

4 December 2024

AUDIT AND ETHICS COMMITTEE – 12 DECEMBER 2024

A meeting of Audit and Ethics Committee will be held at 6pm on Thursday 12 December 2024 in Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley
Chief Executive

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meetings held on 26 September 2024 and 25 November 2024.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

4. Internal Audit Progress Update.
5. Internal Audit Recommendations Update. – Report to Follow.
6. Treasury Management Mid-Year Report 2024/2025.
7. Approval for the Financial Statements for 2023/2024 – Report to Follow.
8. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

9. Future Management of the Corporate Assurance Team.
10. Whistle Blowing Incidents – Standing Item – to receive any updates.
11. Fraud and Corruption Issues – Standing Item – to receive any updates.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Howling, Karadiar, Roodhouse and Simpson-Vince

Named Substitutes: Councillors Harrington, D Keeling, J Keeling and one vacancy – Liberal Democrat group.

If you have any general queries with regard to this agenda please contact Lucy Kirbyshire at Lucy.Kirbyshire@rugby.gov.uk. Any specific queries concerning reports should be directed to the listed contact officer.

AGENDA MANAGEMENT SHEET

Report Title:	Internal Audit Progress Update
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	12 December 2024
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	None
Prior Consultation:	Chief Officer - Finance and Performance, Leadership Team
Contact Officer:	Richard Green - Interim Corporate Assurance Manager richard.green@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities: (C) Climate (E) Economy (HC) Health and Communities (O) Organisation	<p>This report relates to the following priority(ies):</p> <p><input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)</p> <p><input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)</p> <p><input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC)</p> <p><input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O)</p> <p>Corporate Strategy 2021-2024</p> <p><input type="checkbox"/> This report does not specifically relate to any Council priorities but</p>
Summary:	The report sets out progress towards delivery of the annual internal audit plan and provides an update on service performance.
Financial Implications:	None as a direct result of this report

Risk Management/Health and Safety Implications:	Non delivery of an adequate internal audit plan would have an adverse impact on the level of assurance provided in the Annual Governance Statement.
Environmental Implications:	None as a direct result of this report
Legal Implications:	None as a direct result of this report
Equality and Diversity:	None as a direct result of this report
Options:	None
Recommendations:	The internal audit progress update be noted.
Reasons for Recommendations:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 12 December 2024

Internal Audit Progress Update

Public Report of the Chief Officer - Finance and Performance

Recommendations:

The internal audit progress update be noted.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2024/25.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2024/25 was approved by the Audit and Ethics Committee on 25th April 2024. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2024/25 Internal Audit Plan

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are currently no proposed amendments to the internal audit plan.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 12 December 2024
Subject Matter: Internal Audit Progress Update
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY ☒ **YES** ☐ **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
	Progress Report

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

☐ Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

INTERNAL AUDIT PROGRESS UPDATE

December 2024

Introduction

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1 Will the Internal Audit Plan be delivered?

The expected position by the date of the Committee meeting is as follows:

- 6 final reports have been issued 5 since last meeting
- 2 Statements have been issued rather than full reports
- 1 draft report has been issued,
- 8 reviews are in progress at varying stages

Lighthouse Consulting Ltd, the Council's external contractor are filling in for the vacant Internal auditor/Change Officer post as well as the usual IT audits.

Progress on individual assignments is shown at pages 8 -11 this report.

2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, a cumulative 64% of management actions since 2022 have been implemented by the agreed implementation date, with a further 20% implemented late, giving an overall implementation rate of 84%.

A summary analysis of progress on implementation of audit recommendations is shown at pages 14 to 15.

At the time of reporting there are 46 agreed management actions for which implementation is overdue, 2 of which are regarded as High risk, 21 regarded as Medium risk and 23 Low risk.

The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 16 to 19 Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	% of audits delivered against the plan – 21 Audits.(70%)	8 audits completed- (39%) 1 draft with management - (1%) 7 reviews in progress - (20%) Total – 60%
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	5 days Performance is broadly stable and below the 10 days considered to be the benchmark followed by peers.
Report Clearance	Average time to move a draft report to final status	20 days
Effectiveness	Implementation of Agreed Actions – Percentage implemented.	84% (since 2022/23) at the time of reporting there are 46 recommendations which are past their agreed implementation date out of 331 agreed.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's Leadership Team and approved by the Audit and Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and to prevent or detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progress to date

Since the last Audit & Ethics committee meeting there has been eight audits completed and reports issued and 7 reviews are at various stages of completion, as set out below

Position **/Completed** **-draft issued**

<u>Area</u>	<u>Audit Title</u>	<u>Coverage</u>	<u>Risk Rating</u>	<u>Proposed Month</u>	<u>Current Position</u>
Finance	Treasury Management	Authorisation of transactions, compliance with Treasury Management Practices, assurance that there is an appropriate strategy in place, system access controls, accuracy and completeness of accounting records.	MEDIUM	May	Final Report issued November 24
Revenues	Council Tax	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	June	Final Report Issued June 24
Finance	Procurement	Compliance with Contract Standing Orders, financial, project and risk management. Review of arrangements to monitor supplier resilience.	MEDIUM	Jun	Draft issued awaiting responses
HR/services	Agency Staff	Assurance that use of Agency Staff is for appropriate reasons, authorised in advance, and not used to circumvent procedures such as restrictions on filling vacant positions. Assurance that use is not for extended periods of time.	MEDIUM	Jun	Fieldwork 80% completed Draft to be compiled imminently
Legal & Governance	Internal Constitution	New internal constitution developed for implementation in 2023. Effective implementation is key to successful delivery of the corporate strategy objectives for the Organisation.	MEDIUM	Jun	Final Report issued
Digital	IT Strategy, Governance & Policies	Assurance that appropriate and embedded ICT governance arrangements are in place, including strategy and policies. To include a joint ICT/ HR review of policies including ICT security and code of conduct, and agile working. Review of arrangements in place to ensure agile staff are being effectively managed.	MEDIUM	Jun	Final Report Issued October 24
Finance/HR /Services	Consultancy Expenditure	Assurance that expenditure on consultants is appropriately controlled, that there are clear terms of reference, that intended outcomes are delivered and Value for Money is secured. Assurance that the requirements of IR35 are being met.	MEDIUM	Jul	First scoping meeting held Request by Finance to delay fieldwork until similar Agency Staff review is completed. 20 % complete

<u>Area</u>	<u>Audit Title</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Proposed Month</u>	<u>Current Position</u>
Finance	Fees & Charges/ Income shortfalls	Assurance that fees are set at a realistic rate, Estimates are based on sound predictions Income is monitored and actions taken where appropriate	MEDIUM	Aug	Final Report Issued October 24
Communities/ finance	Travellers - Woodside	Assurance that the Council's management of travellers' sites is compliant with the relevant legislation, and that the Council provides the same standards of management and support services to travellers' sites as to customers in other forms of social housing.	HIGH	Aug	Statement issued
Growth & Development	Local Plan Delivery	Assurance that the delivery of the local plan is on target and that the deliverables are being monitored and reported	HIGH	Aug	Final Report issued November 24
HR/Operations	Lone Working	Assurance that the policies and procedures are adequate and being followed in all instances where staff are working alone or in isolation.	HIGH	Nov	Fieldwork started 25% complete
Housing	Waiting lists and s106 nominations	Assurance that registered providers are fulfilling their S106 requirements. Review the participation in common housing waiting lists	MEDIUM	Sep	Position Statement issued
Digital	Loss of IT services	Assurance that there are sufficient back-ups and safeguards in place in the event of any data loss.	MEDIUM	Sep	Fieldwork in Progress 75% complete
Finance/ LT	Risk Management	Assurance that the risk strategy, and approach is readily available to all staff. Risk registers are reviewed and updated at team and service meetings on an ongoing basis.	HIGH	Sep/ Oct	Fieldwork started 25% complete
HR	Staff Welfare	Assurance that there are appropriate policies and processes in place to identify and support any staff with concerns. Appropriate monitoring and advisory activities are in place.	MEDIUM	Nov	Fieldwork started 25% complete

HR/all	Recruitment & Retention of Staff	Assurance that the new recruitment arrangements are delivering the right service. Staff exit interviews are used to identify any concerns that can be addressed	MEDIUM	Nov	Fieldwork started 25% complete
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Reports completed

Audit	Risk Level	Assurance level	Recommendations			
			High	Medium	Low	Total
Council Tax	Medium	Substantial		5	3	8
Fees & Charges	Medium	Substantial		3		3
Local Plan Delivery	High	Substantial			2	2
IT Strategy, Governance & Service Delivery	Medium	Substantial			3	3
Internal Constitution	Medium	Substantial			2	2
Treasury Management	Medium	Substantial	1	7	1	9
Waiting lists and s106 nominations	Medium	N/A				
Travellers - Woodside	High	N/A				

Brief summary of reports completed

Council Tax - Substantial Assurance

There were 5 Medium and 3 Low risk recommendations. Council Tax billing has been completed accurately for the current year. In-year changes are being made to add new properties to the system or to amend existing properties if they change banding.

Reconciliations of the income management system, OpenRevenues and Agresso occur on a regular basis and are accurate. However, there is a lack of resilience around the tasks completed by the Senior ICT Officer – Finance. Recovery action is being undertaken with reminders sent to customers and court action being pursued where necessary. Changes have recently been made to the process to encourage customers with small balance arrears to pay them. Revenues have instigated a rolling review of Single Person Discount, which will check all accounts by the end of the year. A review of other discounts has also recently been started.

Fees & Charges – Substantial Assurance

There were 3 Medium risk recommendations. The budget setting process is robust and fees and charges are included as part of this and managers recommend whether they should be increased, by a smaller amount or not at all. Managers confirmed that they consider the cost of providing the service when completing budget setting, however, in-depth costings are not completed on a regular basis. The audit identified that a number of fees and charges are not included in the schedule. In some cases, it is because managers either feel the fees are commercial or ad-hoc and therefore do not need to be included. It was recommended that an end-to-end review of fees and charges process be completed to ensure that the process is clear, documented and that all relevant fees and charges are presented to the members each year for approval

Local Plan Delivery – Substantial Assurance

There were only 2 Low risk Recommendations. The review has confirmed that, overall, arrangements in place regarding delivery of the Local Plan review are sound. Two minor areas of improvement are recommended to facilitate more effective monitoring of delivery. A formal Project Board for the Local Plan review has been established. Review of notes from their initial meeting, held in September 2024, found them to be thorough and clearly specifying actions required and officer(s) responsible. Timescales for completion of actions were not however included, nor were the actions detailed on a formal Action Plan for submission and discussion at subsequent meetings. No formal Project Delivery Plan exists that specifies all tasks required to be carried out for each stage of the review process. Officers instead utilise a planner within Microsoft Teams to identify individual tasks required and officers responsible

IT strategy and Service Delivery - Substantial Assurance

There were only 3 low risk recommendations. The service management processes within the IT department are well established. There is an IT Strategy in place, which was under review at the time of the audit, and which is aligned to the corporate plan. The IT Strategy is further supported by a Corporate Strategy Delivery Plan and an annual IT Operational Plan. There is an overarching Information and IT Security Policy which is supported by key operational procedures, for example Active Directory and Equipment Naming Standards and Standard Backup and Disaster Recovery Plan, IT Equipment Guidance and Service Standards.

The review highlighted the following issues:

- The delivery of the IT and Digital Services Operational plan is not subject to performance measures.
- The password requirements in the Information and IT Security Policy does not conform to current best practice guidance from the NCSC;
- The current IT Service Management framework lacks the key policies of Firewall and Network Management.

Internal Constitution Substantial Assurance

There were 3 Medium risk recommendations. To raise the profile of the Internal Constitution perhaps it should be brought to all staff's attention on a more regular basis particularly when updates and changes are made to the document. There was general concern that the Internal Constitution (IC) was not being used as a guide and reference for efficient and effective operational delivery of services. Managers saw the IC as another corporate document. There was concern that the document was probably overly long and did not therefore support staff in how they should work and discharge their management responsibilities. There was also concern that the document would become out of date and not reflective of procedural changes that would take place from time to time within departments.

Treasury Management – Substantial Assurance

There were 1 High, 7 Medium and 1 low risk recommendations made

The review has confirmed that, overall, arrangements in place regarding treasury management are effective. However, some areas of improvement are required, including:

- Ensuring that meeting minutes of Full Council, clearly evidence discussion and formal approval of the Treasury Management Strategy and Treasury Indicators.
- Carrying out regular reconciliations of investments and borrowings to the ledger, and ensuring all reconciliations are signed/dated by the preparer and reviewer.
- Submitting the Mid-Year and Annual Treasury Reports to Full Council for consideration

Waiting lists and s106 nominations – no assurance level given

The review found that there were no formal agreements in place to be able to carry out the review - but some nominations were being received despite this.

There is a disconnect between what is being agreed by planners and legal at signing of the S106 and housing being informed as to what we should be getting and therefore in a position to monitor. There needs to be a more collaborative approach between housing, legal and planning is needed going forward. The nominations occur at pre handover of completed schemes, therefore different teams step in at this point, with the more operational discussions around lettings. The Chief Officer commented that despite the audit not being able to progress as planned, what has been uncovered demonstrates several risks that need to be managed going forward and that is helpful.

Woodside Park – No assurance level given

The review was curtailed in agreement with the Chief Officer due to there being issues at the site that prevented the review going ahead and being of any use. There is also a consultant being appointed to look at the ongoing provision of the site.

Progressing the Annual Internal Audit Plan

KEY	
Current status of assignments is shown by	✓
Denotes undertaken by Contractor	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Benefits	20	✓							
Procurement	12					✓			
Consultancy Expenditure	17			✓					
Treasury Management	12						✓		
Capital Programme	12	✓							
Fees & Charges/ Income shortfalls	12						✓		
Council Tax	17						✓		
Agency Staff	17				✓				
Fraud									
Risk Management	25			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Flexitime	20	✓							
ICT									
IT Strategy, Governance & Policies	12						✓		
Loss of IT services	12	✓							
Software Licenses	12			✓					
Corporate Risks									
Absence Management	17			✓					
HR Capability and Disciplinary	12		✓						
Lone Working	22			✓					
Recruitment & Retention of Staff	17			✓					
Staff Welfare	12				✓				
Governance & Ethical Risks									
Legal Services	12	✓							
Internal Constitution	12						✓		

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Operational Risks									
Parks and Open Spaces	12	✓							
Domestic Waste	17	✓							
Travellers - Woodside	17						✓		Position statement
Tenant arrears including former tenants and Voids	12								
Waiting lists and s106 nominations	12						✓		Position Statement issued
Car Parking and Enforcement	12	✓							
Emergency Planning / Business Continuity	17	✓							
Project Management	17	✓							
Local Plan Delivery	12						✓		
Follow-ups	30								
Additional Support									

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Annual Governance Statement	12		✓						
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Corporate Investigation Work	40							Not applicable	

Summary Of Audit Recommendations 2020 - 2024 to date

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2022/23	Workforce Training	0	5	5	1	0	0	11
2022/23	Procurement & Contract Management	0	4	1	1	0	0	6
2022/23	ICT Financial Processes Review	0	0	0	1	0	0	1
2022/23	Voids Review	1	3	5	7	0	0	16
2022/23	Risk Management	0	0	2	0	0	0	2
2022/23	Licensing	0	3	2	1	0	1	7
2022/23	NDR	0	5	0	0	0	0	5
2022/23	Food Safety	1	1	3	0	0	0	5
2022/23	Right to Buy	0	1	0	2	0	1	4
2022/23	Section 106 Agreements	0	3	0	0	0	0	3
2022/23	Systems Resilience	0	2	0	2	2	0	6
2022/23	Data Protection/Records Management	0	0	1	1	0	7	9
2022/23	Counter Fraud Framework	0	2	2	0	0	1	5
2022/23	Growth Hub Grants	0	2	1	0	0	0	3
2022/23	Impact Assessments	0	0	0	1	1	0	2

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
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2023/24	Housing Rents	4	4	2	2	1	1	14
2023/24	Corporate Credit Cards	0	0	0	9	0	0	9
2023/24	Ethical Governance	0	0	4	2	0	3	9
2023/24	Fleet Management	1	9	3	0	0	0	13
2023/24	Complaints & FOI Requests	1	7	0	3	0	5	16
2023/24	Housing Benefits	0	3	1	0	0	2	6
2023/24	Fuel Usage	1	0	0	0	0	0	1
2023/24	Benn Hall	1	9	0	1	0	1	12
2023/24	PRS	3	3	3	0	0	0	9
2023/24	Corporate H & S	1	2	0	4	0	10	17
2023/24	Sundry Debts	3	9	0	1	1	0	14
2023/24	Homelessness Grants	5	3	1	0	0	1	10
2023/24	Assets - Statutory Compliance	3	10	0	0	0	0	13
2023/24	Systems Resilience	0	1	0	0	0	1	2
2023/24	Bereavement Services	5	0	0	0	0	0	5
2024/25	Council Tax	4	2	0	0	0	2	8
2024/25	Fees & Charges	3	0	0	0	0	0	3
	Totals	39	124	58	56	8	46	331









Notes:







Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.





Out of time: This is where the action was implemented later than the agreed timescale

Details of Overdue High and Medium Risk Audit Recommendations

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Benn Hall 2023/24	Procure a new bar till system which produces reports and enables regular stocktakes to take place.	31-Oct-2024	04/11/2024 The Benn Hall Manager advised that this is ongoing with by the Digital Projects Team within IT.	19-Nov-2024	 High Risk	Benn Hall Manager
Housing Benefits 2023/24	Consider how the identified overpayments where nothing has been put in place to recover the funds could be followed up regularly to ensure that recovery action is instigated in a timely manner.	01-Jul-2024	Benefits TL has advised that they are no further forward at present. They are continuing to work through the backlog, and are recruiting as a member of staff left at the start of the month.	04-Nov-2024	 High Risk	Benefits TL
Complaints and Freedom of Information Requests 2023/24	Review the option to receive the response by phone to ensure customers and staff are aware that RBC will send a written response as well.	01-May-2024	Update from CCIM - New policy is to be adopted at the next MT meeting, will be in force by 11/12/2024 and will include that RBC will send a written response.	25-Nov-2024	 Medium Risk	CCIM
Complaints and Freedom of Information Requests 2023/24	Ensure that all complaints are classified as upheld or not upheld, with a third option for those that have been withdrawn. Consider making this mandatory to improve the accuracy of the data.	01-Apr-2024	CCIM has advised that New policy is to be adopted at the next MT meeting, will be in force by 11/12/2024 and include that complaints are classified appropriately.	25-Nov-2024	 Medium Risk	CCIM
Complaints and Freedom of Information Requests 2023/24	Correct the issues with the Power BI dashboards and instigate half-yearly or yearly checks to ensure they continue to report correctly.	01-Jul-2024	Update from IT & Digital Manager:09/09/2024 – The dashboards have been setup to the new system, due to technical arrangements in place with the supplier we have had to do this. Once the system has been migrated to the new one, the dashboards will appear with the correct data. The data is incorrect as it is only showing test data from the new system, rather than current data. MD should have an update as to when the migration is planned to take place.	24-Sep-2024	 Medium Risk	IT & Digital Manager

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Counter Fraud Framework 22/23	To ensure that the Counter-fraud culture is embedded across the Council, fraud awareness training should take place and capture all relevant staff. See description.	31-Aug-2024	Update from RG - The new suite of training programmes did not include Counter Fraud so looking now to source from an external provider.	13-Nov-2024	 Medium Risk	Corporate Assurance Manager
Corporate Health and Safety 2023/24	Once resourcing issues are resolved, instigate regular monitoring by S&R of reports of incidents, accidents, near misses and acts of violence & aggression	01-Jul-2024	The S&R Manager has advised that she has a new Senior Safety & Resilience Officer and the returning former Senior Safety & Resilience Officer both starting during September with the reporting and monitoring ready to be utilised once they join RBC.	04-Sep-2024	 Medium Risk	Safety & Resilience Manager
Corporate Health and Safety 2023/24	Instigate regular oversight/monitoring by S&R to ensure that monitoring of adherence to H&S policies, procedures and risk assessments is completed by all areas	01-Nov-2024	S&R Manager has advised that she is planning to instigate regular H&S audits of service areas on SHE. This is waiting on the employment of the new Senior Safety & Resilience Officers as discussed in recommendation 1.	04-Sep-2024	 Medium Risk	Safety & Resilience Manager
Corporate Health and Safety 2023/24	Consider whether health and safety refresher training should be provided to all staff.	01-Oct-2024	The S&R Manager has advised that the E-Learning Platform for H&S is being upgraded and will be providing all courses with a refresher period that can be set. This will ensure that the content is revisited by staff on the appropriate timescale. She is looking for this to be completed by the end of October.	04-Sep-2024	 Medium Risk	Safety & Resilience Manager
Corporate Health and Safety 2023/24	Ensure that all staff who complete Health & Safety risk assessments receive Health & Safety risk assessment training and consider providing refresher training.	01-Aug-2024	The S&R Manager has chased this with managers and there are still 15 that haven't completed it yet. She will be chasing again and copying in Chief Officers where needed.	04-Sep-2024	 Medium Risk	Safety & Resilience Manager
Corporate Health and Safety 2023/24	Ensure that the Duty Holder register is completed and cascaded to staff	01-Aug-2024	Due to the workload of the S&R Manager this is still ongoing, but she is looking to complete it by the end of September.	04-Sep-2024	 Medium Risk	Safety & Resilience Manager
Corporate Health and Safety 2023/24	Instigate regular checks to ensure use of the Duty Holder Register to inform staff training and management responsibilities	01-Nov-2024	The S&R Manager has advised that this is awaiting the completion of Recommendation 12 before it can be progressed.	04-Sep-2024	 Medium Risk	Safety & Resilience Manager
Corporate Health and Safety 2023/24	Bereavement Services to review and update their H&S risk assessments.	01-Sep-2024	The S&R Manager advised she has been working with the Bereavement Services Manager and on review they are about 50% of the way there in completing this task. However the Bereavement Services Manager is now trained to complete this.	04-Sep-2024	 Medium Risk	Bereavement Services Manager

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Data Protection / Records Management 22/23	Management to ensure the creation of a Data Classification Policy and that this is distributed to all relevant staff via a communications exercise.	01-Nov-2024	The CO for Digital & Comms has put together a business case to hire a Data Protection Specialist contractor for 12 months to resolve issues around Data Protection and update the relevant policies. They are due to start in November, with a plan to have review the policies by the end of January.	25-Nov-2024	 Medium Risk	CCIM
Data Protection / Records Management 22/23	An annual exercise should be performed requiring Information Asset Owners to review the Record of Processing Activities spreadsheets and confirm that the information is still up-to-date and valid.	30-Jun-2024	The CO for Digital and Communications has advised that ROPA is first on the prioritisation action list for the new specialist with a view to having the process in place by the end of January. Information Asset Owners will need to review their spreadsheets once the process is in place.	25-Nov-2024	 Medium Risk	CCIM
Data Protection / Records Management 22/23	Management to create and distribute a Data Retention Policy.	01-Nov-2024	CCIM/CO have advised that this was completed at the start of August, although the policy will be reviewed and updated by the new Data Protection Specialist. The policy has yet to be presented to Cabinet/Council but this is for information rather than needing approval.	25-Nov-2024	 Medium Risk	CCIM
Data Protection / Records Management 22/23	Management should ensure a regular, at least annual, process is introduced requiring that Information Asset Owners review retention periods for the data they own and ensure these are accurate and up-to-date.	01-Nov-2024	The CO for Digital & Comms is bringing in a Data Protection Specialist contractor for 12 months to resolve issues around Data Protection and update the relevant policies. They are due to start in November, with a plan to have reviewed the policies and process by the end of January.	25-Nov-2024	 Medium Risk	CCIM
Data Protection / Records Management 22/23	Management to create a Data Disposal Policy/ procedure. This could potentially be incorporated into the recommended Data Retention Policy.	01-Nov-2024	The CO for Digital & Communications has advised that the Data Protection Specialist will be reviewing and updating the policies. They are due to start in November, with a plan to have reviewed the policies and process by the end of January.	25-Nov-2024	 Medium Risk	CCIM
Data Protection / Records Management 22/23	Management to review and update the required policies.	01-Nov-2024	The CO for Digital & Communications has advised that the Data Protection Specialist will be reviewing and updating the policies. They are due to start in November, with a plan to have reviewed the policies and processes by the end of January.	25-Nov-2024	 Medium Risk	CCIM

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Ethical Governance 2023/24	Audit and Ethics Committee ToR to be reviewed on a biennial basis to ensure up to date and fit for purpose. Consideration be given to having a separate ToR document that sits outside the Constitution, that would ease the review/update process.	01-Oct-2024	Update requested from Chief Officer for Legal & Governance 15/10/2024, chased 30/10/2024. Email from Senior Legal Officer 08/11/2024 requesting details which were sent. Chased again 20/11/2024. Harvey, Rachel , 17 May 2024 Update from Chief Officer for Legal & Governance - <i>This is now to be part of the wider constitutional review and expected to be completed by 30th September.</i>	26-Nov-2024	 Medium Risk	Chief Officer for Legal & Governance
Ethical Governance 2023/24	The Employee Code of Conduct to be reviewed and updated. Responsibility for this to be clearly assigned and formally documented. Once completed this should be cascaded to officers.	01-Oct-2024	The Employee Relations Lead has provided the latest version of the Employee Code of Conduct which has been updated in March 2024 and is available on the intranet. This has yet to be updated in the Constitution.	26-Nov-2024	 Medium Risk	Chief Officer for Legal & Governance
Licensing 22/23	To address the GDPR requirements for accuracy & data minimisation, the Licensing Team should consider a data validation exercise on records to ascertain if data should still be held on individual & if so, verify it is still accurate.	30-Aug-2024	RH - 03/09 - The Licensing officer has confirmed that the previous update still stands in regard to the data minimalization. The new system is operational, however, with recent annual leave across the team the data transfer did slow down. They are back up to full capacity now and the data transfer will continue as before. She confirmed that approximately 7% of the data has been reviewed/transferred so far. In regard to data accuracy and minimalization, this relates to transferring historic data onto the new system which the team are actioning alongside our 'normal' workload. Although necessary, this task has taken a backseat. We will continue working on having these uploaded to the new system. Please could you allow 12 months for us to complete this	04-Sep-2024	 Medium Risk	Licensing officer
Right to Buy	Procedure notes & process map be updated to reflect current processes and systems; recommend that processes are extended to incorporate the legal process. Procedures should include timescales that all depts involved in the process need to work toward	30-Sep-2024	The Housing Services Manager has advised that following the changes in the budget, the document is currently being updated.	26-Nov-2024	 Medium Risk	Housing Services Manager

Agenda No 6

AGENDA MANAGEMENT SHEET

Report Title:	Treasury Management Mid-Year Report 2024/25
Name of Committee:	Audit & Ethics Committee
Date of Meeting:	12 December 2024
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	N/A
Prior Consultation:	Chief Financial Officer and Portfolio holder
Contact Officer:	Chris Raymakers, Lead Accountant, chris.raymakers@rugby.gov.uk.
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities: (C) Climate (E) Economy (HC) Health and Communities (O) Organisation	<p>This report relates to the following priority(i.e.):</p> <p><input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)</p> <p><input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)</p> <p><input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC)</p> <p><input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O)</p> <p>Corporate Strategy 2021-2024</p> <p><input type="checkbox"/> This report does not specifically relate to any Council priorities but</p>
Summary:	<p>This report gives details of treasury activity in the first half of the current financial year, recent developments in the economy and fulfils the reporting requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management</p>

Financial Implications:	None as a direct result of this report. The management of the Council's investment portfolio and cash-flow generated balances plays an important part in the financial planning of the authority. The security of its capital and liquidity of its investments is of paramount importance.
Risk Management Implications:	Consideration of risk is integral in our approach to treasury management. However, this particular report has no specific risk implications as it is not proposing any new actions, but merely reporting performance over the last six months.
Environmental Implications:	There are no direct environmental implications arising from this report and so no Climate Change and Environmental Impact Assessment is required.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	There are no direct equality and diversity implications arising from this report and so no Equality Impact Assessment is required.
Options:	None as direct result of this report.
Recommendation:	<p>1) The Treasury Management Mid-Year update for 2024/25 be noted.</p> <p>2) That Members recommend to Full Council that the report be approved</p>
Reasons for Recommendation:	To comply with the CIPFA Treasury Management Code of Practice and Prudential Code.

Audit & Ethics Committee - 12 December 2024

Treasury Management Mid-Year Report 2024/25

Public Report of the Chief Officer – Finance and Performance

Recommendation

- 1) The Treasury Management Mid-Year update for 2024/25 be noted.
- 2) That Members recommend to Full Council that the report be approved

Executive Summary

The management of the Council's investment portfolio and cash-flow generated balances plays an important part in the financial planning of the authority. The security of its capital and liquidity of its investments is of paramount importance.

The Treasury Management function of Rugby Borough Council, similar to other local authorities in the UK, manages the financing and liquidity needs of the Council in a prudent and responsible manner. In doing so it utilises its surplus cash balances, investing this money for the benefit of the local taxpayers.

During the 2024/25 financial year the Council has not needed to borrow any further funds, a situation which is expected to continue during 2025/26 while interest rates remain at the current level

Throughout the year investment income has remained stable, with interest rates largely steady, although experiencing a slight decrease since the start of the reporting period and projected to decline gradually. Across the Council the current Net Cost of Borrowing forecast is for a saving of £0.704m.

Further to the 2023/24 year end Treasury Management report, the Lothbury Investment Management Property Fund has been terminated, and fund managers have commenced asset liquidation. The original principal amount was £2.000m, with a £0.400m loss recognised in the 2023/2024 final accounts. Of the remaining £1.600m, £0.944m has been repaid, representing 62% of the outstanding principal. Lothbury Property Fund have indicated that they are working towards selling remaining assets in the portfolio by early 2025.

There have been no treasury management breaches recorded as of the end of Quarter Two, 30 September 2024.

This report was presented to Cabinet on 2 December for information purposes, any approvals and scrutiny is required through the Audit and Ethics Committee.

1. INTRODUCTION

- 1.1 In accordance with the Local Government Act 2003 and relevant regulations, Rugby Borough Council is required to conduct a mid-year review of treasury management activities, as well as an annual assessment of treasury performance and prudential indicators. This report offers an overview of the Council's treasury activities for the first half of the 2024/25 financial year.
- 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 cashflow is adequately planned, with cash being available when it is needed. Surplus cash is invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially, before considering investment return as per the Council's 2024/25 Treasury Management Strategy.
- 1.3 A key component 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 cashflow 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 cashflow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives
- 1.4 Accordingly, treasury management is defined 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.”
- 1.5 This is a report on the Treasury Management activities for the first half of 2024/25 (the mid-year report). It includes
 - An economic update for the second quarter of the 2024/25 financial year;
 - Interest rate outlook
 - Summary of quarter two treasury management activity
 - Review of debt management activity
 - Review of treasury management indicators

2 ECONOMIC UPDATE (RECEIVED OCTOBER 2024)

- 2.1 The second quarter of this financial year (July to September) saw;
 - GDP growth stagnating in July following downwardly revised Q2 figures (0.5% quarter on quarter).

- A further easing in wage growth as the headline 3-month year on year rate (including bonuses) fell from 4.6% in June to 4.0 % in July.
 - Consumer Price Index (CPI) inflation hitting its target in June before edging above it to 2.2% during July and August, and falling to 1.7% in September.
 - Core Consumer Price Inflation (CPI) inflation increasing from 3.3% in July to 3.6% in August, falling to 3.2% in September.
 - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5% in August and holding them steady in its September meeting.
- 2.2 The economy's stagnations in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index (PMI), from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months.
- 2.3 The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3-month year on year growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023.
- 2.4 Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in quarter two. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.
- 2.5 Looking ahead, CPI inflation is expected to rise in the coming months before gradually returning to the 2.0% target by mid-2025. Rising geopolitical tensions, particularly in the Middle East, may add upward pressure on inflation, as seen with recent oil price increases following Iran's 1 October missile attack on Israel. Additionally, China's new fiscal support measures introduced in late September have elevated broader commodity prices, which could impact global inflation and monetary policy.
- 2.6 Despite these factors, central forecasts anticipate interest rates will decrease to 4.5% by the end of 2024, with further cuts likely through 2025. While a November rate cut is expected, a December adjustment could be challenging if inflation spikes toward 3%; however, we anticipate a more marked easing in inflation in the latter half of 2025, potentially prompting the Bank to accelerate cuts to a rate of 3.0% rather than the 3.25-3.50% currently priced in by markets.
- 2.7 The expected reduction in interest rates has been actioned slower than predicted. On the 1 April 2024 the Bank of England Base Rate was 5.25%. This

was only cut once in the first 6 months of the financial year to 5%. However, with inflation now coming down below the government's 2% target it is likely that further cuts in interest rate will occur in November and December.

- 2.8 The FTSE 100 reached a peak of 8,392 during the quarter, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may stagger for the time being as investors react to who is elected the next US President, and how events in the Middle East (and Ukraine) unfold.

3. INTEREST RATE OUTLOOK

- 3.1. The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20bps) which has been accessible to most authorities since 1 November 2012.
- 3.2. The forecast below sets out a view that both short and long-dated interest rates will reduce over the next 2 years.

Interest Rate Forecasts								
Bank Rate	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Link	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%	3.00%
Cap Econ	4.75%	4.50%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%
5Y PWLB RATE								
Link	4.50%	4.30%	4.10%	4.00%	3.90%	3.90%	3.90%	3.90%
Cap Econ	4.70%	4.60%	4.40%	4.30%	4.10%	4.10%	4.00%	4.00%
10Y PWLB RATE								
Link	4.60%	4.40%	4.30%	4.10%	4.10%	4.10%	4.00%	4.00%
Cap Econ	4.80%	4.70%	4.60%	4.50%	4.30%	4.30%	4.20%	4.10%
25Y PWLB RATE								
Link	5.00%	4.80%	4.70%	4.50%	4.50%	4.40%	4.40%	4.40%
Cap Econ	5.10%	4.90%	4.80%	4.70%	4.50%	4.50%	4.40%	4.30%
50Y PWLB RATE								
Link	4.80%	4.60%	4.50%	4.30%	4.30%	4.20%	4.20%	4.20%
Cap Econ	5.10%	5.00%	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%

4. TREASURY MANAGEMENT ACTIVITY

- 4.1. Where the Council has surplus funds, these funds are invested to achieve maximum return whilst keeping in mind the core principles of Security, Liquidity and Yield.
- 4.2. In reviewing and monitoring the impact of the Council's treasury management activities, rather than looking at the interest received on investments and the interest paid on borrowings in isolation it is important that the Net Cost of Borrowing against the Budget that has been set is monitored.
- 4.3. With the Bank of England continuing to keep rates at an elevated level the Council has continued to see a benefit in the net cost of borrowing. The quarter two projection is for a £0.593m General Fund saving and a £0.111m benefit in the Housing Revenue Account. This benefit cannot be relied upon in future years as the expectation remains that at some point interest rates will begin to fall. Officers will continue to closely monitor interest rate expectations and as the year develops projections will be reviewed.

- 4.4. Given the spread of interest rates for investments against those for borrowing, there are times when borrowing is deferred, and investments minimised, because of surplus cash held, which is used to meet day to day expenditure. Therefore, an underachievement in interest receivable against budget, whilst seeming to be adverse, may, because it also produces a reduction in interest payable on borrowing, leading to a more favourable outcome for the Council.
- 4.5. The Council has a strategy of matching Investment maturity profiles with loan maturity profiles in order that there are sufficient funds available to repay the borrowing where it is in the best interests of the Council.
- 4.6. The table below shows a summary of the treasury management activity over the six-month period from 1 April to 30 September 2024.

Type	Principal Amount £000	Interest Rate
Investments 1 April	79,050	4.85%
Matured in period	(45,500)	
Arranged in period	44,600	
Balance 30 September 2024	78,150	4.89%
Debt 1 April 2024	90,300	2.36%
Matured in period	(7,000)	
Arranged in period	-	
Balance 30 September 2024	83,300	1.95%

- 4.7. Between October 2024 and March 2025, there will be £56.5m of current investments maturing. Maturing investments will either be re-invested or utilised for liquidity in the cash flow as the capital programme is worked through.
- 4.8. Please see Appendix A and Appendix B for further details on investments and Appendix C as a summary of the approved counterparties for which the organisation will treasury management activity.
- 4.9. During 2023/24, the Council was advised that the future of the Lothbury Property Fund was uncertain given the level of redemptions that had been submitted. Following an unsuccessful attempt to merge with UBS Triton, the Lothbury Property Fund terminated on 30 May 2024.
- 4.10. The original principal amount invested in the Lothbury Fund was £2.000m, with a £0.400m loss recognised in the 2023/2024 final accounts. Of the remaining £1.600m, £0.944m has been repaid. Lothbury Property Fund have indicated that they are working towards selling remaining assets in the portfolio by early 2025.

5. DEBT MANAGEMENT ACTIVITY

- 5.1. The Council is currently undertaking two major capital schemes, Biart Place and Rounds Gardens, for which it has borrowed extensively at the start of the projects (£66m). The Council has not needed to borrow further since, instead utilising its cash balance to borrow internally.
- 5.2. The authority is currently in an 'under borrowed' situation with gross debt less than the amount of capital being financed. Some borrowing is still being held while awaiting capital expenditure to be undertaken. It is unlikely that further actual borrowing will be required this year.
- 5.3. The table below shows the Capital Financing Requirement (CFR), which is the

Type	March 2023 £000	March 2024 £000	Forecast March 2025 £000
Gross Debt	83,300	83,300	83,300
CFR	90,443	93,767	105,761
Over (Under borrow)	(7,143)	(10,467)	(22,461)

underlying external need to incur borrowing for a capital purpose.

- 5.4. For future borrowing, the Council will look to match financing with asset life where appropriate and has the option to utilise the Public Works Loan Board (PWLb), other local authorities, financial institutions or 'internal borrowing', that is cash supporting the Council's reserves, balances and cash flow as a temporary measures,
- 5.5. In addition to borrowing from external sources the Council has the option of 'intrafund' borrowing – that is, loans between the General Fund and Housing Revenue Account (HRA). In consultation with its treasury management advisors the Council will continue to look at this facility over the term of the General Fund Medium Term Financial Plan and the HRA Business Plan to ensure opportunities are maximised.

6. RESERVES

- 6.1 The Council holds earmarked reserves for a variety of purposes and in the period leading up to the use of the fund's officers will use the balances in the day-to-day treasury management functions. This will allow for the generation of investment returns but also will help to prevent the use of short-term borrowing which will attract a cost at a time where interest rates are significantly higher than previous years. At the 31 March the council had £74.251m in usable reserves available for use for Treasury Management purposes.

7. TREASURY MANAGEMENT INDICATORS

7.1. The Council measures its exposure to treasury management risks using the following indicators.

7.2. **Security: Average credit rating**

7.3. To measure the security of its portfolio, the Council compares the historic risk of default of its investments against a maximum target rate.

7.4. As an example, based on historic data, a AAA (least risk) rated investment has 0.04% chance of default within one year and a 0.17% chance of default within three years. A BBB+ (most risk) rated investment has a 0.13% chance of default within one year and a 0.63% chance of default within three years. Local Authorities are viewed as being government backed and therefore have zero risk of default.

7.5. There have been no default events associated with any counterparties the Council has utilised within its investment portfolio since 2009. All funds and accrued interest held at that time were subsequently reclaimed via the administration process.

7.6. Using the criteria above, the Council's overall portfolio at 30 September 2024 had a 0.009% risk of default, i.e., a very small, but not nil, probability. The principal reason for this very low risk of default is the move away from banks to UK local Authorities during the last 12 months.

	Limit	Actual	Met?
Historic Risk of Default	0.25% (max)	0.009%	Yes

7.7. **Maturity structure of borrowing**

7.8. The 'Maturity Structure of Borrowing' indicator is set to control the Council's exposure to refinancing risk – that all borrowing falls due for repayment at the same time. The repayment structure of fixed rate borrowing (loans of 12 months or longer) was:

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	25%	0%	1%	✓
12 months and within 24 months	25%	0%	0%	✓
24 months and within 5 years	50%	0%	0.8%	✓
Five years and within 10 years	50%	0%	0%	✓
10 years to 20 years	75%	0%	0.6%	✓
20 years to 30 years	75%	0%	0.6%	✓
30 years to 40 years	100%	0%	12.0%	✓
40 years and above	100%	0%	84.8%	✓

7.9. **Principal sums invested for periods longer than 364 days**

- 7.10. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. It is used in conjunction with the liquidity indicator to ensure sufficient cash resources are available without penalty during the short to medium term. The total principal sums invested to final maturities beyond the year end were:

	2024/25 £m	2025/26 £m	2026/27 £m
Limit on principal invested for more than 365 days	35.0	35.0	35.0
Actual principal invested beyond year end	10.0	10.0	0
Within limit?	✓	✓	✓

- 7.11. The council has no investments maturing after 31st March 2027

7.12. **Authorised Limit**

A further prudential indicator controls the overall level of borrowing is the 'Authorised Limit' which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	2024/25 Original Estimate (£M)	2024/25 Current Position (£M)	2024/25 Current Forecast (£M)
Authorised Limit for External Debt	190	190	190

8 INTERNAL AUDIT REPORT

- 8.1 The Treasury Management function has recently undergone its annual internal audit review. This report gave the function a ***Substantial Assurance*** rating. The report also made a number of recommendations which are being worked through and which do not affect the content of this report.

9 CONCLUSION

- 9.1 During the first half of 2024/25, the Council's treasury management activities have been managed to prioritise capital security and liquidity while achieving consistent returns. With the potential interest rate changes and the evolving economic environment, officers will continue to closely monitor any developments.

Name of Meeting: Audit & Ethics Committee

Date of Meeting: 12 December 2024

Subject Matter: Treasury Management Report 2024/25 – Progress Report

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY
NO

☐ YES



LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

☐ Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A

Investments	Principal £000s	Average % Rate
Matured April to Sept 2024	45,500	5.417%
Maturing 2024/25	56,500	4.985%
Maturing 2025/26	6,500	4.470%
Maturing 2026/27	5,000	4.830%
Total Investments Sept 2024	78,152	

**Excludes FV movement of DIF and Property Funds*

APPENDIX B

Loans	Principal £000s	Average % Rate
Matured April to Sept 2024	-	-
Maturing 2024/25	-	-
Maturing 2025/26 and later	83,300	1.9463%
Grand Total	83,300	1.9463%
Total Loans Sept 2024	83,300	

Approved countries for investments as of 30 September 2024

Based on lowest available rating

AAA	AA+	AA	AA-
Australia	Canada	Abu Dhabi (UAE)	Belgium
Denmark	Finland	<i>Qatar</i>	France
<i>Germany</i>	USA		<i>UK</i>
Netherlands			
Norway			
Singapore			
Sweden			
Switzerland			

NB. Those countries highlighted in ***bold italics*** are those which we currently hold investments.