fall through 2024, short-term loans will be used prior to entering into long-term fixed borrowing rates.

5.12 As at 31 December 2023 the Council's debt portfolio was as follows

Short Term Market Loans

Counterparty	**Amount £'000**	**Rate**	**Start Date**	**Maturity Date**
NORTH KESTEVEN FC	£5,000	5.650	25/09/2023	02/04/2024
BLACKBURN WITH DARWEN BC	£5,000	5.600	31/10/2023	30/04/2024
NORTH YORKSHIRE COUNCIL	£5,000	5.500	27/10/2023	29/04/2024
WAKEFIELD WEST YORKSHIRE	£5,000	5.750	15/12/2023	26/02/2024
GREATER MANCHESTER CA	£5,000	5.700	14/12/2023	28/03/2024
WEST MERCIA POLICE	£5,000	5.600	21/12/2023	28/03/2024
	£30,000			

PWLB Loans

PWLB	**Amount £'000**	**Rate**	**Start Date**	**Maturity Date**
PWLB	10,000	2.60%	09/02/2017	31/03/2062
PWLB	10,000	2.60%	09/02/2017	31/03/2066
PWLB	10,000	2.42%	20/06/2017	31/03/2063
PWLB	10,000	2.41%	20/06/2017	31/03/2064
PWLB	20,000	1.85%	21/11/2017	21/11/2024
PWLB	10,000	2.50%	21/11/2017	21/11/2062
PWLB	10,000	2.14%	03/12/2018	03/12/2028
	80,000			

Compliance with Treasury and Prudential Limits for 2023/24

5.13 The Director of Finance can confirm that the approved limits within the Annual Investment Strategy were not breached during the first nine months of 2023/24 and no changes to these limits are proposed for the remaining 3 months.

Treasury Management Report 2024/25

5.14 The Council is required to have regard to the Prudential Code and Code of Practice on Treasury Management in the Public Sector, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Under these requirements the Council must set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. At its meeting on 2 March 2011 Council nominated the Governance and Audit Committee as the responsible body to examine and assess the effectiveness of the treasury management strategy and policies and recommend them to Council.

5.15 The attached Treasury Management Report 2024/25 (Annex A) was approved by the Executive, as a part of the Council's overall budget proposals, on 12 December 2023 and outlines the Council's Prudential Indicators for 2024/25 to 2026/27 in addition to setting out the expected treasury strategy and operations for this period. The Executive requested that the Governance and Audit Committee review each of the key elements. Following this review, the Treasury Management Report and associated documents will be presented to Council for approval on 28 February 2024.

6 Consultation and Other Considerations

Legal Advice

6.1 The Treasury Management Activities by local authorities must have regard to the CIPFA Code of Practice.

Financial Advice

6.2 The financial implications are contained within the report.

Other Consultation Responses

6.3 The Overview & Scrutiny Commission was consulted on the budget proposals, including the Treasury Management Strategy, in January 2024.

Equalities Impact Assessment

6.3 None.

Climate Change and Ecological Impacts

6.4 The recommendations in Section 2 above will have no immediate impact on emissions of CO_2.

Background Papers

None

Contact for further information

Stuart McKellar -01344 352180
stuart.mckellar@bracknell-forest.gov.uk

Calvin Orr – 01344 352125
calvin.orr@bracknell-forest.gov.uk

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TREASURY MANAGEMENT REPORT

1.1 The Local Government Act 2003 requires the Council to "have regard to" the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.5 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Capital Strategy

1.6 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.7 The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.8 The Council published its Capital Strategy in 2019. It has been reviewed by officers and will be updated for 2024/25 to be reviewed by Governance and Audit Committee before being published. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

Treasury Management reporting

1.9 The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
   - the capital plans, (including prudential indicators)
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.10 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

1.11 CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

1.12 The Treasury Management Strategy for 2024/25 covers two main areas which meet the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;

- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.13 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

1.14 Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The Capital Prudential Indicators 2024/25 – 2026/27

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity and reflects the outcome of the Council's underlying capital appraisal systems. Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity and as such the Treasury Management Strategy for 2024/25 to 2026/27 complements these indicators.

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

The Capital Expenditure Plans
The Council's capital expenditure plans are summarised below, and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This capital expenditure needs to have regard to:

- Service objectives (e.g. strategic planning);
- Stewardship of assets (e.g. asset management planning);
- Value for money (e.g. option appraisal);
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- Affordability (e.g. implications for the council tax);
- Practicality (e.g. the achievability of the forward plan).

The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants, or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

The key risks to the plans are that the level of Government support has been estimated and is therefore maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to external factors such as the impact of the wider economy.

The Council is asked to approve the summary capital expenditure projections below.

Capital Expenditure	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**
Capital Expenditure	12,882	9,867	6,850
Commercial Activities	0	0	0
Financed by:			
Capital receipts	5,200	2,200	2,000
Capital grants & Contributions	4,554	4,675	3,230
Net financing need	**3,128**	**2,992**	**1,620**

The Council's Borrowing Need (the Capital Financing Requirement)
The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR. Due to the nature of some of the capital expenditure identified above (ie grant), an element will be immediately impaired or will not qualify as capital expenditure for CFR purposes. As such the net financing figure above may differ from that used in the CFR calculation. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The Council is asked to approve the CFR projections below:

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Financing Requirement				
CFR – services	145.469	155.529	163.491	164.097
CFR - Commercial activities/ non-financial investments	84.055	82.984	81.887	80.765
Total CFR	**229.524**	**238.513**	**245.378**	**244.862**
Movement in CFR	**9.452**	**8.989**	**6.865**	**-0.516**
Movement in CFR represented by				
Net financing need for the year (above)	6.659	5.505	3.257	-4.325
Less MRP and other financing movements	2.793	3.484	3.608	3.808
Movement in CFR	**9.452**	**8.989**	**6.865**	**-0.516**

The net financing need for the year includes expenditure related to budgets approved in prior years in addition to the new capital expenditure approved in 2024/25.

Regulations have been issued which require full Council to approve an MRP Statement in advance of each year. The Council is recommended to approve the MRP Statement attached in Annex E(ii)

<u>Minimum Revenue Provision (MRP) Policy Statement</u>

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year. As such the Council is recommended to approve the following MRP Statement

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

  Based on CFR – MRP will be based on the CFR. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

- From 1 April 2008 for all unsupported borrowing (including PFI and finance leases but excluding CPIS expenditure) the MRP policy will be:

  Asset life method - MRP will be based on the annuity basis, in accordance with the regulations. Repayments included in annual PFI, or finance leases are applied as MRP.

There will be a presumption that capital receipts will be allocated to the appropriate assets in relation to the constraints of the medium-term financial strategy.

Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26, or in the year after the asset becomes operational.

TREASURY MANAGEMENT STRATEGY STATEMENT

The Treasury Management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Annex E(i) consider the affordability and impact of capital expenditure decisions and set out the Council's overall capital framework. The Treasury Management service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice - 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). This Council has adopted the revised Code.

As a result of adopting the Code the Council also adopted a Treasury Policy Statement. This adoption is the requirement of one of the prudential indicators.

The Code of Practice requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

This strategy covers:

The Council's debt and investment projections;
The Council's estimates and limits on future debt levels;
The expected movement in interest rates;
The Council's borrowing and investment strategies;
Treasury performance indicators;
Specific limits on treasury activities;

Debt and Investment Projections 2024/25 – 2026/27
The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed.

	2024/25 Estimated	2025/26 Estimated	2026/27 Estimated
External Debt			
Debt at 31 March	£100m	£110m	£100m
Investments			
Investments at 31 March	£15m	£15m	£15m

Current Portfolio
The overall treasury management portfolio as at 31 March 2023 and for the position as at 31st October 2023 are shown below for both borrowing and investments

	Actual	Actual	Current	Current
	31/03/23	**31/03/23**	**31/10/23**	**31/10/23**
Treasury Investments	**£000**	**%**	**£000**	**%**
Money Market Funds	15,775	100	10,450	100
External Borrowing	**£000**	**%**	**£000**	**%**
Local Authorities	0	0	15,000	0
PWLB	80,000	100	80,000	100
Net Treasury Borrowing	64,225		84,550	

Limits to Borrowing Activity
Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

The Executive Director:Resources reports that the Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The Authorised Limit for External Debt
A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term.

The Council is asked to approve the following Authorised Limit:

Authorised limit	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Borrowing	£240m	£240m	£250m
Other long term liabilities	£20m	£20m	£20m
Total	£260m	£260m	£270m

Operational Boundary for External Debt
The Authority is also recommended to approve the Operational Boundary for external debt for the same period. The proposed Operational Boundary is based on the same estimates as the Authorised Limit but reflects directly the estimate of the most likely but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for unusual cash movements.

Operational Boundary	2024/25 Estimate	2024/25 Estimate	2025/26 Estimate
Borrowing	£230m	£230m	£240m
Other long term liabilities	£20m	£20m	£20m
Total	£250m	£250m	£260m

Borrowing in advance of need.
The Executive Director:Resources may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Executive Director:Resources will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

Expected Movement in Interest Rates

The Council's treasury advisor, Link Asset Services has provided the following forecast:

Date	BANK RATE	5yr PWLB	10yr PWLB	25yr PWLB	50yr PWLB
Dec-23	5.25	5.00	5.10	5.50	5.30
Mar-24	5.25	4.90	5.00	5.30	5.10
Jun-24	5.25	4.70	4.80	5.10	4.90
Sep-24	5.00	4.40	4.70	4.90	4.70
Dec-24	4.50	4.20	4.40	4.70	4.50
Mar-25	4.00	4.00	4.20	4.50	4.30
Jun-25	3.50	3.80	4.00	4.30	4.10
Sep-25	3.25	3.70	3.80	4.20	4.00

Whilst the Council is in no longer debt-free the level of internal resources has enabled the Council to avoid any new external borrowing since 2018. However this position is no longer sustainable and additional external borrowing will be required in 2024/25 onwards.

The prolonged period of low global interest rates changed markedly from April 2022 onwards, with central banks around the world increasing rates. The first half of 2023/24 saw interest rates rise by a further 100bps, taking the Bank Rate from 4.25% to 5.25% and possibly the peak in the tightening cycle. Short- and Medium-term gilts remain elevated as inflation continually surprised on the upside. Whilst CPI Inflation has fallen from 8.7% in April to 4.7% in October, its lowest rate since February 2022, it is still significantly above the Bank of England target rate of 2.5%. Further, a cooling in labour market conditions has not led to any easing of wage growth, which is still rising at over 7%.

The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government support have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

In terms of current market view, pricing suggests that rates will be on hold for some months to come, with easing in the latter half of the financial year.

Investment and borrowing rates

- **Investment returns** are expected to remain stable in 2024/25. As noted above whilst CPI has started to retreat, prices are still increasing and wage inflation continues to act on the market. Whilst further rate hikes are unlikely the focus is on how long the Bank of England will retain rates at their current level.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England however the economic conditions highlighted above reflect a different path in borrowing rates is now in place. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years however current rates are significantly higher than the rates achieved by the Council in the borrowing undertaken between 2017 and 2019.

Borrowing Strategy 2024/25

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy was prudent when investment returns are low, however the ability to maintain this strategy is challenging as reserves and balances are depleted as part of the Council's budget strategy.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Executive Director:Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates then any long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an increase in world economic activity or a further spikes in inflation risks, then the portfolio position will be re-appraised.

The current and short-term economic conditions place considerable challenges on the Council's treasury activities. There is a re-financing need in 2024/25 of PWLB loans taken out in 2017 at rates considerably higher than the original rate. However, with the projection above that interest rates should begin to fall in the second half of the financial year, short-term maturities may be favoured to optimise the Councils long-term borrowing costs. Any decisions will be reported to the Executive at the next available opportunity.

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Debt rescheduling

In this period of uncertainty and historically wild swings in gilt prices over such a short period of time, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Executive, at the earliest meeting following its action.

Investment Strategy 2024/25 – 2026/27

Investment Policy
The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy

The Authority's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in appendix under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. Lending and transaction limits, (amounts and maturity), for each counterparty will be set through applying the matrix table shown under the Council's creditworthiness policy

6. This authority has engaged external consultants, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

7. All investments will be denominated in sterling.

Creditworthiness policy

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following maturities .

Dark pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
Light pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
Banks	orange	£7m	1 yr
Banks – part nationalised	blue	£7m	1 yr
Banks	red	£7m	6 months
Banks	green	£7m	100 days
Banks	No colour	£0m	0 days
Debt Management Account Deposit Facility	AAA	£10m	6 months
Local authorities	n/a	£7m	1 yr
Money Market Funds (CNAV,LVNAV & VNAV)	AAA	£10m	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	£10m	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	£10m	liquid

The creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1 There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored in real time. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded however the current investment limits for 2024/25 restrain all investments to less than 1 year. Any amendment to this strategy will require the credit-criteria to be amended to include a long-term rating. This will be addressed through the formal approval by Council of a revised Treasury Management Strategy and Annual Investment Strategy.

Country and Sector Considerations

Due care will be taken to consider the country, group and sector exposure of the Council's investments. The current investment strategy limits all investments to UK Banks, Building Societies and Local Authorities, in addition to Sterling denominated AAA Money Market Funds.

Economic Investment Considerations

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates. The criteria for choosing counterparties set out above provides a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Executive Director:Resources may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (a Government body which accepts local authority deposits), Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

Treasury Management Limits on Activity

There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Total principal funds invested for greater than 364 days – These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end. The Council is asked to approve the limits:

	2024/25	2025/26	2026/27
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	£260m	£270m	£270m
Limits on variable interest rates based on net debt	£260m	£270m	£270m
Maturity Structure of fixed interest rate borrowing 2017/18			
		Lower	**Upper**
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years and above		0%	100%
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m 0	£m 0	£m 0

Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. For 2024/25 the relevant benchmark will relate only to investments and will be the Sterling Overnight Index Average (SONIA) The results of these indicators will be reported in the Treasury Annual Report.

Treasury Management Advisers

The Council uses Link Asset Services as its treasury management consultants. The Council recognises that responsibility for treasury management decision remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

Member and Officer Training

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. Following the nomination of the Governance and Audit Committee to examine and assess the effectiveness of the Treasury Management Strategy and Policies, initial training was provided and additional training was has been undertaken as necessary. Officer training is carried out in accordance with best practice and outlined in TMP 10 Training and Qualifications to ensure that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them.

SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Circumstance of use	Maximum period
Debt Management Agency Deposit Facility* (DMADF) * this facility is at present available for investments up to 6 months	No	Yes	Govt-backed	In-house	364 Days
Term deposits with the UK government or with Local Authority (including Parish Councils) in England, Wales, Scotland or Northern Ireland with maturities up to 364 Days	No	Yes	High security although LAs not credit rated.	In-house and by external fund managers subject to the guidelines and parameters agreed with them	364 Days
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 364 Days	No	Yes	*As per list of approved Counterparties*	In-house and by external fund managers subject to the guidelines and parameters agreed with them	364 Days
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) : up to 364 Days. *Custodial arrangement required prior to purchase*	No	Yes	*As per list of approved Counterparties*	To be used by external fund managers only subject to the guidelines and parameters agreed with them	364 Days
Gilts : up to 364 Days	No	Yes	Govt-backed	To be used by external fund managers only subject to the guidelines and parameters agreed with them	364 Days

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Circumstance of use	Maximum period
Money Market Funds CNAV, LVNAV, and VNAV *These funds do not have any maturity date*	No	Yes	*AAA Rating by Fitch, Moodys or S&P*	In-house and by external fund managers subject to the guidelines and parameters agreed with them	The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	No	Yes	*As per list of approved Counterparties*	In-house and by external fund managers subject to the guidelines and parameters agreed with them. Tracking of all forward deals to be undertaken and recorded.	1 year in aggregate
Commercial paper *[short-term obligations (generally with a maximum life of 9 months) which are issued by banks, corporations and other issuers]* *Custodial arrangement required prior to purchase*	No	Yes	*As per list of approved Counterparties*	To be used by external fund managers only subject to the guidelines and parameters agreed with them	9 months
Treasury bills [*Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value*] *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed	To be used by external fund managers only subject to the guidelines and parameters agreed with them	1 year

NON-SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated.

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum credit rating **	Circumstance of use	Maximum maturity of investment
Deposits with Authority's Banker where credit rating has dropped below minimum criteria	Where the Council's bank no longer meets the high credit rating criteria set out in the Investment Strategy the Council has little alternative but to continue using them, and in some instances it may be necessary to place deposits with them, these deposits should be of a very short duration thus limiting the Council to daylight exposure only (i.e. flow of funds in and out during the day, or overnight exposure).	No	Yes	n/a	In-House	*364 Days*
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	(A) (i) Certainty of rate of return over period invested. (ii) No movement in capital value of deposit despite changes in interest rate environment. (B) (i) Illiquid : as a general rule, cannot be traded or repaid prior to maturity. (ii) Return will be lower if interest rates rise after making the investment. (iii) Credit risk : potential for greater deterioration in credit quality over longer period	No	No	*As per list of approved Counterparties*	In-house and by external fund managers subject to the guidelines and parameters agreed with them	*5 Years*
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year *Custodial arrangement required prior to purchase*	(A) (i) Although in theory tradable, are relatively illiquid. (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of CD which could negatively impact on price of the CD.	No	Yes	*As per list of approved Counterparties*	To be used by external fund managers only subject to the guidelines and parameters agreed with them	*5 years*

Investment	(A) Why use it? (B) Associated risks?	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating?	Circumstance of use	Maximum maturity of investment
Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	(A) (i) Enhanced income ~ Potentially higher return than using a term deposit with similar maturity. (B) (i) Illiquid – only borrower has the right to pay back deposit; the lender does not have a similar call. (ii) period over which investment will actually be held is not known at the outset. (iii) Interest rate risk : borrower will not pay back deposit if interest rates rise after deposit is made.	No	No	*As per list of approved Counterparties*	In-house and by external fund managers subject to the guidelines and parameters agreed with them	*5 years*
UK government gilts with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality. (ii)Very Liquid. (iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk (B) (i) 'Market or interest rate risk' : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.	No	Yes	Govt backed	To be used by external fund managers only subject to the guidelines and parameters agreed with them	*10 years including but also including the 10 year benchmark gilt*

Investment	**(A) Why use it?** **(B) Associated risks?**	**Share/ Loan Capital?**	**Repayable/ Redeemable within 12 months?**	**Security / Minimum credit rating ****	**Circumstance of use**	**Maximum maturity of investment**
Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	(A) (i) Known rate of return over period the monies are invested ~ aids forward planning. (B) (i) Credit risk is over the whole period, not just when monies are actually invested. (ii) Cannot renege on making the investment if credit rating falls or interest rates rise in the interim period.	No	No	*As per list of approved Counterparties*	In-house and by external fund managers subject to the guidelines and parameters agreed with them. Tracking of all forward deals to be undertaken and recorded.	*5 years*
Deposits with unrated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution : any maturity	(A) Credit standing of parent will determine ultimate extent of credit risk	No	Yes	*As per list of approved Counterparties*	In-house and by external fund managers subject to the guidelines and parameters agreed with them	*1 year*

To: Governance and Audit Committee
24th January 2024

Internal Audit Update
Head of Audit and Risk Management

1 Purpose of Report

1.1 This report presents the update on progress on the annual Internal Audit Plan.

2 Recommendations

2.1 To note the update on progress on the Internal Audit Plan for 2023/24.

3 Reasons for Recommendations

3.1 To ensure the Council complies with statutory requirements for internal audit.

4 Alternative Options Considered

4.1 There are no alternatives.

5 Supporting Information

Internal Audit

5.1 Delivery of the Council's internal audit services in 2023/24 are being delivered as follows:

- The Internal Audit Contract Manager whose post following the development of the in-house team is currently being re-evaluated to reflect her changing role to deliver complex audits and manage, supervise and mentor the apprentices;
- Two apprentices who joined us at the end of November 2022; and
- Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement.

5.2 Progress against the 2023/24 Internal Audit Plan is set out in Appendix 1. There has been delay in progressing the 2023/24 Audit Plan due to shortage of resources compounded by clearing the backlog of work arising from delays in finalising fieldwork and issuing reports for 2022/23 audits and maintaining the new audit recommendation tracker which is resource intensive and was intended to be the responsibility of the Principal Auditor post which we have been unable to successfully recruit.

6 Consultation and Other Considerations

Legal Advice

6.1 There are no specific legal implications arising from the recommendations in this Report.

Financial Advice

6.2 There are no financial implications arising from this report.

Equalities Impact Assessment

6.3 Not applicable.

Strategic Risk Management Issues

6.4 A robust internal audit service is essential for ensuring proper processes are in place for effective control. Resourcing pressures have been impacting on delivery of the Annual Audit Plan over the last 2 years and continue to do so as the in-house team is at present reliant on inexperienced staff who require close supervision from the qualified auditors on the team to deliver audits assigned to them.

Background Papers

Internal Audit Plan 2023/24
Internal Audit Charter

Contact for further information
Sally Hendrick, Head of Audit and Risk Management - 01344 352092

BRACKNELL FOREST COUNCIL

HEAD OF AUDIT AND RISK MANAGEMENT'S INTERIM REPORT

JANUARY 2024

Sally Hendrick
Head of Audit and Risk Management
Sally.Hendrick@bracknell-forest.gov.uk
01344 352092

1.BACKGROUND

1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to "maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control." This report summarises the activities of Internal Audit for the period April 2023 to January 2024 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

2.1 The basic approach adopted by Internal Audit falls broadly into four types of audits:

- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council's interests.
- Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor's audit of the annual accounts.
- Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities.
- Certification as required by relevant Government departments that grant monies have been spent in accordance with grant terms and conditions.

2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council's operations called the Head of Internal Audit Annual Opinion. The different categories of recommendation and assurance opinions are set out in the following tables.

2.3 We categorise our **audit opinions** according to our assessment of the controls in place and the level of compliance with these controls as set out below. It should be noted that from 1 April 2022 we renamed our second level assurance category from adequate to satisfactory to better reflect the positivity of this level of opinion.

(green)	Good - There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to the achievement of objectives and this is being complied with. Recommendations will only be of low priority.
(yellow)	Satisfactory - there is basically a sound system of control but there are some areas of minor weakness and/or some areas of non- compliance which put the system/process objectives at risk. Recommendations will only be low or moderate in priority.

	Partial - there are areas of weakness and/or non- compliance with control which put the system/process objectives at risk and undermine the system's overall integrity. Recommendations may include major recommendations but could only include critical priority recommendations if mitigated by significant strengths elsewhere.
	Inadequate - controls are weak across a number of areas of the control environment and/or not complied with putting the system/process objectives at significant risk. Recommendations will include major and/or critical recommendations.
	None - There is no control framework in place and management is inadequate leaving the system open to risk of significant error or fraud.

2.4 We categorise our recommendations according to their level of priority as set out below:

	Critical - Critical and urgent in that failure to address the risk could lead to factors such as significant financial loss, significant fraud, serious safeguarding breach, critical loss of service, critical information loss, failure of major projects, intense political or media scrutiny. Remedial action must be taken immediately.
	Major - failure to address issues identified by the audit could have significant impact such as high financial loss, safeguarding breach, significant disruption to services, major information loss, significant reputational damage or adverse scrutiny by external agencies. Remedial action to be taken urgently.
	Moderate - failure to address issues identified by the audit could lead to moderate risk factors materialising such as medium financial loss, fraud, short term disruption to non-core activities, scrutiny by internal committees, limited reputational damage from unfavourable media coverage. Prompt specific remedial should be taken.
	Low - failure to address issues identified by the audit could lead to low level risks materialising such as minor errors in system operations or processes, minor delays without impact on service or small financial loss. Remedial action is required.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

3.1 The Annual Internal Audit Plan for 2023/24 was considered and approved by the Governance and Audit Committee on 22nd March 2023. The delivery of the individual audits during 2023/24 is being undertaken by:

- The Internal Audit Contract Manager whose post following the development of the in-house team is currently being re-evaluated to reflect her changing role to deliver complex audits and manage, supervise and mentor the apprentices;
- Two apprentices who joined us at the end of November 2022; and
- Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement.

3.2 Consistent with other Berkshire authorities, the in-house model at Bracknell Forest is based on a Head of Audit supported by 4 qualified auditors undertaking fieldwork. Under mandatory Public Sector Internal Audit Standards, the Head of Internal audit is required to bring to the Governance and Audit Committee's attention where the level of agreed resources may impact on the delivery of audit work needed to provide the annual audit opinion. "Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board." Since the Internal Audit Service was brought in-house the service in 2020 there has been significant pressure on resources to complete audit work. Attracting suitable candidates to audit posts has been very challenging with limited candidates in the market coupled with the Council not offering competitive salaries for these roles and as a result audits have largely been delivered by a series of costly agency workers for the last 3 years. It is recognised that this is no longer sustainable from a financial, management and delivery point of view since in addition to being more expensive than an experienced qualified principal auditor on a competitive market salary, agency auditors require considerable supervisory input due to their lack of knowledge of the organisation. Now that we have 2 apprentices with significant supervisory and training needs, there is reduced capacity to manage agency workers.

3.3 The external quality assessment undertaken by CIPFA in 2022 acknowledged auditor recruitment challenges to be a national problem and recommended the Council go down the apprenticeship route to help address this. Whilst successfully recruiting 2 apprentices in November 2022, 20% of their time is on formal training and as expected at the moment they still require a considerable level of training and supervision which diverts more experienced audit resources.

3.4 Resourcing pressures as noted above together with additional work in maintaining the recommendation tracker and delays in completing and finalising 2022/23 audits have resulted in delays in progressing audits. In addition to maximising the use of the apprentices, action has been taken to purchase additional days from Wokingham Borough Council Internal Audit Team. The Annual Audit Plan for 223/24 as approved by the Governance and Audit Committee prioritised each audit in the Plan and as per Appendix 3 noted "*The Audit Plan includes the following 9 audits considered to be only medium priority. Audit resources will in the first instance be directed to very high and high priority resources and the breakdown of medium priority audits as below will be reviewed quarterly to identify capacity available to undertake these reviews*". The Audit Plan has now been reviewed and a number of audits have been deferred. Moving forward, effective delivery of the Internal Audit Service and compliance with statutory responsibilities for internal audit services will be dependent on the successful recruitment of permanent experienced auditors to undertake the more complex audits and this will be driven to a large extent by our ability to offer competitive market salaries.

3.5 Between April 2023 and January 2024, 5 grant audits and 8 memo/reports1 report were finalised and 7 reports/memos were issued in draft awaiting management responses. One report had been issued for discussion prior to exit meeting and twelve audits were work in progress.

3.6 Details on the status and outcome of all audits are attached at Appendix 1. A summary of the outcome of finalised and audits with reports issued in draft are set out below.

2023/24 TO DATE ASSURANCE LEVELS	NUMBER OF AUDITS YEAR TO DATE IN 23/24	2022/23 ASSURANCE LEVELS	NUMBER OF AUDITS
Good	1 (22/23:0)	Good	0
Satisfactory	3 (22/23:10)	Adequate	19 (including 5 with major recommendations)
Partial	5 (22/23:4)	Partial	7
Inadequate	0 (22/23:0)	Inadequate	0
No assurance	0(22/23:0)	No assurance	0
Total for Audits with an Opinion	9 (22/23:14)	Total for Audits with an Opinion	26
Memos and reports with Critical/Major Recommendations/Observations and no Opinion	4 (22/23:4)	Memos and reports with Major Recommendation and no Opinion	12
Other Follow Up Memos/ Reports with no Opinion	3 (22/23:5)	Other Follow Up Memos/ Reports with no Opinion	8
Total Audits	16 (22/23:23)	Total Audits	46
Grant Certifications/Submissions	5(22/23:6)	Grant Certifications	8
Overall Total	21 (22/23:29)	Overall Total	54

Identified High Priority Control Issues

3.7 Audits which have identified high priority recommendations will generally be revisited in 2024/25, to ensure successful implementation of agreed recommendations.

AUDITS WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED SINCE THE LAST UPDATE TO THE COMMITTEE		
• BUDGETING	Four major risk observations raised on clarification of budget ownership, roles and responsibilities, weaknesses in setting of individual budgets, inconsistency in practices applied by budget holders for monitoring and forecasting and weaknesses in profiling of expected spend on capital budgets.	Advisory memo with 4 major risk observations

• LARCHWOOD	Five major recommendations raised relating to care documentation, imprest / petty cash expenditure, imprest reconciliations, the procurement card and staffing.	Partial assurance opinion
• AMAZON ACCOUNT	Satisfactory assurance was given but one major recommendation was raised to address the need to develop a greater understanding of how the Amazon account works within Procurement following the departure of all staff involved in the setting up of the Amazon account.	Satisfactory assurance with 1 major recommendation

SCHOOL AUDITS FOR GOVERNING BODIES WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED SINCE THE LAST UPDATE TO THE COMMITEE		
• SCHOOL R	One major recommendation raised relating to the transfer of income coming in via the private fund.	Partial assurance
• SCHOOL E	It was agreed with the Headteacher to undertake the scheduled audit review with the results of the audit being reported as a gap analysis. Two critical recommendations were raised in relation to the purchasing process and the School's private fund. Eight major recommendations were raised relating to declarations of business interests, budget setting and monitoring, reconciliations between FMS and Agresso, the purchase card expenditure including expenditure relating to the previous Headteacher, hirers, income received in cash and banking, staffing and Governor DBS and Section 128 checks which are carried out to check that prospective governors are not banned from being involved in the management and governance of schools.	No opinion given as agreed with head teacher but 2 critical and 8 major recommendations were raised.
• SCHOOL G	Five major recommendations raised relating to governance, purchasing, hirers, the School's private fund and the asset inventory.	Partial assurance

Update on Recommendations Implementations

3.8 In my annual report in June 2023 I drew attention to 2022/23 audits with major recommendations and the outcome of formal follow up of 21/22 audits where major recommendations had not been implemented together with information on status of other recommendations based on information reported by management in the audit recommendation tracker. Managers have now been asked to provide an update on any recommendations that were outstanding at the last update and to also report the status on recommendations on 2022/23 audit reports as well as updates on previous reports. The outcome of this exercise is summarised at Appendix 2.

Summary of Internal Audit Performance

3.9 As shown below, only 2 completed client questionnaires have been received to date for 2023/24 and both were satisfactory. For the draft audits to date, the first draft report has been produced within 15 days of the exit meeting in 75% of instances.

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
1st April to 4th January 2024	2	100%	67%
2022/23	7	86%	63%

4. PROGRESS ON INTERNAL CONTROL ENVIRONMENT 2023/24

4.1 Progress to improve the control environment is being monitored based on the outcome of the audits undertaken and in particular identifying whether agreed management actions for areas previously found to have significant control weaknesses have been implemented as this has been a key factor in the Head of Audit and Risk Management's annual opinion on the control environment for the last 4 years.

5. RISK MANAGEMENT

5.1 Following the re-focus of the key strategic risk by CMT at the Away Day in February, the new Strategic Risk Register was reviewed twice by the Strategic Risk Management Group (SRMG) in May and August and once by the Corporate Management Team in September 2023 before being presented to the Governance and Audit Committee for feedback in September 2023. Since then, the Register has been reviewed again by both SRMG and CMT in December and January respectively.

6. COUNTER FRAUD UPDATE

6.1 HOUSING BENEFIT AND COUNCIL TAX REDUCTION

On 1st December 2014, the Council's Benefit Fraud Investigation Officers transferred to the Single Fraud Investigation Service (SFIS) within the Department for Work and Pensions (DWP) as part of the national government programme of centralising the investigation of welfare benefit fraud. The Welfare Service passes cases of overpayments in excess of £3k and cases where fraud is suspected to SFIS for investigation. Members of the public are directed to contact the DWP directly where fraud is suspected and so SFIS refers further fraud information requests where fraud has been reported from another source. During the period 1 April 2023 to 18 December 2023 there were 15 referrals to SFIS. We have received outcomes for 5 of these cases however these have not resulted in any administration penalties or prosecutions.

During the financial year 2022/23, 32 cases were referred however in response to the Covid-19 crisis and redeployment of their staff, the DWP suspended all Compliance and Investigation activity from March 2020 which has resulted in a backlog of cases. Compliance activity resumed from January 2021 and Investigation activity from approximately September 2021, and we have been notified of 11 outcomes relating to these cases two of which has resulted in an administration penalty.

From 1st April 2014, if a claimant is notified that they have been overpaid Housing Benefit by £250 or more, which must have occurred wholly after 1st October 2012, Bracknell Forest Borough Council has been able to impose a set Civil Penalty of £50 and a Council Tax Penalty of £70. The Civil Penalty applies if benefit is overpaid because the claimant negligently gave incorrect information and didn't take reasonable steps to correct their mistake or failed to tell the Council about a change or failed to give them information without a reasonable excuse. Between 1 April 2023 and 18 December 2023, the service has applied 4 Civil Penalties and 19 Council Tax Penalties.

Since January 2018 the DWP no longer issue mandatory referrals for Real Time Information (RTI) system for Housing Benefit to detect undeclared income. This has been replaced by the Verify Earnings and Pensions (VEP) Alerts service which provides local authorities with the capability to prevent fraud and error arising through real time identification of changes in income. The service provides Alerts to users to prompt them to access the service when there is a change in the claimants or partner's employment or pension. The DWP commenced the roll out to Local Authorities from May 2018 with Bracknell Forest Council using the service from October 2018. Between 1 April 2023 and 8 December 2023, 161 changes of circumstances to Housing Benefit were recorded as actioned due to VEP of which approximately 57.1% resulted in a decrease to Housing Benefit, and approximately 21.7% resulted in an increase to Housing Benefit.

Since April 2022 all local authorities are required to participate in the DWP Housing Benefit Award Accuracy Initiative (HBAA). Local authorities are required to undertake full case reviews on cases that have been identified by the DWP via a risk model that predicts the probability of a housing benefit case having a change of circumstance. This ensures benefit awards are correct and that those who are entitled receive the right amount. From 1 April

2023 to 18 December 2023, 404 changes of circumstances to Housing Benefit were recorded as actioned due to the service undertaking a HBAA full case review of which approximately 36.6% resulted in a decrease to Housing Benefit, and approximately 24.0% resulted in an increase to Housing Benefit.

6.2 NATIONAL FRAUD INITIATIVE

The NFI is a biennial data matching exercise first introduced in 1996 and conducted by the Cabinet Office to assist in the prevention and detection of fraud and error in public bodies. The latest submission was in December 2022 and matches are returned for investigation by individual departments. In the Head of Internal Audit Annual Report in June 2023 the Committee were advised of a match that identified duplicate employment at Bracknell Forest and another local authority. Following investigation, the individual has now been dismissed by both authorities.

6.3 BLUE BADGES

In the Interim Internal Audit Update report presented to the Committee in September the Committee were advised of the successful prosecution for a fraudulent application for a Blue Badge. The parking enforcement team are continuing to actively identify potential misuse of blue badges for referral to the Reading Borough Council Fraud Team for investigation.

APPENDIX 1

2022/23 INTERNAL AUDIT PLAN OUTCOMES NOT PREVIOUSLY REPORTED

*Key indicator- Draft report issued within 15 days of exit meeting

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Council Tax and Business Rates	January 2023	14/7/23	X			✓			6	4		Final report issued

2023/24 INTERNAL AUDIT PLAN

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
GOVERNANCE Data indicators follow up review												Quarter 4 audit
Security cameras follow up	6/11/23											Work in progress
SARS	16/10/23											Work in progress
iESE	1/7/23	30/8/23	✓	Advisory memo issued with 13 observations made including 3 major observations								Finalised
Grant Certifications Bus Service Operator	6/6/23	6/6/23	✓	Grant certified								Certified
Integrated Transport Block Allocation	11/8/23	20/9/23	✓	Grant certified								Certified
Troubled Families-June	25/6/23	27/6/23	✓	Payments by Results grant audit completed								Finalised
Troubled Families-September	11/9/23	18/9/23	✓	Payments by Results grant audit completed								Finalised

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Troubled Families-December	**11/12/23**	**19/12/23**	✓	**Payments by Results grant audit completed**								**Finalised**
Troubled Families-March												**Quarter 4 audit**
COUNCIL WIDE Debt management-PPR	**4/1/24**											**Work in progress**
Debt management-Delivery												**Quarter 4 audit**
Debt management-People												**Quarter 4 audit**
Budget monitoring in service areas	**1/7/23**	**8/11/23**	**X**	**Advisory memo with no opinion with 3 major recommendations**					**4**	**3**		**Draft Advisory memo issued and discussed at CMT**
Procurement	**7/8/23**											**Work in progress**
Absence management	**28/8/23**											**Work in progress**
Amazon account	**19/7/23**	**16/11/23**	**X**		✓				**1**	**9**		**Finalised**
IR35	**18/12/23**											**Work in progress**
Climate Change-ADDITIONAL												**Cancelled**
DELIVERY Public Protection Partnership follow up review	**1/6/23**	**20/7/23**	✓	**Follow up memo**						**5**	**1**	**Final memo issued**
Home to School Transport	**1/6/23**	**5/7/23**	✓	**Advisory memo with no opinion with 3 major recommendations**					**3**	**4**		**Finalised**
Gap analysis to determine IT audit strategy												**Deferred to 2024/25**
Business Continuity follow up review												**Quarter 4 audit**

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Disaster Recovery Procedures												**Deferred to 2024/25**
PLACE PLANNING AND REGENERATION Tree services	**4/12/23**											**Work in progress**
Highways reactive maintenance												**Quarter 3 audit**
Public health – utilisation of funding	**4/12/23**											**Work in progress**
RESOURCES Supplier payments	**4/9/23**											**Discussion draft issued for exit meeting**
Establishment costs	**4/1/24**											**Work in progress**
Council tax and business rates												**Cancelled**
PEOPLE ~~Assurance framework~~												**Deferred to 2024/25**
~~Support for TMC and CQC inspections~~												**Audit no longer required**
Child Protection Conferences or Independent Review Officer arrangements												**Quarter 4 audit**
Domiciliary care	**31/7/23**	**27/11/23**	✓		✓					**6**	**2**	**Draft report issued**
~~Intermediate Care- capacity, flow and efficacy~~												**Deferred 2024/25**
~~Blue badges- new processes~~												**Deferred 2024/25**
~~Drug and Alcohol Team- following~~												**Deferred 2024/25**

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
~~change in head of service~~												
Supervision follow up	**December 2023**											**Work in progress**
~~SEND follow up~~												**No longer required**
Parenting assessments follow up												**Cancelled at management request**
Larchwood	**19/7/23**		**X**			✓			**5**	**10**		**Draft discussion report issued**
Permanency planning follow up												**Quarter 4 audit**
Braccan Walk												**Deferred at management request now in discussion on timing**
~~Family Hubs~~												**Deferred as higher priority audits identified**
Homelessness	**1/4/23**	**September 2023**	✓		✓					**1**	**3**	**Final report issued**
Disabled facilities grants follow up	**22/11/23**	**January 2024**	✓	**Follow up Memo with no opinion**						**2**		**Draft memo issued**
Discretionary Hardship Fund payments	**1/8/23**	**29/11/23**	**X**	✓							**2**	**Draft report issued**
Housing benefit												**Deferred to July 2024**
School places planning	**13/11/23**											**Work in progress**
Online applications ADDITIONAL AUDIT												**Deferred to 2024/25**

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Refuges asylum ADDITIONAL AUDIT												**Quarter 4 audit**
SCHOOL AUDITS School D	**26/6/23**	**19/7/23**	✓			✓			**4**	**10**		**Finalised**
School R	**6/6/23**	**22/11/22**	**X**			✓			**1**	**6**	**2**	**Draft report issued**
School E	**14/6/23**	**10/10/23**	**X**	**Memo issued with no opinion as agreed with the Head teacher prior to the audit**				**2**	**8**	**10**		**Draft report issued**
School V												**Timing to be determined**
School M -desk top follow up	**October 23**	**16/11/23**	✓	**Follow up Memo with no opinion**						**5**		**Finalised**
School I -desk top follow up												**Deferred to quarter 4 at request of the school**
School G	**13/11/23**	**20/12/23**	✓			✓			**5**	**6**	**1**	**Draft report issued**
~~School X~~												**Cancelled as school academising**
School W												**Quarter 4 audit**
School Y	**15/1/24**											**Work in progress**
School K												**Quarter 4 audit**

APPENDIX 2

UPDATES FROM RECOMMENDATION TRACKER 2020/21 AUDITS

AUDITS 2020/21	Priority of Recommendations Raised			Priority of Recommendations Implemented as at 4/1/24			Priority of Recommendations In Progress as at 4/1/24			Priority of Recommendations not Started as at 4/1/24		
	Major	Moderate	Low	Major	Moderate	Low	Major	Moderate	Low	Major	Moderate	Low
COUNCIL WIDE Officers Expenses	0	4	2	0	2	0	0	0	0	0	2	2
Mileage and Essential Car Users	1	3	1	0	3	1	1	0	0	0	0	0
DELIVERY Health and Safety	0	5	0	0	4	0	0	1	0	0	0	0
Security Cameras- CURRENTLY BEING RE-AUDITED	3	2	0	2	1	0	1	0	0	0	1	0
ICT Digital Strategy and Strategic Planning	0	0	7	0	0	5	0	0	2	0	0	0
PEOPLE Parenting Assessments	3	3	0	2	1	0	0	2	0	1	0	0
Covid Support to Providers	0	0	1	0	0	0	0	0	1	0	0	0
Foster Panel Compliance	0	4	2	0	0	0	0	0	0	0	4	2
Multi Agency Strategy Reviews	0	1	5	0	0	4	0	1	1	0	0	0
ONE System	0	7	3	0	0	1	0	0	1	0	7	1

2021/22 AUDITS

AUDITS 2021/22	Priority of Recommendations Raised			Priority of Recommendations Implemented as at 4/1/24			Priority of Recommendations In Progress as at 12/6/23			Priority of Recommendations Not Started as at 12/6/2		
	Major	Moderate	Low	Major	Moderate	Low	Major	Moderate	Low	Major	Moderate	Low
COUNCIL WIDE Climate Change	1	2	0	1	1	0	0	0	0	0	1	0
RESOURCES Agresso Follow Up	1	0	0	0	0	0	1	0	0	0	0	0
Reconciliations	1	4	2	0	2	1	1	2	1	0	0	0
DELIVERY Cyber Security Follow Up	2	0	2	0	0	2	2	0	0	0	0	0
PPR Building Control and Land Charges	0	6	1	0	2	1	0	4	0	0	0	0
PEOPLE Glenfield Mental Health Supported Living	0	3	0	0	2	0	0	1	0	0	0	0
Deputyships and Appointees	0	2	3	0	1	2	0	1	1	0	0	0
Financial Assessments	0	7	0	0	5	0	0	1	0	0	1	0
Utilisation of SEND Funding	4	3	0	2	1	0	1	1	0	1	1	0
Continuing Health Care	0	5	1	0	5	1	0	0	0	0	0	0
Breakthrough Supported Employment Service Follow Up	0	4	1	0	0	0	0	4	0	0	0	1
Supervision in Adult Social Care CURRENTLY BEING RE-AUDITED	2	7	1	1	3	0	1	2	0	0	2	1

Health and Social Care ICT Connected Care Systems Integration	4	5	0	2	3	0	0	0	0	2	2	0
EDS IT System	1	3	4	0	2	2	1	0	1	0	1	1

2022/23 AUDITS

AUDITS 2022/23	Priority of Recommendations Raised			Priority of Recommendations Implemented as at 4/1/24			Priority of Recommendations In Progress as at 12/6/23			Priority of Recommendations Not Started as at 12/6/2		
	Major	Moderate	Low	Major	Moderate	Low	Major	Moderate	Low	Major	Moderate	Low
COUNCIL WIDE Data indicators	3	4	3	Formal follow up planned for March 2024 hence information on recommendation status not requested								
Project management of O&S reviews and subsequent action plan implementation	3	2		Formal follow up planned for March 2024								
Complaints Process follow up	5	3	1	Too early to follow up. Due to be								
Debt Management	1	3	2	Currently be re-audited								
Town Centre Maintenance Planning		1	3	0	0	0	0	0	0	0	1	3
Business continuity	2	7	1	Formal follow up planned for March 2024 hence information on recommendation status not requested								
Housing Billing	1	9	1	0	1	0	0	1	0	1	8	1
E+card follow up	1	5	3	0	0	0	0	0	0	1	5	3
RESOURCES Apprenticeship Levy	1	5	1	0	0	0	0	0	0	1	5	1
Council tax and business rates	6	4		To be re-audited in May 2024 hence no update requested								
IT AUDIT Intranet Controls	0	2	2	0	1	1	0	0	0	0	1	1
Sharepoint Usage	0	7	0	0	1	0	0	6	0	0	0	0
PPR	0	3	2	0	2	0	0	0	2	0	1	0

Highways adoptions												
The Look Out	0	4	4	0	0	3	0	3	1	0	0	0
Public Health	0	5	2	Currently be re-audited								
CHIEF EXECUTIVE'S OFFICE Business change support costs advisory review	1	2	3	0	2	3	1	0	0	0	0	0
DELIVERY Commercial properties Follow up	1	2	0	0	0	0	0	0	0	1	2	0
PEOPLE Open Learning Centre	1	6	2	1	3	1	0	3	1	0	0	0
Services to Schools Follow up	2	4	0	0	0	0	0	0	0	2	4	0
Transition children to adults	0	4	1	0	2	0	0	2	1	0	0	0
Permanency planning follow up	1	2		To be re-audited in 2024 hence no update requested								
Post Leaving Care	0	3	3	0	3	2	0	0	1	0	0	0
Housing Benefit and Council Tax Reduction	0	1	2	To be re-audited in July 2024 hence no update requested								
Housing allocations	0	3	0	0	1	0	0	2	0	0	0	0
Transport in CTPLD	0	7	1	0	2	1	0	3	0	0	2	0