

Public Document Pack



**Service Director – Legal, Governance and
Commissioning**

Samantha Lawton

Governance and Commissioning

PO Box 1720

Huddersfield

HD1 9EL

Tel: 01484 221000

Please ask for: Nicola Sylvester

Email: nicola.sylvester@kirklees.gov.uk

Thursday 28 November 2024

Notice of Meeting

Dear Member

Corporate Governance and Audit Committee

The **Corporate Governance and Audit Committee** will meet in the **Council Chamber - Town Hall, Huddersfield** at **2.30 pm** on **Friday 6 December 2024**.

The items which will be discussed are described in the agenda and there are reports attached which give more details.

A handwritten signature in cursive script, appearing to read 'S Lawton'.

Samantha Lawton

Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Corporate Governance and Audit Committee members are:-

Member

Councillor John Taylor (Chair)
Councillor James Homewood
Councillor Angela Sewell
Councillor Caroline Holt
Councillor Kath Pinnock
Councillor Imran Safdar
Chris Jones (Co-Optee)

When a Member of the Corporate Governance and Audit Committee cannot attend the meeting, a member of the Substitutes Panel (below) may attend in their place in accordance with the provision of Council Procedure Rule 35(7).

Substitutes Panel

Conservative

D Bellamy
D Hall
M Thompson

Green

K Allison
A Cooper
S Lee-
Richards

Labour

M Sokhal
M Ahmed
S Ullah
B Addy
M Crook
J Rylah E Firth
H McCarthy

Liberal

Democrat
PA Davies
J Lawson
A Munro
A Marchington
A Smith
A Pinnock
A Robinson
D Longstaff

Community Alliance

A Zaman
C Scott

Kirklees Community Independents

A Arshad
JD Lawson

Ex Officio Members

Councillor Cahal Burke
Councillor Bill Armer
Councillor Tyler Hawkins

Agenda

Reports or Explanatory Notes Attached

Pages

1: Membership of the Committee

To receive apologies for absence from those Members who are unable to attend the meeting and details of substitutions and for whom they are attending to the Committee membership.

2: Minutes of Previous Meeting

1 - 6

To approve the Minutes of the meeting of the Committee held on the 27th September 2024.

3: Declaration of Interests

7 - 8

Members will be asked to say if there are any items on the Agenda in which they have any disclosable pecuniary interests or any other interests, which may prevent them from participating in any discussion of the items or participating in any vote upon the items.

4: Admission of the Public

Most agenda items take place in public. This only changes where there is a need to consider exempt information, as contained at Schedule 12A of the Local Government Act 1972. You will be informed at this point which items are to be recommended for exclusion and to be resolved by the Committee.

5: Deputations/Petitions

The Committee will receive any petitions and/or deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also submit a petition at the meeting relating to a matter on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10, Members of the Public must submit a deputation in writing, at least three clear working days in advance of the meeting and shall subsequently be notified if the deputation shall be heard. A maximum of four deputations shall be heard at any one meeting.

6: Public Question Time

To receive any public questions.

In accordance with Council Procedure Rule 11, the period for the asking and answering of public questions shall not exceed 15 minutes.

Any questions must be submitted in writing at least three clear working days in advance of the meeting.

7: Notice of appointment of 2nd Independent Person

9 - 12

To receive an update on the appointment of a second Independent Person.

Contact: David Stickley, Principal Lawyer.

8: Annual report on Bad Debt Write-Offs 2023-24

13 - 24

To receive the Annual Bad Debt Write-Off 2023-24 report.

Contact: Sarah S Brown, Head of Welfare & Exchequer Services.

9: Half yearly monitoring report on Treasury Management activities 2024-25

25 - 56

To consider the Half yearly monitoring report on Treasury Management activities 2024-25.

Contact: James Anderson, Head of Accountancy

10: Quarterly report of Internal Audit Q2 July - September 2024 57 - 72

To receive the Quarterly report of Internal Audit Q2 July – September 2024.

Contact: Martin Dearnley, Head of Audit & Risk.

11: Agenda Plan 73 - 74

To review the 2024/25 agenda plan.

12: Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

13: Quarterly report of Internal Audit Q2 July - September 2024 75 - 78

Exempt appendix in relation to agenda item 10

This page is intentionally left blank

Contact Officer: Nicola Sylvester

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 27th September 2024

Present: Councillor John Taylor (Chair)
Councillor James Homewood
Councillor Angela Sewell
Councillor Caroline Holt
Councillor Kath Pinnock
Councillor Imran Safdar

Co-optees Chris Jones

In attendance: Rachel Spencer- Henshall, Strategic Director, Corporate Strategy
Samantha Lawton, Service Director – Legal, Governance and Commissioning (Monitoring Officer)
Naz Parkar, Service Director, Homes and Neighbourhoods
Leigh Webb, Acting Head of Governance
Martin Dearnley, Head of Risk and Internal Audit
James Anderson, Head of Accountancy (Virtual)
Sean Westerby, Corporate Safety and Resilience Manager
Deborah Nicholson, Democracy Manager, Liaison & Support
Erin Wood, Information Governance Manager & Data Protection Officer
David Cleaver, Service Manager, Assets & Development
Scott Wise, Head of Assets & Development
Jacqui Fieldhouse, Head of Finance, Transactional Services
Chris Brown, Head of Housing Management & Partnerships, Homes & Neighbourhoods
Greg Charnley, Grant Thornton

1 Membership of the Committee

No apologies were received.

2 Minutes of Previous Meeting

RESOLVED- That the minutes of the meeting held on 26th July be approved as a correct record.

3 Declaration of Interests

Councillor John Taylor declared another interest in item 9 as Chair of Corporate Governance and Audit Committee.

4 Admission of the Public

All items were considered in public.

5 Deputations/Petitions

No Deputations/Petitions were received.

6 Public Question Time

No questions were asked.

7 Annual Corporate Health and Safety Report 2023/24

The Committee received a report providing an overview of review and performance monitoring activity of the Council's Health and Safety risk management system and policies undertaken by the Corporate Safety Team over the past 12 months to ensure that the organisation had clearly set out its commitments to manage health and safety matters effectively.

The report demonstrated that the work of the Corporate Safety Team supported the Council Plan, and the Council's subsequent delivery of cross-council priorities. It was noted that Kirklees Council had a well-established and embedded health and safety management system.

In response to a question relating to inspections and resource pressures, the Corporate Safety and Resilience Manager advised that the emphasis was on improving the position of risk. It was noted that health and safety was not being taken out of the organisation but had to be worked within budgets.

The Committee raised concerns relating to the risk matrix for homes and neighbourhoods being in red, the Corporate Safety and Resilience Manager advised that work was being carried out with the service to improve health and safety performance, it was noted that some standards were not met as expected by the regulator, but that did not mean that health and safety for employees or residents was poor.

RESOLVED- That the Annual Health and Safety Report 2023/24 be noted.

8 Information Governance Annual Report 2023/24

The Committee received a report providing an update on the Information Governance service and offer to the Council, outlining key events and activities across the year. The report focused on compliance, both statutory and best practice, as well as examining the challenges faced, successes and next steps.

Presentation slides were submitted to accompany the report which highlighted the challenges and achievements throughout the year including details of the Subject Access Requests (SARS) backlog, current resources and service demands.

During discussion of this item, Members acknowledged the increased number of Freedom of Information requests and felt this was due to decision making

information not being readily available and asked that there was a change in attitude across the Council in releasing or sharing information. The Committee suggested that using the 'My Kirklees Account' to share more local information would be beneficial to the community.

RESOLVED- That the Information Governance Annual Report 2023/24 be noted.

9 Report of the Members Allowances Independent Review Panel

The Committee received a report on Independent Review Panel who met to consider the Members Allowance Scheme.

The Members Allowance Independent Review Panel meets to consider and recommend the Members Allowances Scheme to Council, having regard to evidence received and associated developments that would affect the scheme.

The Independent Panel met in June 2024, their report including recommendations to be considered at Council (Appendix A in the report). The report also responded to the resolution of Council at the meeting held on 23 September 2023, relating to the scheme having regard to the financial position of the Council and the request for Members to voluntarily forgo increases based on pay award and reduce basic and SRA allowances by 5%. The recommendations within the report relating to the 2024/25 Members Allowances Scheme advised that the Members Allowance Scheme could be managed within overall base budget of the scheme.

During discussion of this item the Committee felt that items three and four of the recommendations included within the report presented were what the Panel wanted to look at and to preserve the independence of the panel, this was not for this committee Council to agree, and amended the recommendation to the resolved below (2.iii)-

RESOLVED-

- 1) That the report of the Members Allowances Independent Review Panel be noted.
- 2) That the Committee recommends that Council approve the recommendations of the Members Allowances Independent Review Panel MAIRP (as set out in Appendix A) with the following:
 - (i) That no changes be made to the 2024/25 scheme other than to apply the same percentage pay award awarded to officers to the Basic Allowance and SRAs and to be backdated to 1 April 2024 when known.
 - (ii) To continue to apply the same percentage pay award awarded to officers to the Basic Allowance and SRAs in subsequent years, as per the 2017 recommendation of the Democracy Commission.
 - (iii) To note that the Panel will reconvene to consider the scheme for 2025/26 in line with the issues identified in the report (set out at Appendix A) along with any additional issues determined by the Panel.

10 Internal Audit Plan for 2024/25 (Quarters 3 & 4)

The Committee received a report which provided the Internal Audit Plan for the second half of 2024/25.

The Council had an internal audit function lead by the Head of Risk and Internal Audit who reported for governance purposes to this committee. Each year it was necessary to identify how internal audit resources were to be deployed. It was considered good practice to determine an audit plan for half a year, based on a risk assessment. The second half plan proposed reflected comments made at the meeting of the Committee in April 2024 meeting.

The Committee noted that Internal Audit is a statutory obligation for local authorities and existed to provide independent assurance about the business processes for the Council. Internal Audit work was designed to provide assurance through following a programme of work to give coverage across the organisation areas of risk. The report covered the following areas:

- Audit Planning & Resourcing 2024/25
- Performance Standards
- Fraud Work

During consideration of this report the Committee asked the Head of Internal Risk and Audit if he was confident in providing assurance at the end of the year given the resource constraints and the removal of three items. The Head of Risk and Internal Audit advised that they were confident in giving an opinion this year, however future years could be a risk if there were no further resources secured.

In response to a question on cyber security, the Committee was advised that cyber security was a specialist area which Internal Audit did not fully have the skills to review. It was noted that there were external experts who could provide assurance. The Committee requested a private update from the IT service providing assurance on what was being done around cyber security.

RESOLVED- That the Internal Audit Plan for 2024/25 (Quarters 3 & 4) be approved noting the resource position.

11 District Heating - Request for Officer attendance

The committee received a report advising of progress against the recommendations made by internal audit in relation to the Councils District Heating Service.

At its meeting on 26th July 2024, the committee considered the first Quarterly report of Internal Audit 2024/25 (April to June 24) and decided that they were not content with the matters identified in the audit report that related to District Heating. The Committee requested that management from the service attend a future meeting to discuss progress.

Corporate Governance and Audit Committee - 27 September 2024

The 2024/25 audit followed a previous internal audit review of district heating schemes which were undertaken in October 2019, which highlighted significant weaknesses relating to the scheme not achieving break-even, the need to prepare to renew the contract for support services and the management of the vulnerability criteria. It was noted these had not been addressed due to there being no inhouse technical capabilities to develop and manage an energy strategy that would inform decisions around heat networks in Kirklees.

The report highlighted that original unit costs for gas had not been reviewed since the commencement of the contract in 2013. This resulted in under recovery of income, which had become even more significant since 2022/23 when energy costs rose substantially. Currently the Housing Revenue Account was subsidising the shortfall in district heating payments and the actual cost of energy usage was not being recovered. It was noted that going forward there would be an increase in charge to residents and a report was being prepared for Portfolio Holder approval for the end of September 2024, however it would not be possible to recover the losses that arose in previous years.

During consideration of this report the Committee raised concerns around residents underpaying for energy which left the Housing Revenue Account supporting the failure to recover sufficient income. The Service Director advised that there had previously been a lack of governance and control in this area, it was difficult to establish even with hindsight why the arrangements had not been effective for eleven years. The Service Manager advised that a corporate project team had been established to ensure that the audit report and all recommended actions were addressed along with overseeing a compliant procurement; ensuring key stakeholders were consulted; producing a realistic and achievable timeline for procurement of a new contractor for meters and billing; having a robust contract for meters and billing in Kirklees and to establish arrangements to recover the full costs of energy and system management.

RESOLVED- That the District Heating – Request for Officer Attendance be noted.

12 Agenda Plan 2024/25

RESOLVED- That the Agenda Plan for 2024/25 be noted.

This page is intentionally left blank

KIRKLEES COUNCIL				
COUNCIL/CABINET/COMMITTEE MEETINGS ETC				
DECLARATION OF INTERESTS				
Corporate Governance and Audit Committee				
Name of Councillor				
Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an "Other Interest")	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest	

Signed: Dated:

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

- (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
(b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



REPORT TITLE: Notice of appointment of 2nd Independent Person

Meeting:	Corporate Governance & Audit Committee
Date:	6th December 2024
Cabinet Member (if applicable)	N/A
Key Decision Eligible for Call In	No No – not a decision-making report
<p>Purpose of Report</p> <p>To brief the corporate governance and audit committee on the appointment of a second Independent Person.</p>	
<p>Recommendations</p> <ul style="list-style-type: none"> • That the report be noted by members <p>Reasons for Recommendations</p> <ul style="list-style-type: none"> • The report is for information only 	
<p>Resource Implications:</p> <p>The Independent Person is paid a small allowance in remuneration which is budgeted for.</p>	
Date signed off by Executive Director & name	Rachel Spencer-Henshall – 19th November
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney – 19th November
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Samantha Lawton – 19th November

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes

1. Executive Summary

1.1 This report is intended to update Committee on the appointment of a second Independent Person, further to the authority granted by Council to the Monitoring Officer.

2. Information required to take a decision

2.1 Prior to this appointment, Kirklees Council had one Independent Person. Recommendation and best practice is for a Local Authority to have a minimum of two Independent Persons.

2.2 Concerns had been raised about the risks associated with having only one Independent Person and authority had been sought and was given by Annual Council in May 2019 for the Monitoring Officer to recruit a second Independent Person.

2.3 In August 2024, an advert was placed on the Kirklees recruitment website and the vacancy was advertised via LinkedIn.

2.4 4 applications were received in total, and a shortlist of 2 candidates were interviewed.

2.5 The position was offered to Craig Ainsworth, who accepted and joined Kirklees as Independent Person on the 23rd of October 2024.

2.6 Mr Ainsworth has a background of public sector roles, including as a local authority Head of Governance, and also has held the role of Independent Person for two other local authorities.

3. Implications for the Council

3.1 Working with People

N/A

3.2 Working with Partners

N/A

3.3 Place Based Working

N/A

3.4 Climate Change and Air Quality

N/A

3.5 Improving Outcomes for Children

N/A

3.6 Financial Implications

N/A

3.7 Legal Implications

The role of Independent Person is a statutory one and they must be consulted on formal Standards issues. Having a single Independent Person risks being unable to comply with that duty should the Independent Person be unavailable.

3.8 Other (eg Risk, Integrated Impact Assessment or Human Resources)

None

4. Consultation

N/A

5. Engagement

None

6. Options

6.1 Options Considered

It is recommended that the report be noted.

6.2 Reasons for Recommended Option

The report is an 'information-only' report.

7. Next steps and timelines

N/A

8. Contact officer

David Stickley
Principal Lawyer
01484 221000
david.stickley@kirklees.gov.uk

9. Background Papers and History of Decisions

[Annual Council May 2019](#)

10. Appendices

11. Service Director responsible

Samantha Lawton
Service Director – Legal, Governance and Commissioning
01484 221000
samantha.lawton@kirklees.gov.uk



Annual report on bad debt write-offs, 2023-24

Meeting	Corporate Governance and Audit Committee
Date	6 th December 2024
Cabinet Member (if applicable)	Cllr Graham Turner
Key Decision Eligible for Call In	No No – Information only
Purpose of Report Financial Procedure Rules require the Service Director Finance, to prepare an annual consolidated report on all debts written off annually, for consideration by the Corporate Governance and Audit Committee. This report details the debts written off in the financial year 2023-24.	
Recommendations Corporate Governance and Audit Committee are recommended to note the information in the Appendices on bad debt write offs for 2023-24	
Resource Implication: NA	
Date signed off by <u>Executive Director</u> & name	Rachel Spencer-Henshaw 19th November 2024
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney 19th November 2024
Is it also signed off by the Service Director for Legal and Commissioning (Monitoring Officer)?	Samantha Lawton 19th November 2024

Electoral wards affected: None

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes, no personal data included

1. Executive Summary

- 1.1 The Chief Financial Officer has to prepare an annual consolidated report of all debts written off for consideration by the Corporate Governance and Audit Committee. This report includes summary detail on the Council's approach to debt recovery in **Appendix A** and a summary schedule of debts written-off over the past 12 months, in **Appendix B**.
- 1.2 The Council has a good record of collecting income due, including a range of supportive measures to help bill payers who may be struggling to pay their bills, as part of a broader suite of income collection and recovery measures to ensure that everyone who should pay, does. The write off figures within this report underline how important it is for everyone to pay their share of the charges to help fund essential Council services and wherever possible payment by direct debit is encouraged and promoted.

Last year was once again another challenging year financially due to the continued impact of the country's financial situation and subsequently the overall impact this continues to have economically through the local economy. This resulted in an increased number of customers having difficulties paying their bills. It is anticipated this will continue as the cost-of-living crisis plays out over the coming month/years. This will likely mean that there will be some element of suppressed bad debt, this will be debt that due to current circumstances will be harder to collect and will therefore take longer to recover moving forward. There will also be an element of this debt that will become irrecoverable in the future due to increased debts customers will face in the future.

- 1.3 Overall, debts written-off in 2023-24 totalled £5.36m; as a percentage of debt raised in the year, this is 0.92%. The previous year 2022-23 £5.31m was written off; equivalent to 0.97% of debt raised. The overall percentage written off in 2023-24 is slightly lower in % terms than 2023-23 but remains an ongoing issue due to the current financial climate and in part due to the build-up of debts throughout the pandemic.

From an accounting perspective, the Council makes a regular assessment of the level of bad debt provision that is required in each service area and at the year provides an appropriate sum by charging that amount to the relevant revenue account to ensure that the Council is reflecting the risk of uncollectable debt and that it is not exposed to significant write off pressure in any one year.

2. Information required to take a decision

- 2.1 Financial Procedure Rules authorise Directors to write off all individual bad debts subject to the approval of the Chief Financial Officer. A report on the details of all debts written off under delegated authority must be prepared and formally noted by the Director in consultation with the Cabinet Member. The Service Director - Finance must prepare an annual consolidated report of all debts written off for consideration by the Corporate Governance and Audit Committee.
- 2.2 Appendix A contains details of debts written off in 2023-24. The first table compares amounts written off in 2023-24 to those written off in 2022-23. The second table in Appendix B shows a detailed analysis of the reasons for write off in 2023-24. In both tables, the amount of debt raised in the financial year is shown as a guide - the

amount written off in the year is not directly related to this as it is likely to include ongoing debts outstanding from previous years.

- 2.3 The figures for write offs of Adult Social Care debt, Housing Benefit Overpayments recovery (Finance), Housing Revenue Account (HRA), Business Rates and Council Tax make up the top 5 areas for write offs and demonstrate how important it is for everyone to pay their share of the local taxation and charges to help fund essential Council services.

Directorate	Debit for Year April 23-March 24	Write offs April 23-March 24	%
Adults Social Care	68,570,941	257,508	0.38%
Housing Benefit Overpayment (Finance)	3,413,920	125,540	3.68%
HRA (Excl those on benefits)	89,967,474	627,449	0.70%
Council Tax	260,813,827	2,945,886	1.13%
NNDR	95,368,184	1,164,717	1.22%

- 2.4 The write-offs for Client Financial Affairs relate to the collection and recovery of Adult Social Care charges, which includes charges for long term and short-term care, home care services and Deferred Payment Agreements, amongst others. A key aim of the Adult Social Care Charging Policy is to ensure that where an adult is charged for care and support (including contributing to a personal budget following a financial assessment), that they are not charged more than they can reasonably afford to pay. Client Financial Affairs use a financial assessment form in order to access contributions.

If a service user is assessed to pay a contribution towards their care costs but does not pay, the Client Financial Affairs, Debt Recovery team will review the case and chase collection of the charges. This is carried out using appropriate collection and recovery action as per the Debt Recovery Policy and is always taken using the legal powers available; however, due to the characteristics of the client group not all charges are recoverable, and the debt recovery team are limited in their powers of collection dependant on the customers circumstances.

The debt recovery process has been challenging this year, with staff shortages due to unexpected absence and difficulties recruiting, the cost-of-living crisis and a rise in the number of customers accessing adult social care services. However, there is a dedicated team who continue to work on improvements in debt collection whilst ensuring they are sympathetic to the needs of our service users. The team work closely with adult social care, customers and advice partners, both internally and externally, to ensure all the relevant help and advice is available to help customers who are struggling financially. The team have continued to review each service user's arrears on a case-by-case basis and have used their knowledge and skills to ensure the best outcome is reached for all involved.

Whilst the team will try everything in their powers and in accordance with the Council's debt recovery policy to collect the outstanding arrears, there is still a need to write off debts that may be uncollectable for several reasons including where the client has deceased without an estate, on compassionate grounds due to financial abuse and if the debt is no longer viable to pursue. The write off figures have increased slightly compared to 2022-23, likely in part due to overall increased care packages. It will always be necessary to write off unrecoverable debts to ensure that the debt recovery team is concentrating on the cases which are collectable.

- 2.5 The write offs for Finance relate mainly to Housing Benefit Overpayment recovery. The write off percentage figure is relatively high because the households concerned are by definition the least able to pay and have potentially impacted the most through the increased cost of living.

Aged non collectable debts are targeted for write off and a high proportion of these are deemed not viable to pursue. Recovery action is always pursued using all the recovery powers available for example deductions from ongoing benefit entitlement or direct attachments on welfare benefits; however, ability to pay in the current climate is also a consideration. These debts will also become more difficult to collect in the future as Housing Benefit administration is transferred to the Department of Works and Pensions (DWP) as the housing credit element of Universal Credit.

- 2.6 Kirklees Council's, Homes & Neighbourhoods service (H&N), manages the Council's social housing stock, and is responsible for the day-to-day management of 20,310 tenanted properties. In accordance with the council's Tenancy Agreements, any rent the tenant is liable for is managed and recovered by H&N's, Income Management Team. There are currently 9,340 tenancies that pay rent and/or arrears by Direct Debit, this is equivalent to 45.98% of all tenanted properties.

A tenant is in breach of a Tenancy Agreement if they fail to pay rent and charges due on a property. If rent arrears continue to escalate an application to seek possession of the property can be made in the County Court, and this may result in the tenant being evicted from the property.

In 2022-23 there were 34 evictions, and in 2023-24 there were 31 evictions for non-payment of rent/charges.

On average, evictions affect a small proportion of tenanted properties each year. Income and expenditure relating to the provision of landlord services is ring-fenced or self-financed through the Council's, Housing Revenue Account (HRA). The HRA write-off figure includes former tenant liable costs, for which there is an existing HRA bad debt provision set aside to account for unrecoverable debt. In 2023-24 debts totalling £700,456 were written off compared to £458,039 in 2022-23.

- 2.7 The Council aims to maximise its collection and recovery of all Council Tax and Business Rates debts. The recovery process ensures that all accounts in arrears are chased through issuing reminders, summonses, obtaining liability orders through the Magistrates Court, if needed, which allow the Council to recover debts through using the Enforcement Agents (bailiffs), attachments to earnings or benefits, instigating insolvency proceedings, putting charging orders on the properties, or issuing committal to prison proceedings.

- 2.8 In 2023-24 the teams still had higher workloads due to the fall out post the pandemic and also with customers facing financial difficulties due to the cost of living crisis. With outstanding caseloads, as there has been a backlog of non-payers to pursue through the courts and take necessary recovery action against. Officers have continued to undertake exercises to review previous years' debts outstanding for both Council Tax and Business Rates and be realistic on what is collectable and what debts are not. Where accounts have been identified, with previous recovery action (some over several years) and no further action is viable or cost effective, the debts have been written off as unable to collect in line with the Council's bad debt provisions set aside for uncollectable debts.
- 2.9 The recovery action highlighted above will ensure that all collectable debts outstanding will be pursued through appropriate recovery action and support for the customer. Tighter processes and procedures continue to be put in place to maximise recovery of collectable debts earlier in the process. Also, more emphasis has been placed on supporting vulnerable customers who have or are now struggling financially through ensuring all the appropriate support is in place to support and advise customers better, earlier in the recovery process. The current collection levels which the service expects to eventually recover over the fullness of time for Council Tax are 98.5%, and 97.5% Business Rates.

Council Tax – Fullness of time target 98.5%							
Year	2023	2022	2021	2020	2019	2018	2017-1993
%	96.41%	97.6%	97.98%	98.39%	98.24%	98.15%	98.78%

Business Rates – Fullness of time target 97.5%							
Year	2023	2022	2021	2020	2019	2018	2017-1993
%	96.73%	97.52%	97.39%	97.09%	98.15%	98.59%	98.69%

2.10 Payment by direct debit is encouraged and the Council currently has 133,598 charge payers paying by direct debit on Council Tax, we average around 75% of paying charge-payers making payment in this way. In the last 12 months this has increased by over 4,500 new accounts set up for direct debit payments. The more direct debit payers the Council has, the better the recovery rate, allowing staff to concentrate on more difficult recovery cases outstanding.

2.11 Kirklees is the sixth largest Metropolitan Council in the country in relation to the net debit raised for Council Tax, so for the Yorkshire and Humber Area we will always be towards the top of any monetary list. The Council currently has 192,654 properties liable for Council Tax (£283.118m net debit in 2024-25) and 16,222 properties for Business Rates (£104.50m net debit in 2024-2025).

The Council Tax arrears maintained in 2023-24 at £26.11m compared to £26.12m in 2022/23. Given the increase in net debit of £16m and the overall fullness of time collection figure of 98.44% (not including write offs) recovery was robust.

The table below shows other LA's Council Tax write offs to compare with Kirklees for 2023-24

Council Tax write offs 2023-24				

LA	Net debit 23-24	Collection 23/24	%	All years write offs	% to net
Stockport	£219.7m	£214.2m	97.48%	£1.3m	0.006%
Rotherham	£156.8m	£152m	96.92%	£786k	0.005%
Barnsley	£139.1m	£134.5m	96.72%	£2m	0.014%
Calderdale	£133.5m	£128m	95.86%	£837k	0.006%
Kirklees	£260.8m	£248.4m	95.22%	£3.6m	0.013%
Wakefield	£208.7m	£198.2m	94.97%	£2.2m	0.01%
Bradford	£288.3m	£271.7m	94.22%	£3.7m	0.012%
Leeds	£472.1m	£443.8m	94.01%	£1.3m	0.002%
Doncaster	£167m	157m	94.01%	£1m	0.006%
Wolverhampton	£147.6m	£137.5m	93.14%	£1.5m	0.01%
Sunderland	£141.5m	£131.3m	92.74%	£579k	0.004%
Leicester	£174.3m	£161.4m	92.60%	£1.6m	0.009%
Sheffield	£326.7m	£301.4m	92.26%	£2m	0.006%
Birmingham	£516.6m	£469.7m	90.91%	£1.9m	0.003%
Manchester	£268.8m	£236m	87.78%	£16.8m	0.06%

2.12 Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2023-24, this does not mean that the Council will not write the debts back on the accounts and then pursue this debt if new information comes to light and the prospect for recovering outstanding debts changes in the future.

3. Implications for the Council

This report provides summarised information on debts written-off over the previous 12 months. The overall income due in the year (Debit) to which the report's financial performance relates, supports the delivery of the Council's objectives and priorities within available resources:

3.1 Council Plan

The debts are from various services charging for either providing a service or for raising annual charges through legislation ie Council Tax, and Business Rates. The Council work with customers to ensure that any debts outstanding are recovered in accordance with the payment terms, but if the customer is having financial problems these will be taken into consideration. In certain circumstances debts are written off as either not viable to pursue or on the grounds of hardship or vulnerability where appropriate. Consideration is given to any inequalities and poverty caused by charges raised, and where appropriate debts will be considered for write off.

The Council is working closely with voluntary and community groups (ie foodbanks), and contracted partners ie CAB, Money Advice etc or through the Local Welfare Provision Team (LWP) to support vulnerable households with income management, debt advice that will help support households pay their bills and prioritise debts to ensure customers can maintain a healthy living environment for themselves and their families..

3.2 Financial Implications

The write off's have an impact on the Council's budget therefore bad provisions are factored into the estimated income from debts/charges raised throughout the year across services but more attention is paid to those areas in 2.3 given they have the most

significant debt. With the current cost of living crisis being faced by many households the Council is committed to supporting vulnerable households as part of the ongoing recovery action, including referring customers onto its local welfare provision team for support, alongside a range of ongoing significant national government support measures for households (ie Housing Support Fund (HSF) and other support for our businesses. We also offer additional local support via the Benefits team and through the Council Tax Reduction Scheme or offering discretionary support with accrued debts.

4. Consultation

n.a

5. Engagement

n.a

6. Options

Corporate Governance and Audit Committee are recommended to note the information in the Appendices on bad debt write offs for 2023-24.

7. Contact officer

Sarah S Brown, Head of Welfare & Exchequer Services 01484 221000
Mark Stanley, Senior Manager, Welfare & Exchequer Services

8. Next steps

Corporate Governance and Audit Committee will be asked to note the summarised information set out in this report

9. Background Papers and History of Decisions

Accounts & Audit regulations 2015, Local Audit & Accountability Act 2014

10. Appendices

Appendix A – Write off summary comparison 22-23 to 23-24
Appendix B – Write off summary 23-24

11. Service Director responsible

Kevin Mulvaney. Service Director - Finance

Write Off Summary Comparison 22-23 to 23-24

*Debit For Year Apr 22 - Mar 23	Write Offs Apr 22 - Mar 23		Directorate	*Debit For Year Apr 23 - Mar 24	Write Offs Apr 23 - Mar 24	
£	£	%		£	£	%
<u>Children & Families</u>						
11,979,918	20,398	0.17%	Learning & Early Support	13,383,536	7,896	0.06%
334,688	-320	-0.10%	Child Protection & Family Support	224,337	0	0.00%
<u>Adults & Health</u>						
63,232,035	189,970	0.30%	Adults Social Care	68,570,941	257,508	0.38%
2,006,536	-592	-0.03%	Customers & Communities	1,519,668	-322	-0.02%
3,929,839	-23,763	-0.60%	Culture & Visitor Economy	4,400,949	1,374	0.03%
<u>Growth & Regeneration</u>						
6,147,830	-14,717	-0.24%	Skills & Regeneration	17,570,408	55,838	0.32%
3,093,755	67,536	2.18%	Development	3,406,987	65,059	1.91%
10,668,341	-42,560	-0.40%	Highways & Streetscene	13,092,105	70,281	0.54%
<u>Corporate Strategy, Commissioning & Public Health</u>						
976,995	331	0.03%	Strategy & Innovation	1,843,193	0	0.00%
4,879,112	9,118	0.19%	Public Health & People	4,175,153	8,712	0.21%
82,000	0	0.00%	Governance & Commissioning	185,245	0	0.00%
4,887,997	397,184	8.13%	Finance	3,413,920	125,540	3.68%
6,696,963	-10,522	-0.16%	Environmental Strategy & Climate Change	743,018	29,860	4.02%
1,035,540	-146	-0.01%	Former KNH Resources	0	0	0.00%
<u>Housing Revenue Account</u>						
651,208	18,287	2.81%	HRA	931,262	71	0.01%
120,602,755	610,203	0.51%	General Fund Services	133,460,721	621,816	0.47%
84,965,835	975,212	1.15%	HRA (excl those on benefits)	89,967,474	627,449	0.70%
244,526,047	1,671,405	0.68%	Council Tax	260,813,827	2,945,886	1.13%
99,828,033	2,054,720	2.06%	NNDR (Business Rates)	95,368,184	1,164,717	1.22%
549,922,671	5,311,539	0.97%	Grand Total	579,610,206	5,359,867	0.92%

Write Off Summary 23-24

Directorate	*Debit For Year Apr 23 - Mar 24	Write Offs Apr 23 - Mar 24	%	Compassionate Grounds	Deceased (No Estate)	Liquidation/ Bankruptcy	Not Viable to Pursue	Unable to Trace	Statute Barred	Write Back - Credit Unclaimed	Total
Children & Families											
Child Protection & Family Support	224,337	0	0.00%	0	0	0	0	0	0	0	0
Learning & Early Support	13,383,536	7,896	0.06%	0	195	0	6,815	0	0	886	7,896
Adults & Health											
Adults Social Care	68,570,941	257,508	0.38%	47,384	174,148	24,812	41,145	171	14,536	-44,690	257,508
Customer & Communities	1,519,668	-322	-0.02%	0	0	0	0	0	0	-322	-322
Culture & Visitor Economy	4,400,949	1,374	0.03%	0	931	0	2,286	0	0	-1,843	1,374
Growth & Regeneration											
Skills & Regeneration	17,570,408	55,838	0.32%	0	0	733	47,157	0	0	7,948	55,838
Development	3,406,987	65,059	1.91%	10,072	206	33,604	20,736	1,616	1,499	-2,674	65,059
Highways & Streetscene	13,092,105	70,281	0.54%	0	0	21,508	50,955	2,500	3,757	-8,440	70,281
Corporate Strategy, Commissioning & Public Health											
Strategy & Innovation	1,843,193	0	0.00%	0	0	0	0	0	0	0	0
Public Health & People	4,175,153	8,712	0.21%	0	178	0	8,569	0	0	-34	8,712
Governance & Commissioning	185,245	0	0.00%	0	0	0	0	0	0	0	0
Finance	3,413,920	125,540	3.68%	26,931	20,724	1,360	27,738	48,317	470	0	125,540
Environmental Strategy & Climate Change	743,018	29,860	4.02%	0	0	228	30,954	0	0	-1,322	29,860
Housing Revenue Account											
HRA	931,262	71	0.01%	0	0	0	208	0	0	-137	71
General Fund Services	133,460,721	621,816	0.47%	84,387	196,382	82,245	236,564	52,604	20,262	-50,628	621,816
Grand Total											
HRA (Excl those on benefits)	89,967,474	627,449	0.70%	4,689	140,029	26,086	418,375	35,504	2,767	0	627,449
Council Tax	260,813,827	2,945,886	1.13%	-4,416	52,523	389,976	2,301,541	206,262	0	0	2,945,886
NNDR	95,368,184	1,164,717	1.22%	0	6,521	334,229	733,855	90,112	0	0	1,164,717
Grand Total	579,610,206	5,359,867	0	84,660	395,455	832,536	3,690,334	384,482	23,029	-50,628	5,359,867

This page is intentionally left blank



Report title: Half Yearly Monitoring report on Treasury Management activities 2024/25

Meeting:	Corporate Governance and Audit Committee
Date:	06 December 2024
Cabinet Member (if applicable)	Councillor Graham Turner
Key Decision Eligible for Call In	No No
<p>Purpose of Report The Council has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report is the mid-year for 2024/25 covering the period 1 April to 30 September 2024.</p>	
<p>Recommendation and Reasons Corporate Governance and Audit Committee are asked to note the treasury management performance during the first half of 2024/25 as set out in this report, prior to its submission to Cabinet and Council.</p>	
<p>Resource Implications: There are no additional resource implications required as part of this report.</p>	
Date signed off by <u>Strategic Director</u> & name	N/A
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney – 27/11/2024
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Sam Lawton –27/11/2024

Electoral wards affected: N/A

Ward Councillors consulted: N/A

Public or private: Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

1. **Summary**

- 1.1 The report gives assurance that the Council's treasury management function is being managed prudently and pro-actively and that the Council complied with its treasury management prudential indicators in the year (Appendix 4).
- 1.2 External investments, including the £10.0 million Local Authority Property Fund (LAPF), averaged £61.6 million during the period at an average rate of 5.06%. Investments ranged from a peak of £103.5m million in April to a low of £27.9 million in August.
- 1.3 The large range in investment balances are because of receiving significant cash sums at the start of the month, for example DSG (Dedicated Schools Grant) monies and Council Tax/NNDR, which result in peaks of cash for a short period of time.
- 1.4 The Council's net borrowing increased by £25.2 million in the 6 month period, from £668.2 million at 31 March 2024 to £693.4 million at 30 September 2024.
- 1.5 All treasury management activities undertaken during the period complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Appendix 1.
- 1.6 The treasury management revenue budget for 2024/25 is £27.1 million. This is covered in more detail at paragraph 2.5.1 later in this report.
- 1.7 This report includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal quarterly revenue reports along with the treasury management indicators.
- 1.8 The main findings from the 2023/24 MRP review is included at Appendix 6.

2 **Information required to take a decision:**

2.1 **Introduction**

- 2.1.1 The treasury management strategy for 2024/25 was approved by Council on 6 March 2024. The over-riding policy continues to be one of ensuring the security of the Council's balances. The Council aims to invest externally balances of around £30.0 million, largely for the purpose of managing day-to-day cash flow requirements
- 2.1.2 The investment strategy is designed to minimise risk, with investments being made primarily in instant access accounts or short-term deposits, with Money Market Funds, the Debt Management Office (DMO), Local Authorities and major British owned banks and building societies. Diversification amongst counterparties is key.

2.2 **The Economy and Interest Rates**

- 2.2.1 UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 1.7% in September, largely due to base effects from energy prices but also a general easing

in inflationary pressures. Core and services price inflation remained higher at 3.2% and 4.9% respectively in September.

- 2.2.2 The UK economy continued to expand over the period as it recovered from a technical recession, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. UK GDP growth, however, slowed materially in calendar year quarter three (July to September 2024), registering 0.1%. Of the monthly figures, the economy was estimated to have contracted by 0.1% in September.
- 2.2.3 Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to September showed the unemployment rate rose to 4.3% from 4.0% in the previous three-month period while the employment rate fell to 74.8% from 75.0%.
- 2.2.4 Over the same period average regular earnings (excluding bonuses) was 4.8%, down from 5.4% in the earlier period and total earnings (including bonuses) was 4.3%. Adjusting for inflation, real regular pay rose by 1.9% and total pay by 1.4%.
- 2.2.5 With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.
- 2.2.6 Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one (which did happen), taking Bank Rate down to around 3% by the end of 2025. Although the most recent forecasts (post budget) now indicate that this rate is now likely to be c3.75%.
- 2.2.7 The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.
- 2.2.8 Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- 2.2.9 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

2.3 Local Context

2.3.1 On 30 September 2024, the Council had net borrowing of £693.4 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	Actual 2023/24 £m	Strategy Estimate 2024/25 £m	Revised Forecast 2024/25 £m
General Fund CFR - Non PFI	663.2	706.8	714.0
PFI	33.6	31.2	31.2
HRA CFR - Non PFI	163.7	169.3	163.7
PFI	40.6	38.1	38.1
Total CFR	901.1	945.4	947.0
Less: PFI debt liabilities	74.2	69.3	69.3
: Other debt liabilities	3.4	3.5	3.5
Borrowing CFR	823.5	872.6	874.2
Less actual external borrowing *	707.3	614.9	711.4
Internal (over) borrowing	116.2	257.7	162.8
Total borrowing	823.5	872.6	874.2
Less: Balance sheet resources	155.3	144.0	122.6
Net borrowing	668.2	728.6	751.6
Investments	39.1	30.0	30.0

*shows only loans to which the Council is committed to the year end and excludes future borrowing and refinancing

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

Table 2: Treasury Management Summary

	31.03.24 Balance £m	Movement £m	30.09.24 Balance £m	30.09.24 Weighted Average Rate %
<i>Long-term borrowing:</i>				
PWLB	550.4	23.0	573.4	4.21
LOBOs	30.8	0.0	30.8	4.39
Loan Stock	7.0	0.0	7.0	11.60
Other LT Loans	40.0	0.0	40.0	3.89
Other MT Loans	37.7	-10.7	27.0	4.56
<i>Short-term borrowing</i>	41.4	28.6	70.0	4.92
Total borrowing	707.3	40.9	748.2	4.21
Long-term investments	10	0.0	10.0	N/A
Short-term investments	0	20.0	20.0	N/A
Cash and cash equivalents	29.1	-4.4	24.7	N/A
Total investments	39.1	15.6	54.7	N/A
Net borrowing	668.2	25.2	693.4	

2.4 Investment Activity

- 2.4.1 The Council invested an average balance of £51.6 million externally (excluding the LAPF) during the period (£34.5 million in the first six months of 2023/24), generating £1,330k in investment income over the period (£789k in 2023/24). The LAPF investment of £10.0 million generated £227k of dividend income during the period (£198k in the first six months of 2023/24).
- 2.4.2 Debt repayments are weighted towards the second half of the year; to spread risk and given the Council's significant borrowing requirement, even amounts of borrowing have been taken throughout the first six months of the year along with taking borrowing when opportunities arose if yields dipped. This has resulted in higher-than-normal cash balances compared to the 2024/25 strategy.
- 2.4.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk on incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.4.4 Balances were mainly invested in instant access accounts such as Money Market Funds, short term deposits, Debt Management Office (DMO), Local Authority fixed term deposits and the LAPF. Appendix 1 shows where investments were held at the start of April, the end of June and September by counterparty, by sector and by country.

- 2.4.5 As demonstrated by the liability benchmark in this report at Appendix 4, the Council expects to be a long-term borrower and treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.
- 2.4.6 Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term rates largely being around these levels. The rates on Debt Management Account Deposit Facility (DMADF) also rose, ranging between 4.92% and 5.20% and Money Market Rates between 4.91% and 5.27%.
- 2.4.7 The Council's average investment rate for the period was 5.06%. This is higher than the average in the same period in 2023/24 of 4.43%. Returns on liquid cash balances were 5.16%
- 2.4.8 The Council continues to hold £10 million of strategic investment in the Local Authorities Pooled Investment Fund (LAPF). The fund returned a net yield of 4.53% after deducting charges. The actual gross dividend yield quoted from the fund on Net Asset Value was 5.21% at the end of September for the last 12 months, and the fund size was £1,032.3 million (4.66% and £1,186.3 million respectively for the 12 months to September 2023).
- 2.4.9 Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three-to-five-year minimum period total returns will exceed cash interest rates.
- 2.4.10 The chart at Appendix 3, provided by Arlingclose, compares the Council's performance against other Local Authorities at the end of September. In order to gain better rates of return, the majority of Local Authorities with a higher rate of return have further external investments creating a more diverse portfolio.

2.5 Revenue Budget Monitoring

- 2.5.1 The treasury management budget is £27.1 million. Forecasted outturn is currently under budget by £1.0 million and this position is reflected in the Council's Q2 financial report to Cabinet later this month. This reflects higher levels of investment balances resulting in increased investment income than budgeted.

2.6 Borrowing Update

- 2.6.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decisions that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to buy investment assets primarily for yield unless these loans are for refinancing purposes
- 2.6.2 The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in the future.
- 2.6.3 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing is also allowed for financing capital expenditure primarily related to the delivery of a

Local Authority's function. The Council's borrowing is undertaken for these purposes only.

- 2.6.4 After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.
- 2.6.5 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.
- 2.6.6 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a scarcity of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.
- 2.6.7 The PWLB HRA rate which is 0.4% below the certainty rate has been extended further to March 2026. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans.

2.7 Borrowing Activity

- 2.7.1 As outlined in the Treasury Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.
- 2.7.2 In terms of borrowing, long-term loans (including LOBO's - see paragraph 2.7.6) at the end of September totalled £678.2 million (£562.1 million 31 March 2024) and short-term loans £70.0 million (£96.7 million 31 March 2024).
- 2.7.3 Fixed rate loans account for 95.84% of total long-term debt giving the Council stability in its interest costs. The maturity profile for long-term loans is shown in Appendix 2 and shows that no more than 9.64% of debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.
- 2.7.4 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark (see Appendix 4), which also considers usable reserves and working capital. The mid-year forecasted liability benchmark, based on updated capital plans, highlights that there is an expectation of additional borrowing of £70.2 million for the year.

2.7.4 During the period £35m of PWLB EIP loans were taken along with £20m of medium term loans from other Local Authorities. These loans provide some longer-term certainty and stability to the debt portfolio. A mixture of short, medium-term and further PWLB will be taken during the remainder of the year to fund the additional borrowing required. The rate assumption in the treasury budget for 2024/25 is 5.35%.

Medium and Long-term loans taken during the period 01/04/24 to 30/09/24

	Loan Period	Amount £m	Rate %	Date to be repaid
PWLB 739810 – EIP	12 years	20.0	4.67%	28/06/2036*
PWLB 751915 – EIP	11 years	10.0	4.37%	12/08/2035*
PWLB 759388 – EIP	12 years	5.0	4.52%	12/09/2036*
Oxfordshire County Council	3 years	5.0	5.00%	17/03/2027
West Yorkshire Combined Authority	11 months	5.0	5.15%	30/04/2025
Cambridgeshire & Peterborough Combined Authority	2 years	5.0	4.70%	06/08/2026
Elmbridge Borough Council	2 years	5.0	4.50%	14/09/2026
Total		55.0		

*EIP final repayment date

2.7.5 Appendix 5 sets out in year repayments on long-term borrowing and further repayments for the next 6 months.

2.7.6 The Council has £30.0 million of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost.

2.7.7 As market rates remain high, there is an increased probability of call options on the LOBOs being exercised by lenders. No LOBO loans were called during the 6 month period to September 2024, however there remains a possibility they could within the next 12 months and as such have been classified as short-term borrowing in the debt maturity table in Appendix 2.

2.7.8 If the option is exercised and an increased rate proposed, the Council plans to repay the loan at no additional cost as accepting the revised terms would mean the Council would still have refinancing risk in later years. If required, the Council will repay the LOBO’s by borrowing from other local authorities or the PWLB.

2.8 MRP Update

2.8.1 During 2023/24 an external review of MRP identified an overprovision which allowed for an unwind of £6.3 million to revenue in 2023/24. A further saving of £15.2 million will be released through a Voluntary Revenue Provision in 2024/25 and £10.8 million in 2025/26. Detail is provided in Appendix 6.

2.9 Risk and Compliance issues

- 2.9.1 The Council reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, including the prudential indicators. Details can be found in Appendix 4. Indicators relating to affordability and prudence are highlighted in this appendix.
- 2.9.2 In line with the investment strategy, the Council has not placed any direct investments with companies as defined by the Carbon Underground 200.
- 2.9.3 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants (Arlingclose), has proactively managed the debt and investments over the year.

3 Implications for the Council

3.1 Council Plan

N/A

3.2 Financial Implications

Any changes in assumed borrowing and investment requirements, balances and interest rates have been reflected in revenue budget monitoring reports during the year and the 2025/26 budget will be set to reflect the investment as per the capital plan and using the latest advice on forecast interest rates.

3.3 Legal Implications

N/A

3.4 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)

N/A

4 Consultees and their opinions

N/A

5 Options

N/A

6 Next steps and timelines

Comments and feedback from CGAC will be incorporated into this report which will be subsequently presented to Cabinet and Council in January.

7 Contact Officer

James Anderson	Head of Accountancy	01484 221000
Rachel Firth	Finance Manager	01484 221000

8 Background Papers and History of Decisions

CIPFA's Prudential Code for Capital Finance in Local Authorities.
CIPFA's Code of Practice on Treasury Management in the Public Services.
CIPFA's Treasury Management in the Public Services – Guidance notes
The treasury management strategy report for 2024/25 - Council 6 March 2024
Council Budget Strategy Update Report 2025/26 – Council 18 September 2024

9 **Appendices**

- Appendix 1: Investments 24/25
- Appendix 2: Debt Maturity
- Appendix 3: Average Return on Total Investments
- Appendix 4: Treasury Management Prudential Indicators
- Appendix 5: Long-term loans
- Appendix 6: Minimum Revenue Provision (MRP)
- Appendix 7: Treasury Management Practices (TMP)
- Appendix 8: PWLB Borrowing Rates Table
- Appendix 9: Glossary of Treasury Terms

10 **Service Director responsible**

Kevin Mulvaney 01484 221000

Kirklees Council Investments 2024/25

Counterparty	Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2024*	1 April 2024 (opening)			30-Jun-24			30-Sep-24			
				£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
Specified Investments													
LAPF	Property Fund	10.0	-	-	10.0	-	***	10.0	-	***	10.0	-	***
DMO	Central Government	Unlimited	-	F1+/AA-	-	-	Fixed Deposit	5.9	5.19%	Fixed Deposit	-	-	Fixed Deposit
PCC for Dorset	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	6.5	5.30%	Fixed Deposit	-	-	Fixed Deposit
Newport City Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	7.0	5.26%	Fixed Deposit			Fixed Deposit
BCP Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	5.0	5.25%	Fixed Deposit			Fixed Deposit
Bedford Borough Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	10.0	5.30%	Fixed Deposit			Fixed Deposit
Luton Borough Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	5.0	5.25%	Fixed Deposit			Fixed Deposit
Crawley Borough Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
London Borough of Waltham Forest	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
Leeds City Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
West Northamptonshire Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
Barclays Deposit Account	Bank	3.0	-	F1/A+	0.0	4.65%	Fixed Deposit	0.0	4.65%	Fixed Deposit	0.0	4.40%	Fixed Deposit
Aberdeen Standard	MMF**	10.0	AAA-A	AAA	9.8	5.27%	MMF	9.9	5.23%	MMF	8.2	5.01%	MMF
Aviva	MMF**	10.0	Aaa-A2	Aaa*	9.9	5.25%	MMF	9.8	5.25%	MMF	10.0	5.01%	MMF
Deutsche	MMF**	10.0	AAA-A	AAA	9.4	5.25%	MMF	0.1	5.19%	MMF	6.6	5.00%	MMF
Goldman Sachs	MMF**	10.0	AAA-A	AAA	0.0	5.14%	MMF	0.0	5.13%	MMF	0.0	4.92%	MMF
					39.1			69.2			54.7		
Sector analysis													
Property Fund		10.0			10.0	26%		10.0	14%		10.0	18%	
Local Authorities		10.0			0.0	0%		33.5	48%		20.0	37%	
Bank		3.0			0.0	0%		0.0	0%		0.0	0%	
MMF**		50.0			29.1	74%		19.8	29%		24.7	45%	
Central Government		Unlimited			0.0	0%		5.9	9%		0.0	0%	
					39.1	100%		69.2	100%		54.7	100%	
Country analysis													
UK					10.0	26%		49.4	71%		30.0	55%	
MMF**					29.1	74%		19.8	29%		24.7	45%	
					39.1	100%		69.2	100%		54.7	100%	

*Fitch short/long term ratings, except Aviva MMF (Moody rating). See next page for key. The use of Fitch ratings is illustrative – the Council assesses counterparty suitability using all 3 credit rating agencies, where applicable, and other information on credit quality.

**MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

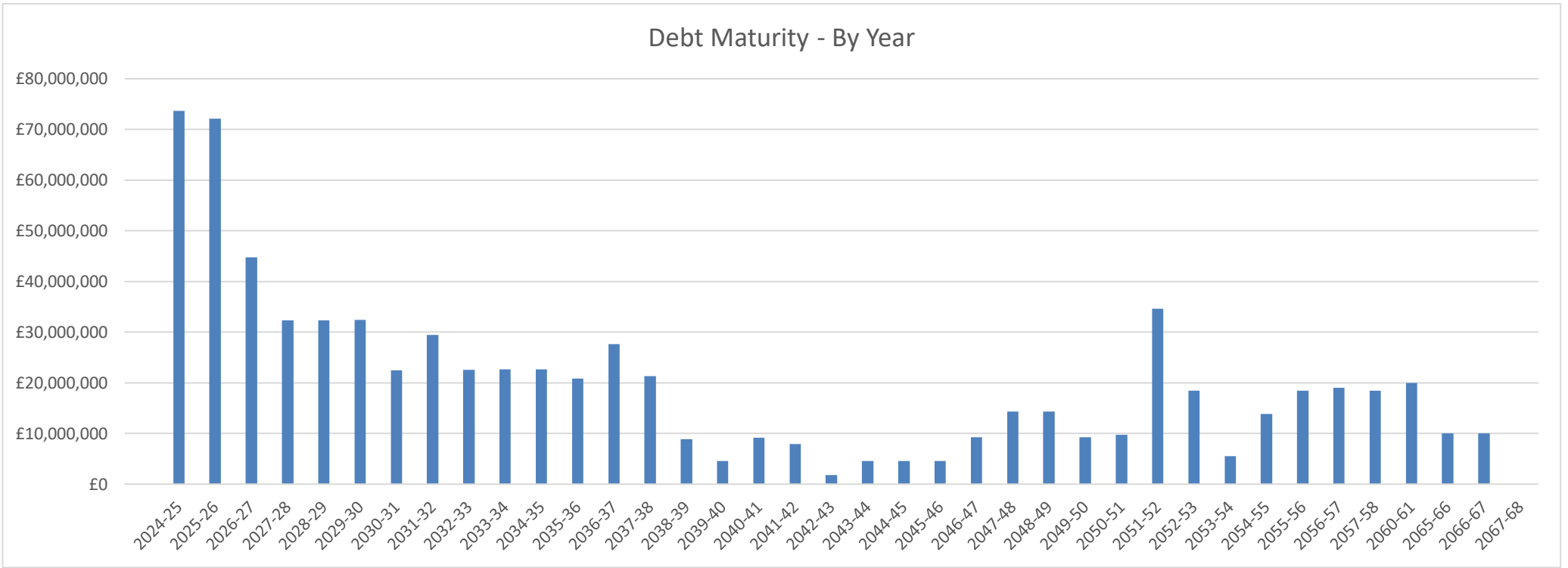
***Specialised property fund available for Local Authority investors.

Key – Fitch’s credit ratings:

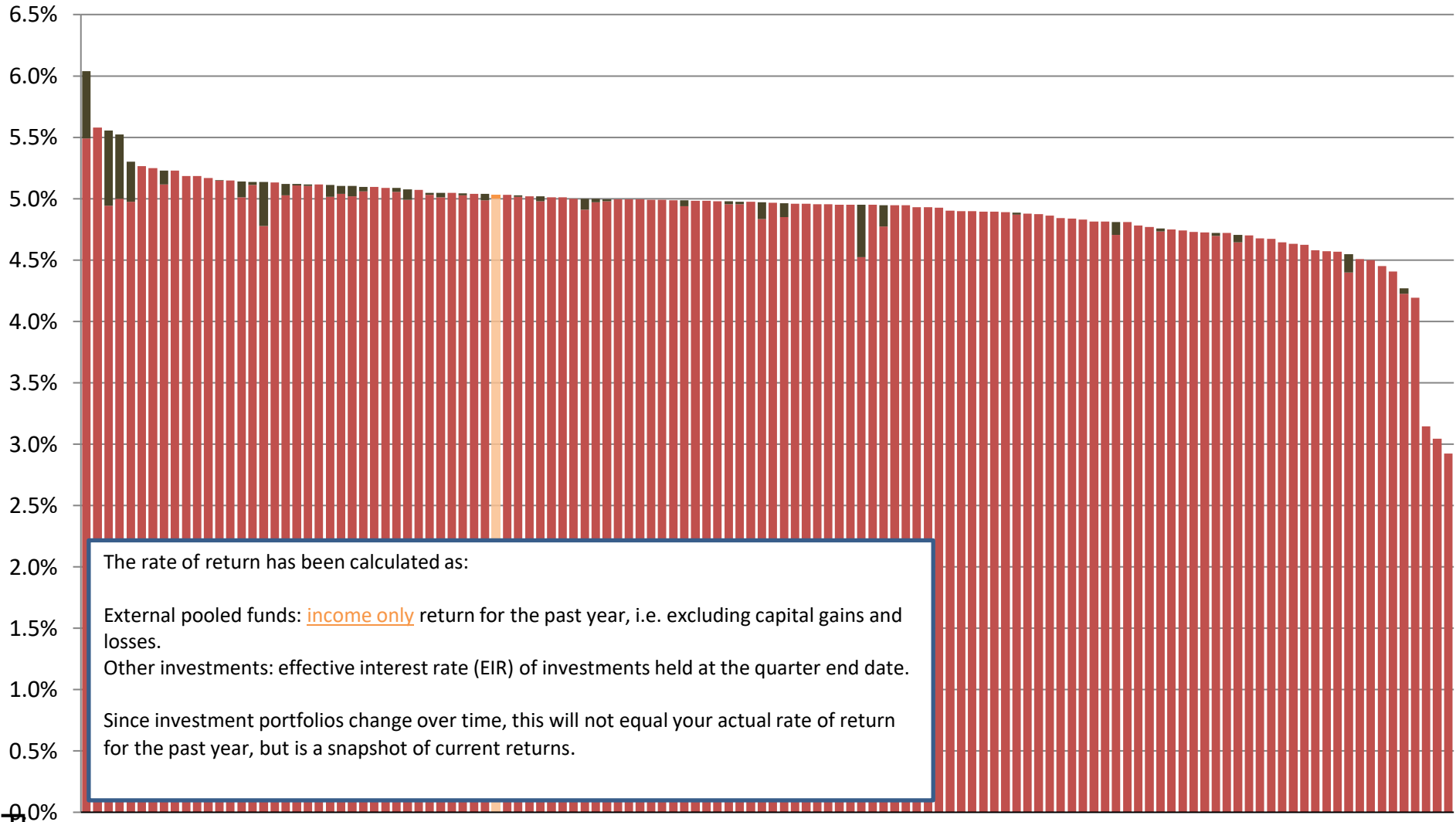
Appendix 1 Continued

		Long	Short	
Investment Grade	Extremely Strong	AAA	F1+	
		AA+		
	Very Strong	AA		
		AA-		
	Strong	A+		
		A		F1
		A-		
	Adequate	BBB+		F2
		BBB		
BBB-		F3		
Speculative Grade	Speculative	BB+	B	
		BB		
		BB-		
	Very Speculative	B+		
		B		
		B-		
	Vulnerable	CCC+	C	
		CCC		
		CCC-		
CC				
C				
Defaulting	D	D		

Debt Maturity - By Year



Average Return on Total Investments by Local Authority (Internal & External Funds)



■ Average income on internal investments

■ Over-performance of external funds

■ Kirklees - 30/09/24

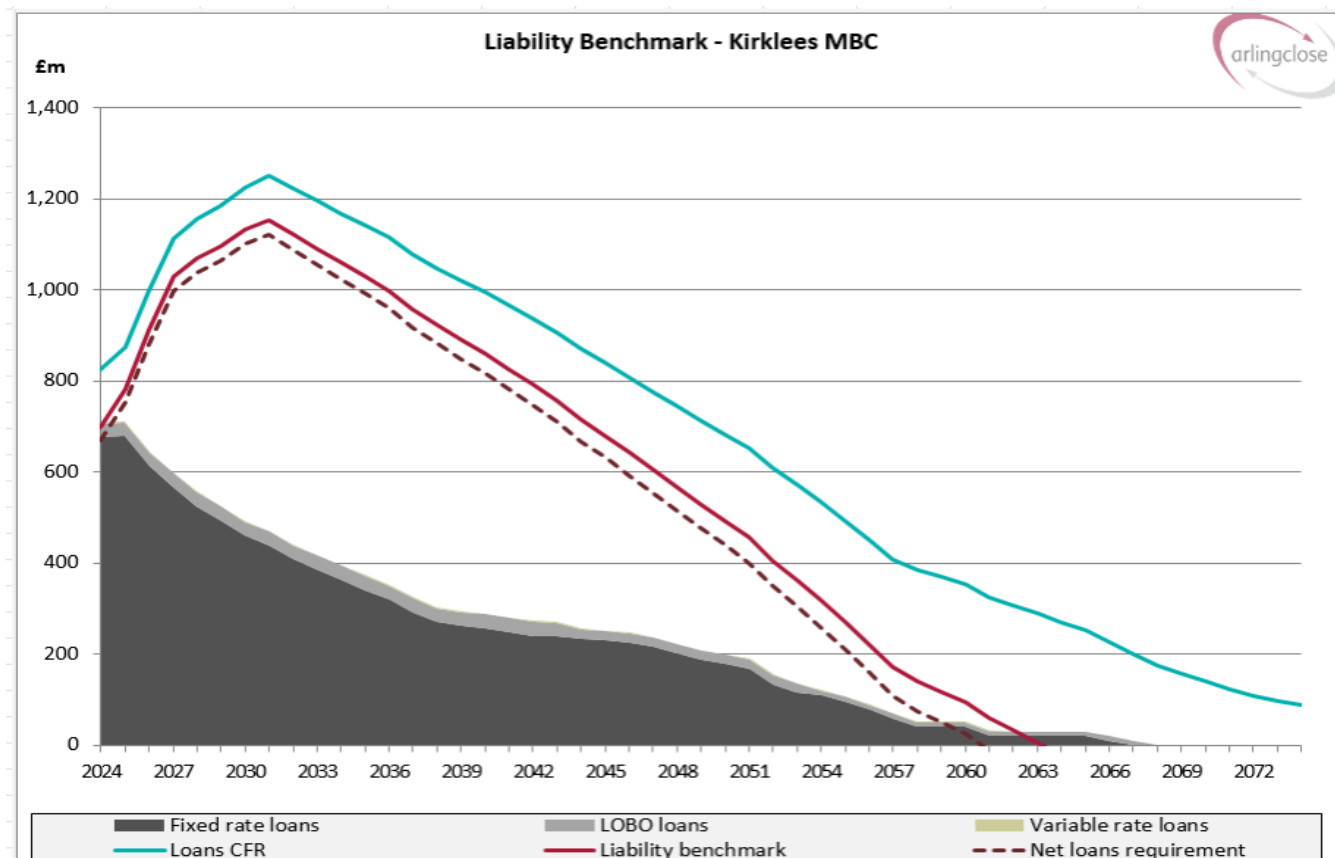
Treasury Management Prudential Indicators

Liability Benchmark

This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £30.0 million required to manage day-to-day cash flow.

	31.03.24 actual £m	31.03.25 forecast £m	31.03.26 forecast £m	31.03.27 forecast £m
Loans CFR	823.5	874.2	996.8	1113.0
Less: Balance sheet resources	155.3	122.6	116.7	115.5
Net loans requirement	668.2	751.6	880.1	997.5
Plus: Liquidity allowance	30.0	30.0	30.0	30.0
Liability benchmark	698.2	781.6	910.1	1027.5
Existing borrowing	707.3	711.4	644.3	599.6

Following on from the medium term forecast above, the long the long-term liability benchmark assumes capital expenditure funded by borrowing of £55 million in 2024/25, minimum revenue provision based on asset life and reduction in balance sheet resources of £33 million.



The total liability benchmark is shown in the chart above together with the maturity profile of the Council's existing borrowing. The red line is the liability benchmark reaching a peak in 2032 highlighting the gap between current borrowing identified in grey, which is reducing over time with repayments, and the additional borrowing required to fund the capital plan.

Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper limit	Lower limit	30.09.24 actual	Complied
Under 12 months	20%	0%	17%	Yes
12 months and within 24 months	20%	0%	6%	Yes
24 months and within 5 years	60%	0%	14%	Yes
5 years and within 10 years	80%	0%	16%	Yes
10 years and above	100%	20%	47%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO options of £30 million have a potential repayment date during 2024/25 and have been included in the under 12 months line.

Long term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	n/a	n/a	n/a	n/a
Actual principal invested beyond year end	£10.0m	£10.0m	£10.0m	£10.0m
Complied	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Interest Rate Exposures

Bank Rate reduced by 0.25% from 5.25% to 5.0% in August 2024.

For context, the changes in interest rates during the quarter were:

	31.03.24	30.09.24
Bank Rate	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.36%	4.95%
5-year PWLB certainty rate, maturity loans	4.68%	4.55%
10-year PWLB certainty rate, maturity loans	4.74%	4.79%
20-year PWLB certainty rate, maturity loans	5.18%	5.27%
50-year PWLB certainty rate, maturity loans	5.01%	5.13%

Long-term loans repaid during the period 01/04/24 to 30/09/24

Counterparty	Amount £000s	Rate %	Date repaid
Salix (Annuity)	139	0.00%	01-Apr-24
Salix (Annuity)	182	0.00%	01-Apr-24
Salix (Annuity)	168	0.00%	01-Apr-24
PWLB (Annuity) 496956	432	4.58%	02-Apr-24
Crawley Borough Council	5,000	0.50%	02-Apr-24
Leicester City Council	5,000	0.75%	12-Apr-24
PWLB (EIP) 674705	333	5.02%	15-Apr-24
PWLB (EIP) 711011	2,000	5.42%	15-Apr-24
PWLB (EIP) 340221	250	1.63%	27-Apr-24
PWLB (EIP) 439173	250	1.66%	17-May-24
PWLB (EIP) 677193	333	4.85%	22-May-24
PWLB (EIP) 680811	833	4.83%	06-Jun-24
PWLB (EIP) 685435	769	4.59%	20-Jun-24
PWLB (EIP) 685834	769	4.37%	21-Jun-24
PWLB (EIP) 373440	250	1.46%	12-Jul-24
PWLB (EIP) 643579	278	5.01%	29-Jul-24
PWLB (EIP) 594601	500	4.10%	31-Jul-24
PWLB (EIP) 594848	536	3.99%	01-Aug-24
PWLB (EIP) 538379	500	2.60%	09-Aug-24
PWLB (EIP) 487385	250	2.28%	21-Aug-24
Salix (Annuity)	186	0.00%	01-Sep-24
PWLB (EIP) 313112	250	1.64%	04-Sep-24
PWLB (EIP) 493145	250	1.98%	09-Sep-24
PWLB (EIP) 711013	385	4.75%	13-Sep-24
PWLB (EIP) 712740	357	4.59%	19-Sep-24
PWLB (EIP) 713074	357	4.64%	20-Sep-24
PWLB (EIP) 608189	667	4.15%	21-Sep-24
PWLB (EIP) 659904	333	5.06%	23-Sep-24
PWLB (EIP) 660447	333	5.08%	23-Sep-24
PWLB (EIP) 661522	357	5.00%	27-Sep-24
PWLB (Annuity) 496956	442	4.58%	29-Sep-24
Total	22,692		

Long-term loans to be repaid during the period 01/10/24 to 31/03/25 (excludes LOBO options)

	Amount £000s	Rate %	Date to be repaid
Salix (Annuity)	182	0.00%	01-Oct-24
Salix (Annuity)	168	0.00%	01-Oct-24
PWLB (EIP) 674705	333	5.02%	14-Oct-24
PWLB (EIP) 711011	2,000	5.42%	14-Oct-24
PWLB (EIP) 340221	250	1.63%	27-Oct-24
Wealden District Council	5,000	5.35%	15-Nov-24
PWLB (EIP) 439173	250	1.66%	17-Nov-24
PWLB (EIP) 677193	333	4.85%	22-Nov-24
PCC for West Yorkshire	10,000	5.10%	02-Dec-24
PWLB (EIP) 680811	833	4.83%	06-Dec-24
West Midlands Combined Authority	5,000	4.50%	12-Dec-24
Preston City Council	3,500	5.20%	16-Dec-24
PWLB (EIP) 685435	769	4.59%	20-Dec-24
PWLB (EIP) 685834	769	4.37%	23-Dec-24
PWLB (EIP) 739810	833	4.67%	30-Dec-24
PWLB (EIP) 373440	250	1.46%	13-Jan-25
PWLB (EIP) 643579	278	5.01%	27-Jan-25
PWLB (EIP) 594601	500	4.10%	31-Jan-25
West Midlands Combined Authority	5,000	4.50%	31-Jan-25
PWLB (EIP) 594848	536	3.99%	01-Feb-25
West Midlands Combined Authority	5,000	4.50%	03-Feb-25
PWLB (EIP) 538379	500	2.60%	09-Feb-25
PWLB (EIP) 751915	455	4.37%	12-Feb-25
PWLB (EIP) 487385	250	2.28%	21-Feb-25
Salix (Annuity)	186	0.00%	01-Mar-25
PWLB (EIP) 313112	250	1.64%	04-Mar-25
PWLB (EIP) 493145	250	1.98%	09-Mar-25
PWLB (EIP) 759388	208	4.52%	12-Mar-25
PWLB (EIP) 711013	385	4.75%	13-Mar-25
Vale of White Horse District Council	5,000	0.80%	18-Mar-25
PWLB (EIP) 712740	357	4.59%	19-Mar-25
PWLB (EIP) 713074	357	4.64%	20-Mar-25
PWLB (EIP) 608189	667	4.15%	21-Mar-25
PWLB (EIP) 659904	333	5.06%	21-Mar-25
PWLB (EIP) 660447	333	5.08%	24-Mar-25
PWLB (EIP) 661522	357	5.00%	27-Mar-25
PWLB (Annuity) 496956	452	4.58%	29-Mar-25
Total	52,126		

Medium and Long-term loans taken during the period 01/04/24 to 30/09/24

	Loan Period	Amount £m	Rate %	Date to be repaid
PWLB 739810 – EIP	12 years	20.0	4.67%	28/06/2036*
PWLB 751915 – EIP	11 years	10.0	4.37%	12/08/2035*
PWLB 759388 – EIP	12 years	5.0	4.52%	12/09/2036*
Oxfordshire County Council	3 years	5.0	5.00%	17/03/2027
West Yorkshire Combined Authority	11 months	5.0	5.15%	30/04/2025
Cambridgeshire & Peterborough Combined Authority	2 years	5.0	4.70%	06/08/2026
Elmbridge Borough Council	2 years	5.0	4.50%	14/09/2026
Total		55.0		

*Final EIP payment date

MINIMUM REVENUE PROVISION (MRP)

MRP for debt repayment

- In accordance with the Local Government Act 2003, the Council is required to pay off an element of accumulated General Fund capital expenditure each year through a revenue charge known as the Minimum Revenue Provision (MRP).
- The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued by MCLG in 2018. The Guidance gives four ready-made options for determining MRP which it considers to be prudent but does not rule out alternative approaches.
- The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- The Guidance provides suggested methods for the calculation of MRP; however, the Guidance and legislation do not define what is prudent. It is for each Local Authority to determine a prudent repayment based on its own individual circumstances, considering the medium and long-term financial plans, current budgetary pressures, future capital expenditure plans and funding needs.

Review

- During 2023/24 the interim S151 requested an independent review of the current MRP strategy.
- The objective of the review was to identify opportunities to move to a more suitable and cost effective MRP strategy whilst ensuring that the provision remains prudent and compliant with statutory guidance.
- The review identified various options for supported and unsupported borrowing which could be implemented within the Guidance; the Council has chosen within these options to adopt the methodologies which are deemed best suited to Kirklees Council.
- The Council applies an annuity method for calculating MRP for both supported and unsupported borrowing.
- The Council is currently using an annuity rate of 4.79% on its supported borrowing. This is based on the average 50-year PWLB annuity rate in 2007/08, the year in which the annuity policy has been applied from.
- The Council has opted to continue with the current methodology and use a 34-year period, which is the remainder of the 50-year life which was applied in 2007/08.
- On unsupported borrowing, the Council applied an annuity approach in the MRP calculation based on grouping projects according to asset lives.
- Following the review, the Council has opted to use a single annuity calculation for all outstanding historic expenditure at 31 March 2023, which combines each historic year on a weighted average life basis. This option re-profiles the MRP charges into future years, however this option repays the debt liability much earlier than the existing charges profile and can therefore be viewed as more prudent. From 2024/25 any borrowing for capital

expenditure, the weighted live of the assets will be applied to the annuity rather than individual lives and grouping assets together.

- The review identified a 5-year total overprovision of £53.5 million between 2023/24 and 2027/28 (£34.2 whole life NPV).

Benefits of the review

- Provides the Council with the flexibility and scope to manage the release of the revenue savings identified by making additional MRP through Voluntary Revenue Provision ("VRP"), which can be used to offset future years charges or provide a short term funding source to deal with unexpected costs or fund transformational activity. However, Members need to be aware that should reserves be used in this manner, they will need to be replenished in the medium term when the over provision unwinds and base budgets require a reset.
- The outstanding unsupported debt liability will be written off in full earlier than under the current method.
- The weighted average method of calculation for unsupported borrowing is a much simpler calculation than the current method, providing for more concise and user-friendly working papers.
- It is important to note that all the options identified are prospective and do not amend any previous year's calculations.

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) set out the manner in which the Council aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1. **TMP 1 Risk management**

The Service Director - Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

(i) **Credit and counterparty risk management**

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques are listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

(ii) **Liquidity risk management**

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

(iii) **Interest rate risk management**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

(iv) **Exchange rate risk management**

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

(v) **Refinancing risk management**

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and

as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

(vi) Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 (i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Council.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

(vii) Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(viii) Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

2. **TMP2 Performance measurement**

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

3. **TMP3 Decision-making and analysis**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

4. **TMP4 Approved instruments, methods and techniques**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice when entering into arrangements to use such products.

5. **TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Service Director - Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Service Director - Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Service Director - Finance in respect of treasury management is set out in the schedule to this document. The Service Director - Finance will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **TMP6 Reporting requirements and management information arrangements**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to this document.

7. **TMP7 Budgeting, accounting and audit arrangements**

The Service Director - Finance will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting

procedures are set out in the schedule to this document. The Service Director - Finance will exercise effective controls over this budget, and will report any major variations.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in the schedule to this document.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

8. **TMP8 Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director - Finance and, with the exception of Secondary Schools' bank accounts, will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director - Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **TMP9 Money laundering**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **TMP10 Training and qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **TMP11 Use of external service providers**

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Council's Contract Procedure Rules will always be observed. The monitoring of such

arrangement's rests with the Service Director - Finance, and details of the current arrangements are set out in the schedule to this document.

12. **TMP12 Corporate governance**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Service Director - Finance will monitor and, if necessary, report upon the effectiveness of these arrangements.

Management Practices for Non-Treasury Investments

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all investments are covered in the Capital and Investment Strategies, and will set out where appropriate, the Councils risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.

PWLB Borrowing Rates %							
	30/09/2024	28/03/2024	29/09/2023	31/03/2023	30/09/2022	31/03/2022	30/09/2021
Annuity							
15 years	4.90	4.86	5.39	4.46	5.17	2.54	1.87
20 years	5.10	5.04	5.54	4.60	5.14	2.67	2.07
30 years	5.43	5.35	5.81	4.87	5.15	2.84	2.31
50 years	5.53	5.39	5.80	4.83	4.80	2.79	2.38
Maturity							
15 years	5.29	5.23	5.70	4.78	5.15	2.81	2.28
20 years	5.47	5.38	5.83	4.90	5.11	2.86	2.38
30 years	5.55	5.41	5.84	4.86	4.85	2.78	2.36
50 years	5.33	5.21	5.61	4.61	4.41	2.59	2.17
EIP							
15 years	4.86	4.83	5.36	4.45	5.20	2.54	1.86
20 years	5.01	4.96	5.46	4.54	5.14	2.65	2.04
30 years	5.30	5.24	5.71	4.79	5.15	2.82	2.28
50 years	5.54	5.42	5.86	4.90	4.99	2.83	2.39

Glossary of Treasury Terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Basis Point	1/100th of 1%, i.e. 0.01%
Bill	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund).
Capital receipts	Money obtained on the sale of a capital asset.
Certainty Rate	The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLb) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.
CIPFA	Chartered Institute of Public Finance and Accountancy
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes/pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Counterparty List	List of approved financial institutions with which the Council can place investments.
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO)	The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Fund (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank
Fair Value	Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. Many investments have a fair value determined by a market where the security is traded.
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting.
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the Housing Revenue Account).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute.
IFRS	International Financial Reporting Standards.
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'.
Local Authority Property Fund (LAPF)	A pooled property collective investment scheme for Churches, Charities and Local Authorities. (see Collective Investment Scheme).
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Minimum Revenue Provision (MRP)	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Pooled funds	See Collective Investment Schemes (above).
Premiums and Discounts	<p>In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</p>
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Investment Property	Property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
Risk	<p>Credit and counterparty risk The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.</p> <p>Liquidity risk The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.</p> <p>Refinancing risk The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.</p> <p>Interest Rate risk</p>

	<p>The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.</p> <p>Legal risk The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.</p> <p>Operational risk The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.</p> <p>Market Risk The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.</p>
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are updated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest).
Treasury (T) -Bills	Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in 2021.
Treasury Management Practices (TMP)	Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure.
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument.



**REPORT TITLE: INTERNAL AUDIT QUARTERLY REPORT 2 2024/25
JULY 2024 to SEPTEMBER 2024**

Meeting:	Corporate Governance & Audit Committee
Date:	6 December 2024
Cabinet Member (if applicable)	
Key Decision Eligible for Call In	No No – Information report
Purpose of Report To provide a report of Internal Audit activity during the second quarter of 2024/25	
Recommendations <ul style="list-style-type: none"> • That the report be noted • The Committee determine if any action is required as a result of this report Reasons for Recommendations <ul style="list-style-type: none"> • This provides information about activity of internal audit in this period, and the level assurance in the organisation. There may be issues identified which the Committee feels merits further work. 	
Resource Implications: <ul style="list-style-type: none"> • None from this report, other than the potential costs or savings from implementing recommendations 	
Date signed off by <u>Strategic Director</u> & name. Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	Not applicable

Electoral wards affected: all

Ward councillors consulted: none

Public or private: public with a private appendix

The appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Has GDPR been considered? yes

1. **Executive Summary**

The Council has to have an Internal Audit function. Each quarter Internal Audit reports on its activity. The report also provides information about use of Regulation of Investigatory Powers Act investigations. There were none this period.

2. **Information required to take a decision**

2.1 The information required about Internal Audit activity is included in the attached report.

2.2 The Global Internal Audit Standards take effect from January 2025; However, UK public bodies do not apply the standards until April 2025 (aligning with their financial year). Additional guidance for public bodies (and local authorities, by CIPFA) has not yet been finalised. The Charter documents for 25/26 which are normally approved for the new financial year, will acknowledge changes to practice required by the new standard.

2.3 Although an additional (1fte) post for internal audit has been agreed, an employee at the same level has recently resigned, and will leave at the end of the calendar year.

3. **Implications for the Council**

Having an effective internal audit function, as a part of a strong assurance and governance framework is important for the Council. Implementing audit findings should help to improve internal control, assurance and or governance.

3.1 **Working with People**

No directly applicable.

3.2 **Working with Partners**

No directly applicable.

3.3 **Place Based Working**

No directly applicable.

3.4 **Climate Change and Air Quality**

No directly applicable.

3.5 **Improving outcomes for children**

No directly applicable.

3.6 **Financial Implications**

Refers in part to improving strategic and operational financial controls.

3.7 **Legal Implications**

No directly applicable.

3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**

Implementation of internal audit recommendations should improve overall control arrangements and promote good governance.

4. **Consultation**

There have been discussions with Executive Leadership Team (ELT)

5. **Engagement**

ELT have seen and are aware of the content of this report

6. Options

Not applicable

7. Next steps and timelines

Contributes to the Annual Internal Audit report.

8. Contact officer

Martin Dearnley Head of Audit & Risk.

9. Background Papers and History of Decisions

None.

10. Appendices

Private appendix

11. Service Director responsible

The Head of Risk & Internal Audit holds responsibility for the planning, operation and reporting by Internal Audit.

The statutory officers with a responsibility for overseeing the internal audit function are
Samantha Lawton Service Director for Legal Governances & Commissioning
Kevin Mulvaney Service Director for Finance

This page is intentionally left blank



Internal Audit & Counter Fraud Quarterly Report

**Quarter 2 2024/25
July to September**

1 Introduction

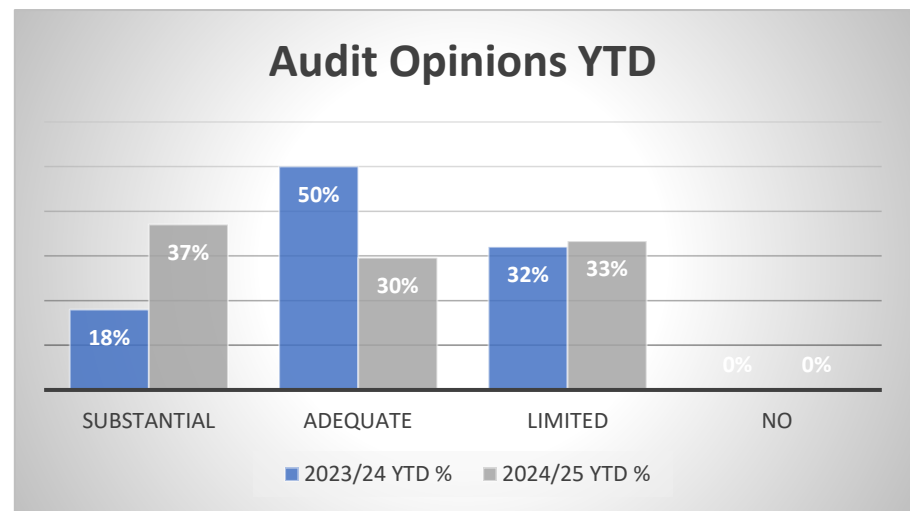
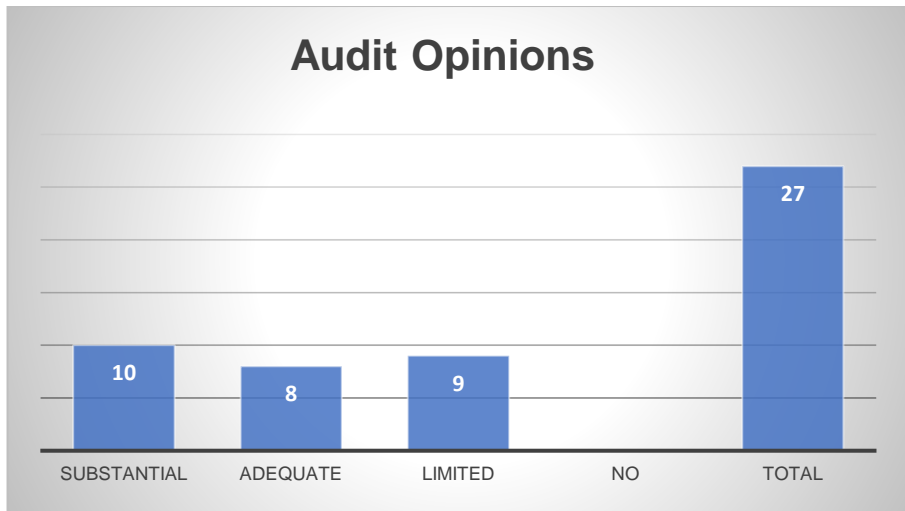
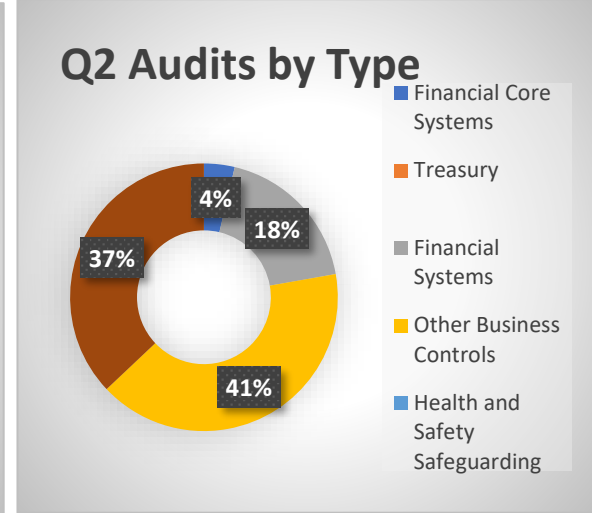
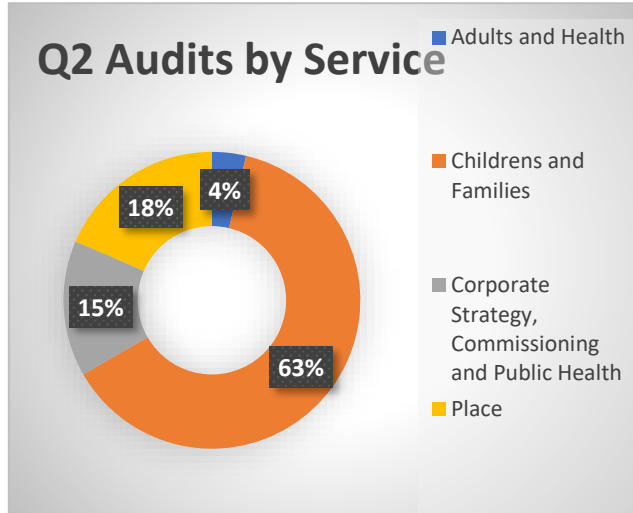
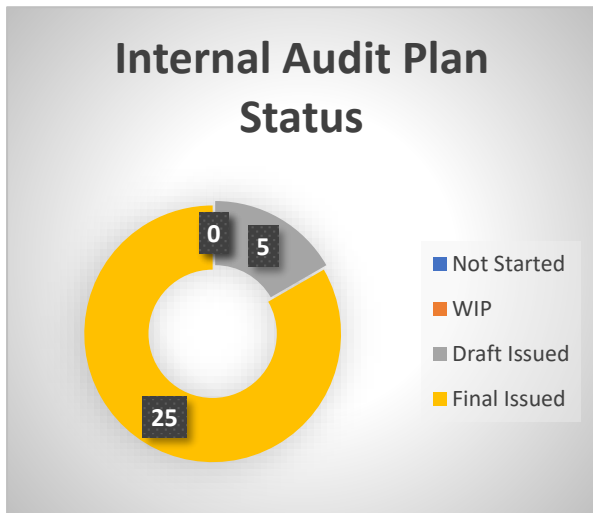
This report sets out the work of Internal Audit completed in the period shown above. All work included has reached a final, except if shown otherwise, management have accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action has been through the required stages and any appeal time. A number of audits are awaiting finalisation and will be reported in the next quarter.

Where an assurance opinion was appropriate these reflected the standard framework below

Opinion	Definition - Control Adequacy	Definition - Control Application
Substantial Assurance	A robust framework of all key controls exists that is likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
Adequate Assurance	A sufficient framework of key controls exists that is likely to result in objectives being achieved but the overall control framework could be stronger.	Controls are applied but with some lapses.
Limited Assurance	Risk exists of objectives not being achieved due to the absence of a number of key controls in the system.	Significant breakdown in the application of a number of key and/or other controls.
No Assurance	Significant risk exists of objectives not being achieved due to the absence of key controls in the system.	Serious breakdown in the application of key controls.

All audit work attracts recommendations intended to achieve at least an adequate level of control. All audits resulting in a negative - "limited assurance" or "no assurance" - opinion are followed up as a matter of course, whereas confirmation of progress in implementing agreed recommendations in other reports is sought periodically.

2 Internal Audit Assurance Map and Quarterly Dashboard



3 Planned Audit Work Completed in the Period

3.1 Financial System and Service Audits

	<u>Audit</u>	<u>Opinion</u>	<u>Recommendations</u>		
			Fundamental	Significant	Merits Attention
	<u>Core Financial Systems</u>				
	<u>People Services</u>				
015	Accounts Payable (creditors)	<u>Adequate Assurance</u>	0	3	0
	<u>Other Financial Systems and Processes</u>				
	<u>Children and Families</u>				
016	Direct Payments	<p><u>Limited Assurance</u></p> <p>This attracts 'limited assurance' as there are gaps and confusion in policy and process. With key findings and recommendations in the following areas:</p> <ul style="list-style-type: none"> • Clarity of policy • Monitoring of direct payment accounts • Evaluation of whether the care plans and amounts of monies spent are achieving the desired level of outcomes. 	0	19	4

		<p>All aspects of children direct payments management and administration have now been brought under children and families. Bringing this in-house, is an opportunity for 'joined-up' processes and improved collaboration and communication between all the teams that are involved.</p> <p>The audit findings can be used to inform policy and processes, and if these can be implemented across the relatively small and manageable number of Children's Direct Payments clients, it should be possible to create a more cohesive, seamless, value for money service.</p> <p>A separate audit was carried out at the same time on the larger number of direct payment clients within Adults and Health. This report is at the draft stage and will appear in the quarter 3 audit report.</p> <p>Both services have accepted all of the recommendations and whilst Childrens Services have promised to implement the recommendations in the next few months, a number of Adult activities form part of a wider practice and policy change, these may not be implemented until October 2025.</p>			
	<u>Legal, Governance & Commissioning / Strategy & Innovation</u>				
017	Members' Code of Conduct & Allowances	<u>Adequate Assurance</u>	0	3	4

	<u>Other Business Controls</u>				
	<u>Homes & Neighbourhoods</u>				
018	Tenancy Allocation	<p><u>Limited Assurance</u></p> <p>Overall compliance with the Allocations Policy was found to be generally robust but with amendments suggested relating to management lets and decants. A review of choose 'n' move choice-based lettings system found this to be operating effectively with no irregularities identified.</p> <p>Issues were identified in relation to process and procedural inefficiencies, limited controls and application of management discretionary, as follows:</p> <ul style="list-style-type: none"> • A lack of detailed standard operating procedure guides to establish best practice. • Inconsistent and incomplete audit trails on Contact Manager. • Lack of cross-service data sharing to facilitate regular reviews and prioritisation of workloads. • No quality assurance process to strengthen lapses in controls for management authorisations and supervision. • Too many staff attending panels for management lets and decant applications. • Unrestricted access rights enabling users to make retrospective changes. (a fraud risk) <p>These issues undermined assurance concerning tenancy successions with potential queue jumping regarding securing a property ahead of other applicants with a greater housing need:</p>	1	11	11

		<p>These are tenants +with (previously) accumulated arrears +becoming secure after 12 months despite anti-social behaviour reports or rent arrears</p> <p>Caused by a lack of engagement and regular review by housing officers and management oversight. Different teams and activities within the Service often operate independently of one another (silos).</p> <p>The service has accepted all the recommendations, and these are to be actioned largely by March 2025. Those that involve system changes will be implemented as a part of the CX implementation during 2025/26</p>			
	<u>Development</u>				
019	Asbestos Management (Corporate estate)	<u>Substantial Assurance</u>	0	0	0
020	Fire Risk Management (Corporate estate)	<u>Adequate Assurance</u>	0	4	2
	<u>Children and Families</u>				
021	Independent Foster Agencies	<u>Adequate Assurance</u>	0	4	3
	<u>Communities and Access</u>				
022	Prevent	<u>Adequate Assurance</u>	0	3	9

3.2 Follow - Up Audit Work Completed in the Period

	<u>Follow Up Audit</u>	<u>Opinion</u>	<u>Outstanding Recommendations</u>		
			Fundamental	Significant	Merits Attention
	<u>Children and Families</u>				
023	Regional Adoption Agency	<u>Substantial Assurance</u>	0	1	0
024	School Exclusions	<u>Adequate Assurance</u>	0	4	1

3.3 School Audits

025	Substantial Assurance	1
026	Adequate Assurance	1
027	Limited Assurance	1
	No Assurance	

4 Investigations and other Audit Activity

4.1 Corporate

National Fraud Initiative 2024/25 – Data Validation & Submission

This task relates to about a dozen datasets including payroll, accounts payable, housing tenants, right to buy properties, council tax reduction recipients, licensed taxi drivers, residential parking permit holders and those on the Housing Waiting List. Other data is obtained by the Government directly including housing benefit claimants, student loan recipients and blue badge holders.

Service data owners have provided the required information for secure upload which has been sense tested for completeness, verified to ensure it is in the format prescribed by the Cabinet Office and does not include any data relating to third parties for which the Council processes or manages, such as other landlords or other organisations. Errors and omissions have been flagged to data owners and corrected accordingly.

4.2 Family Support & Child Protection

Stronger Families Programme

As reported in previous quarters, there has been a change in qualifying criteria for this claim and it was found that data integrity was not adequate and on this basis most of the claim could not be submitted as eligible for SFP support. Concerns were raised by the Government that claim amounts in the last three quarters of 23/24 were exceptionally small. Development of a new process to ensure data integrity has been carried out working closely with Somerset Council who are recognised government data champions. This has rectified the issues, and the most recent quarter claim was more in line with the expected forecasts though there is still a shortfall. Further work is continuing between the data team and Children Services to embed the new process including “stop the clock days” so that the focus is on these types of cases. Audit have agreed to carry out an extended piece of work in quarter 4 to provide further assurance that such initiatives are successful.

5. Counter Fraud Work

5.1 Housing and Blue Badge Fraud

Investigation Type	Cases Brought Forward	New Referrals	Ongoing	Closed Prosecutions	Closed: No Fraud Proven or Warning Issued	Applications Cancelled	Properties Returned and Application Cancelled
Right To Buy	21	15	16		11	6	3
Tenancy Fraud	13	3	12		3		1
Multi-Agency/Service Cases	2		1				2
Blue Badge	42	34	31	24	21		

5.2 Council Tax and Business Rate Fraud

Investigation Type	Cases Brought Forward	New Referrals	Ongoing	Closed Prosecutions	Closed: No Fraud Proven	Closed: Referred to Government Agency
Council Tax	15		4		11	
Business Rate	5		5			
COVID Grants	37	1	2			34

5.3 HD-One Payment Fraud

Investigation Type	Q2	YTD	Ongoing	Fraud Attempted	Fraud Successful	Monies Reclaimed
Payment Fraud	5	7	1	3	1	1

5.4 Adult Social Care – West Yorkshire Financial Exploitation and Financial Abuse Team

WYFEAT – Adult Social Care (April – August 2024)

Referrals Received	Investigations	Pre-Investigations	Safeguarding Only	Yet to be designated	Closed	Value (£): YTD
3	3	1		1		0

5.5 Other Investigative Work

Investigation Type	
Money Laundering Cases	2

6. Regulation of Investigatory Powers Act investigations

None this period.

This page is intentionally left blank

Corporate Governance and Audit Committee – Outline Agenda Plan – 2024/25

MEETING DATE	ITEMS FOR CONSIDERATION
28 June 2024	<ol style="list-style-type: none"> 1. Customer Complaints 2. Treasury Outturn Report (Reference to Council) 3. Annual Governance Statement (draft) 4. Amendment to Risk Management Statement (Reference to Council)
26 July 2024	<ol style="list-style-type: none"> 1. Annual Corporate Emergency Planning & Business Continuity 2. Annual Report of the Committee 3. External Auditors Recommendations 4. Appointment of a second Independent Person 5. Q1 of IA
27 September 2024	<ol style="list-style-type: none"> 1. Health & Safety Report 2. Information Governance Annual Report 3. Members Allowances 4. Internal Audit update plan Oct 24 – March 25 5. District Heating request for officer attendance
06 December 2024	<ol style="list-style-type: none"> 1. Notification of a Second Independent Member 2. Bad Debt Write Off Report 3. Treasury 6-month Outturn Report 4. Q2 of IA
31 January 2025	<ol style="list-style-type: none"> 1. Dates of Council Meetings (Reference to Council) 2. Members Allowances 3. Audit Finding Report 4. Annual Governance Statement 5. Final Accounts 6. Treasury Strategy Report 7. 2023-24 Auditors Annual Report (Value For Money)
? February 2025	<ol style="list-style-type: none"> 1. Annual Customer Standards Report 2. Risk Management Update 3. Q3 of IA 4. Cyber Security Update
07 March 2025	<ol style="list-style-type: none"> 1. Proposed amendments to Financial Procedure Rules (Reference to Council) 2. Proposed amendments to Contract Procedure Rules (Reference to Council) 3. Proposed changes to the Constitution (Reference to Council) 4. Outside Bodies Nominations 5. Annual Governance Statement (monitoring)
25 April 2025	<ol style="list-style-type: none"> 1. Informing the Audit Risk Assessment

- | | |
|--|--|
| | <ol style="list-style-type: none">2. 2024-25 Audit Plan3. Annual report of Internal Audit4. Q4 of IA5. Internal Audit Plans 2025-26 (Q1-Q2) |
|--|--|

Document is Restricted

This page is intentionally left blank