

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on
Wednesday, 31st July, 2024 at 7.00 pm*

To:

Cllr A.H. Crawford (Chairman)
Cllr Bill O'Donovan (Vice-Chairman)

Cllr A. Adeola
Cllr Gaynor Austin
Cllr C.W. Card
Cllr Rhian Jones
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Jacqui Vosper

Non-Voting Member:

Mr. Tom Davies – Independent Member (Audit)

Standing Deputies:

Cllr Leola Card, Cllr Lisa Greenway, Cllr Julie Hall, Cllr S.J. Masterson, Cllr T.W. Mitchell, Cllr M.J Tennant

Enquiries regarding this agenda should be referred to the Committee and Member Services Team Leader, Adele Taylor, Democratic Services, Tel. (01252 398831) or email adele.taylor@rushmoor.gov.uk.

A G E N D A

1. **MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 23rd May, 2024 (copy attached).

2. **INTERNAL AUDIT - ANNUAL AUDIT OPINION 2023/24 – (Pages 5 - 18)**

To receive the Audit Manager's Report No. AUD2406 (copy attached) which presents the Internal Audit Manager's independent annual audit opinion for 2023/24.

3. **ANNUAL STATEMENT OF ACCOUNTS UPDATE/EXTERNAL AUDIT PROVISIONAL AUDIT PLANNING REPORT – (Pages 19 - 74)**

The Executive Head of Finance to provide an update to the Committee including the provisional audit planning report from the Council's external auditors, Ernst & Young, for the 2023/24 audit (copy attached).

4. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2023/24 – (Pages 75 - 98)**

To consider the Executive Head of Finance's Report No. FIN2409 (copy attached) which sets out the activities of the Treasury Management and non-Treasury Management Operations for 2023/24.

5. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2024/25 - QUARTER 1 – (Pages 99 - 120)**

To consider the Executive Head of Finance's Report No. FIN2410 (copy attached) which sets out Treasury Management activities for 2024/25 Quarter 1 and reports on compliance with Prudential Indicators.

6. **FREEDOM OF INFORMATION - ANNUAL UPDATE REPORT 2024 – (Pages 121 - 126)**

To receive the Corporate Manager – Legal Services' Report No. LEG2403 (copy attached) which presents the Council's performance on Freedom of Information requests.

7. **APPOINTMENTS –**

To confirm the appointment of a councillor representative to the Citizens Advice Rushmoor Board. Nomination(s) to be reported at the meeting.

8. **EXCLUSION OF THE PUBLIC –**

To consider resolving that, subject to the public interest test, the public be excluded from this meeting during the discussion of the undermentioned item to avoid the disclosure of exempt information within the paragraph Schedule 12A to the Local Government Act 1972 indicated against such item:

Item No.	Para. No.	Category
6	1	Information relating to an individual

9. **APPOINTMENT OF HONORARY ALDERMEN – (Pages 127 - 132)**

To consider the Corporate Manager – Democracy Exempt Report No. DEM2405 (copy attached) on the nominations received for the conferment of the title of Honorary Alderman of the Borough and to submit the appropriate recommendation to an Extraordinary Meeting of the Council

PUBLIC PARTICIPATION AT MEETINGS

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

This page is intentionally left blank

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the meeting held on Thursday, 23rd May, 2024 at the Council Offices, Farnborough at 7.15 pm.

Voting Members

Cllr A.H. Crawford (Chairman)
Cllr Bill O'Donovan (Vice-Chairman)

Cllr A. Adeola
Cllr Gaynor Austin
Cllr C.W. Card
Cllr Rhian Jones
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Jacqui Vosper

1. MINUTES

The minutes of the meeting held on 20th March 2024 were agreed and signed as a correct record of the proceedings.

2. ANNUAL GOVERNANCE STATEMENT 2023/24

The Committee considered the Audit Manager's Report No. AUD2404 which presented the Annual Governance Statement 2023/24 for review and approval.

The Accounts and Audit Regulations 2015 stated that, for each financial year the Council must conduct a review of the effectiveness of the Council's internal control and prepare an annual governance statement for review and approval by the Committee prior to it being signed by the Chief Executive and Leader of the Council.

The Report set out the methodology for compiling the Annual Governance Statement and the requirements of the Committee to ensure a meaningful review of the Annual Governance Statement. Members were reminded that they needed to be satisfied that the Annual Governance Statement reflected the governance environment and any actions required to improve it. Members also had to be satisfied that it demonstrated how governance supported the achievement of the Council's objectives.

During discussion, reference was made to the significant challenge to the future financial sustainability of the Council and concerns about achieving a balanced budget. It was confirmed that a Financial Resilience Plan had been prepared to put the Council on a financially stable footing, and that an independent review of the

Financial Resilience Plan by the Chartered Institute of Public Finance and Accounting (CIPFA) was near completion for publication. This would be published in reports to the Cabinet and Council in July.

Further to both the outcomes of the CIPFA Report and the forthcoming Peer Review, which had been invited by the Council, Members of the Committee indicated support to invite the Leader of the Council, Cllr Gareth Williams, to a future meeting with a view to achieving a better understanding of the new leadership's priorities in relation to the governance issues for the Council. The point was also raised that the opportunity should be taken as part of the Peer Review to consider the effectiveness of the working arrangements for the Overview and Scrutiny function.

Further to the current Annual Governance Statement, the Committee asked that a report be brought to the next meeting with more details on Freedom of Information performance, particularly on response rates and how the Council compared to other local authorities and the subject areas for requests.

RESOLVED: That the Council's Annual Governance Statement 2023/24 be approved for signing by the Chief Executive and Leader of the Council and for publishing alongside the Statement of Accounts.

3. **INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2405 which provided a progress update on the 2023/24 Audit Plan.

The Committee was advised of an update to the table at 3.1 of the report where the figures had changed since publication to eight finalised reports and six draft reports. The two finalised reported were noted as the CIPFA Report and the Parking Report.

In response to a question, it was noted that there were a number of levels of assurance, including full, substantial, reasonable and limited, and that more information explaining these could be found in the Audit Charter. A training session for the Committee on Internal Audit was planned for 16th July 2024.

RESOLVED: That the Audit Manager's Report No. AUD2405 be noted.

4. **APPOINTMENTS TO OUTSIDE BODIES, LICENSING SUB-COMMITTEES AND CONSTITUTION WORKING GROUP**

(1) **Outside Bodies –**

RESOLVED: That the appointment of representatives to outside bodies for the 2024/25 Municipal Year, as set out in the attached Appendix, be approved.

(2) **Appointments and Appeals Panels –**

RESOLVED: That the Corporate Manager - Democracy be authorised to make appointments to Appointments and Appeals Panels in accordance with

the membership criteria set out in the Officer Employment Procedure Rules in the Constitution.

(3) **Licensing Sub-Committee –**

RESOLVED: That the following Members be appointed to serve on the Licensing Sub-Committee for the 2024/25 Municipal Year (three Labour representatives; two representatives of other Groups):

Labour Group: Cllrs A.H. Crawford, Bill O'Donovan and Sarah Spall

Conservative Group: Cllr Jacqui Vosper

Liberal Democrat: Cllr C.W. Card

(4) **Licensing Sub-Committee (Alcohol and Entertainments) –**

RESOLVED: That the Corporate Manager - Democracy be authorised to make appointments from the membership of the Corporate Governance, Audit and Standards Committee in accordance with the procedure agreed by the Committee at its meeting on 21st May 2009 and detailed in the Licensing Sub-Committee (Alcohol and Entertainments) Hearings Protocol and Procedure.

(5) **Licensing Sub-Committee (Taxis) –**

RESOLVED: That the Corporate Manager - Democracy be authorised to make appointments from the membership of the Corporate Governance, Audit and Standards Committee, in accordance with the procedure agreed by the Committee at its meeting on 27th June 2021 and detailed in the Licensing Sub-Committee (Taxis) Hearings Protocol and Procedure.

(6) **Constitution Working Group –**

RESOLVED: That the following Members be appointed to serve on the Constitution Working Group for the 2024/25 Municipal Year (seven Members, including a Cabinet Member, the Chairman of the Committee and representatives of other groups):

- Cabinet Member (Cllr Sophie Porter)
- the Chairman of the Corporate Governance, Audit and Standards Committee (Cllr A.H. Crawford)
- two representatives of the Labour Group (Cllrs Gaynor Austin and Bill O'Donovan)
- two representatives of Conservative Group (Cllrs G.B. Lyon and Calum Stewart)
- one representative of the Liberal Democrats (Cllr Craig Card)

The meeting closed at 8.20 pm.

This page is intentionally left blank

**CORPORATE GOVERNANCE
AUDIT AND STANDARDS COMMITTEE****AUDIT MANAGER
REPORT NO. AUD 24/06****31st JULY 2024****INTERNAL AUDIT - ANNUAL AUDIT OPINION – 2023/24****SUMMARY:**

This report presents the Internal Audit Managers independent annual audit opinion for 2023/24 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control environment.

RECOMMENDATIONS:

Members are requested to:

- I. Note the Audit Opinion given for governance, risk management and internal control for 2023/24;
- II. Note the self-assessment exercise against the PSIAS and the improvement areas.

1 Introduction

- 1.1 In accordance with the Accounts and Audit (England) Regulations 2015, the Audit Manager is required to report, on an annual basis, on the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, risk management and control (GRC).
- 1.2 The report in Appendix 1 sets out the internal audit work carried out within 2023/24 and the coverage of work carried out to enable the Audit Manager to form this opinion.
- 1.3 Furthermore, annually the Audit Manager is required to carry out a self-assessment on the internal audit activities conformance with the Public Sector Internal Audit Standards (PSIAS) and communicate this to the Corporate Governance, Audit and Standards (CGAS) Committee. The report details the outcome of the self-assessment carried out.
- 1.4 The internal audit plan for 2023/24 was approved by this Committee on the 27th March 2023 (AUD23/02).

2 Audit Opinion

- 2.1 The report within Appendix 1 sets out the work which was relied upon in order to assist with the assessment and the level of assurance obtained for the Council's Internal Control, governance and risk management.

2.2 An assurance level has been provided to each of these areas in order to provide a clear assessment.

3 Conclusion

3.1 Sufficient assurance work has been completed within the year to enable an audit opinion to be provided on Rushmoor Borough Council's Governance, Risk Management, and Control framework.

3.2 Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

3.3 A self-assessment against the PSIAS showed that Internal Audit are compliant with the standards with some further enhancements set out.

AUTHOR: Nikki Fleming, Service Manager - Audit
01252 398810
nikki.fleming@rushmoor.gov.uk

HEAD OF SERVICE: Peter Vickers, Executive Head of Finance & S151
01252 398440
peter.vickers@rushmoor.gov.uk

AUDIT OPINION

2023/24

1. Role of Internal Audit

- 1.1 The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

- 1.2 The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2016 [*the Standards*]. The role of Internal Audit is best summarised through its definition within PSIAS, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- 1.3 Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to the Internal Audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of the Audit Opinion

- 2.1 The purpose of an internal audit opinion is to provide assurance that internal controls in place are adequate to mitigate risks, governance and risk management processes are effective and efficient to assist the Council in achieving its objectives.

3. Audit Coverage to support the Opinion

- 3.1 The following areas have assisted with the formulation of the audit opinion:
- The audit plan, which was developed to enable a spread of audits to across the Council to ensure an appropriate assessment of the internal control environment.
 - Key Financial audits carried out over the last 3 years and the movement of the assurance from previous reviews.
 - The Council’s achievement of PSN certification
 - Audit recommendations accepted and implemented by Management
 - External reviews carried out
 - Attendance at Corporate Governance Group and Information Governance Group
 - Risk Registers and the reporting of risks
 - Follow ups carried out where limited assurances have been given within the previous financial year.

4. Audit Opinion





- 4.1 In accordance with the Accounts and Audit (England) Regulations 2015, the Audit Manager is required to report on an annual basis, the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, risk management and control.
- 4.2 In prior years an overall audit opinion has been provided across all three areas of the framework. To provide further clarity and in line with recommendations made by CIPFA in their review of Internal Audit, separate opinions will be provided for the internal control environment, risk management and governance arrangements.
- 4.3 Assurance levels which could be given are set out below:

Assurance Level	Definition
Full	A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.
Substantial	Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.
Reasonable	Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.
Limited	Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.
No assurance	No controls that achieve the system/function/process objectives, are in place.

- 4.4 In giving these opinions, assurance can never be absolute, as internal audit cannot review every decision and transaction of the Council. Therefore, only a reasonable assurance can be provided that there are no major weaknesses in the Council's processes reviewed and any reliance placed on other sources of assurance.

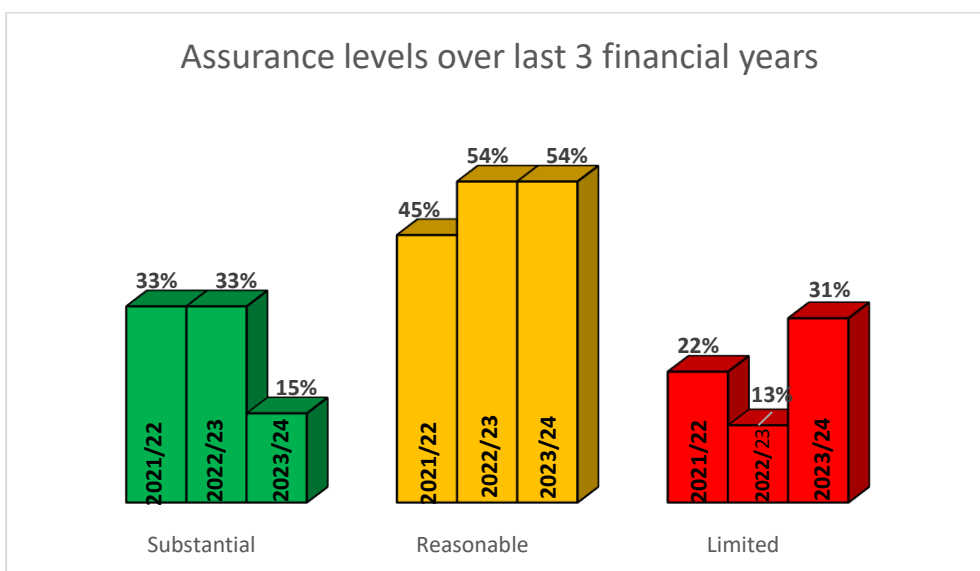
Internal Control Environment

- 4.5 Internal audit reviews key financial systems on a 3-year rolling basis. The below table shows the level of assurance provided for each of these systems across the 3 years along with the direction of travel from the previous level of assurance provided.

Key financial system	Assurance level in the last 3 years	Direction of travel from previous assurance provided
Purchase Ledger	Reasonable	
Payroll	Reasonable	
Council Tax	Reasonable	
Treasury Management	Substantial	

Cash receipting	Reasonable	↓
Benefits	Substantial	↔
FMS & Bank Reconciliation	Substantial	↑
NNDR	Reasonable	↓
Sales Ledger	Reasonable	↓

- 4.6 The above shows a downward trend in the assurance levels provided for key financial systems, with 56% decreasing from previous years reviews.
- 4.7 The audit plan for 2023/24 provided coverage from across the Council and provided 13 assurance levels in which have been included within the formation of the opinion on the internal control environment within the Council. (Appendix A details the audits completed/ substantially completed, and the assurance level provided) The graph below shows the percentage trend over the last 3 financial years for the assurance levels provided.



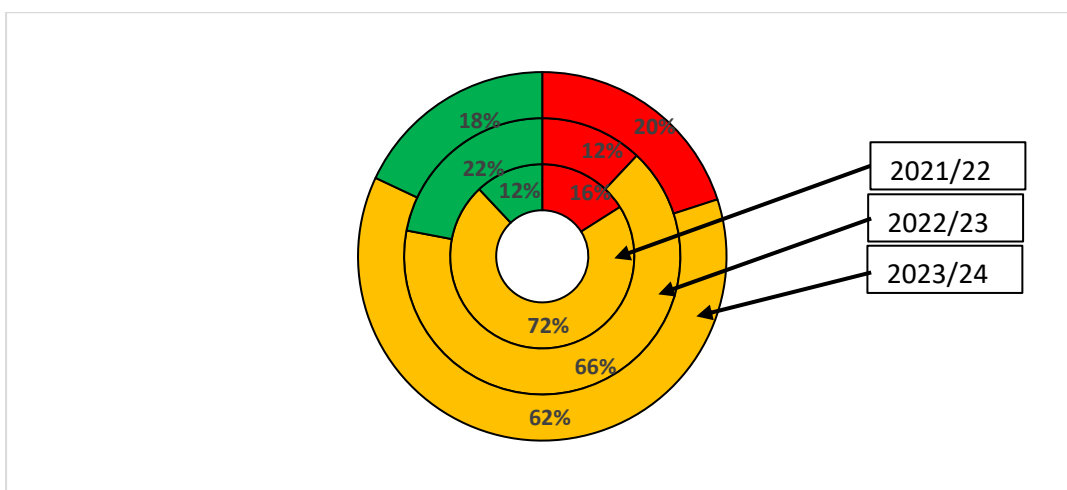
- 4.8 The above graph shows that this financial year there has been a decrease in the substantial assurance levels whilst the reasonable level has remained consistent. There has also been an increase in the limited assurance provided.
- 4.9 Specific follow up audits are carried out, the following financial year, where limited or no assurances have been given. As limited or no assurances are significant these areas should be given priority focus from senior management to close the gaps highlighted therefore assurances should improve.

Follow up audit	Follow up assurance level	Direction of travel
2022/23		
S106/ SANGS	Substantial	↑
Taxi Licensing – fee process	Substantial	↑
Application Patch Management	Reasonable	↑
Alderwood Leisure Centre*	Limited	↑

2023/24		
Estates Management & Commercial letting	Substantial	↑
Purchase Ledger	Reasonable	↑
Insurance	Limited	↔
Guest House	Limited	↔

*Alderwood Leisure was in the process of being transferred back to the school and previously had been given No assurance.

- 4.10 The review of follow ups carried out this financial year shows a decrease in the improvement of areas which have previously been given a limited assurance. With 50% of the follow ups carried out not improving. Although it should be noted that these were within the Finance service specifically. Further work by the service has been carried out on the two areas and whilst a further follow up has not yet been carried out it is known that improvements have been made.
- 4.11 Recommendations are made for each audit carried out to improve the area under review. The recommendations are categorised as high, medium or low.
- 4.12 The graph below shows the trend over the last 3 financial years. This shows that the overall percentage of recommendations has increased for high, whilst the percentage of medium and low-level recommendations have reduced. Although overall the changes are not hugely disparate across the years.



- 4.13 The Council has achieved PSN certification. This reviews the Council's security network and provides recommendations for improvement. Assurance is taken from this assessment that the IT network controls in place are sufficient.
- 4.14 In addition assurance was taken from the external review of the Council's InTune device management, which was carried out as part of the PSN requirement.
- 4.15 In summary, based on the information set out above it would demonstrate that the Council's internal control environment has decreased from previous years. Whilst key financial systems have been given reasonable or substantial assurance across the 3-year cycle the overall trend is that the levels of assurance are decreasing. Overall, substantial assurances have reduced this financial year whilst the limited assurances have increased.

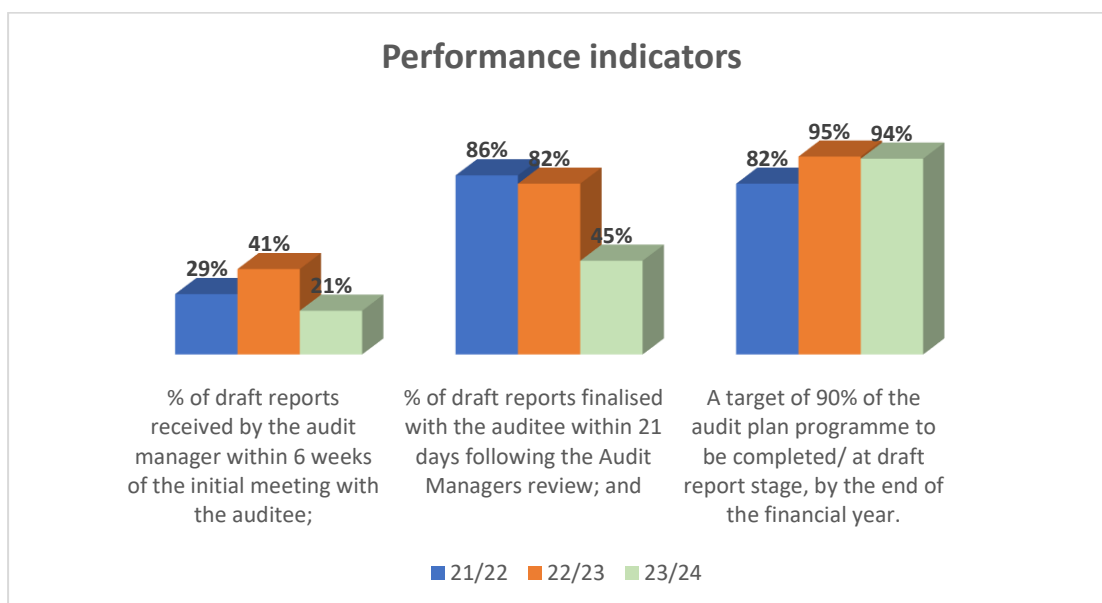
- 4.16 In addition to this, the follow ups carried out have not improved for ones within the Finance service, whilst other services have improved in the areas previously given limited assurance.
- 4.17 It is in the Audit Managers opinion that the internal control environment for Rushmoor Borough Council is **Reasonable**. Whilst a reasonable assurance has been provided it should be noted that this was on the lower level of this assurance bracket. Due to the increase in the number of limited assurances in the year, the downward trend of the assurances provided for key financial systems and the limited assurance level not changing for half of the follow up audits carried out this financial year. Improvements are required so that this downward trend does not continue.

Governance

- 4.18 The Council currently has outstanding audit recommendations dating back to audits carried out in 2019/20, some of which are high risk areas. Confidence in Managers implementing the outstanding agreed recommendations has been impacted.
- 4.19 Senior Management were provided with a breakdown of the outstanding recommendations, risk levels and areas. Work is due to be carried out in order to take a view on these in a similar light to the external audit position.
- 4.20 Various lines of defence are in place to ensure that questions and oversight is carried out on various decisions made within the Council. The lines of defence are key to governance arrangements to ensure that processes are being followed and allow for informed decisions to be made.
- 4.21 Some audits carried out have demonstrated that the lines of defence set up are not working effectively to scrutinise options, risks and the overall potential impact (worse case/ best case) put forward. An example of this was demonstrated within the Meads audit where the financial modelling only changed the purchase price and not other factors, such as the level of borrowing or the interest rate, as stated within the main body of the Cabinet report. This was not evidenced as being picked up at the various levels of defence.
- 4.22 Audits carried out, identified that there is also inconsistency with information provided within Cabinet reports. With inconsistent information being provided for decision making this does not provide a basis for informed decisions to be made and does not demonstrate good governance. In addition to this, clarity is not set out in all Cabinet reports for what is being requested for approval which can cause misperceptions going forward. An example of this was the RHL report which only requested approval of the business case without specifically setting out what was to be approved. The business case put forward has various total amounts for borrowing and therefore it is unclear the exact amount that was agreed to lend, as the figures are not consistent within the business case.
- 4.23 The Interim S151 Officer stated that a self-assessment against the CIPFA FM code had been carried out however, records to evidence this have not been identified. The Council is currently not conforming with the CIPFA requirements. Actions to address this have been included within the Annual Governance Statement.
- 4.24 The following performance measures have been put in place for internal audit.
- % of draft reports received by the audit manager within 6 weeks of the initial meeting with the auditee;

- % of draft reports finalised with the auditee within 21 days following the Audit Managers review; and
- A target of 90% of the audit plan programme to be completed/ at draft report stage, by the end of the financial year.

4.25 The graph below shows the performance over the last 3 financial years:



- 4.26 The Council is committed to the highest possible standards of openness, probity and accountability. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Counter-fraud arrangements assist in the protection of public funds and accountability.
- 4.27 Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption, including an Anti-fraud, bribery and corruption policy and a Money-laundering policy. These policies are currently being reviewed and updated to ensure they remain fit for purpose. A fraud risk assessment has been carried out to identify the likelihood of fraud occurring in various areas across the Council and ensure controls are in place to mitigate the risk.
- 4.28 The Council continues to conform to the requirements of the National Fraud Initiative (NFI). An annual SPD NFI exercise is carried out to match data from the Council tax system and the Electoral register. The Council submitted the required data sets for this in December 2023, with feedback on potential matches being received instantly.
- 4.29 Details of irregularities identified within the year have been set out in Appendix B.
- 4.30 A self-assessment against the Public Sector Internal Auditing Standards (PSIAS) has been carried out. The Internal Audit section is fully compliant with the standards with some further enhancements set out within Appendix C.
- 4.31 Governance is the leadership of decision-making, culture, controls and accountability throughout the organisation. It is in the Audit Managers opinion that governance for Rushmoor Borough Council is **Reasonable**. Governance issues are addressed through the Governance group, and it has been acknowledged that work is to be done to improve the governance arrangements within the Council.

Risk Management

- 4.32 The Council has in place Service Risk Registers and a Corporate Risk Register. Quarterly the overall changes are reported to the Corporate Management Team (CMT) for review and scrutiny. Following this the report is presented to Cabinet. CMT and Cabinet act as layers of defence to ensure that risks have been identified and where necessary actions taken to appropriately mitigate the risk.
- 4.33 There is insufficient evidence of scrutiny over the risks, follow up actions and mitigations suggested to minimise the risk from materialising.
- 4.34 Sufficient challenge is not undertaken at the different levels of defence to ensure that appropriate mitigations are in place, being monitored/ acted upon and an understanding of what any implications may be to the Council.
- 4.35 A risk appetite statement has not been defined and agreed with Members. Therefore, there is a lack of clarity against the level of risk that is deemed as acceptable by the Council. Therefore, risks are categorised based upon individual perceptions and not calibrated against the Council's adopted appetite.
- 4.36 It is in the Audit Managers opinion that risk management for Rushmoor Borough Council is **Reasonable**. Whilst a reasonable assurance has been provided the process requires improvement and focus to ensure that it is an effective management tool rather than just process driven.

Appendix B**Anti-fraud and corruption***NFI*

The Council participates in the National Fraud Initiative (NFI). The annual Single Persons Discount (SPD) match provided 429 potential irregularities. These are currently being worked through by the Council Tax team with the property inspector verifying data, with 47% of the matches already reviewed. As of June 2024, 5 cases have been identified as potential frauds with a total recovery value of £1,125. A mailshot has recently been issued and work will continue over the coming months to complete this review.

Irregularities

A weakness was identified with two Direct Debits being set up on the Council's bank account without approval. The controls around this have been strengthened to ensure that only Direct Debits approved by the Council are set up on the bank account.

Appendix C

PSIAS – Self-assessment

The PSIAS and the Local Government Application Note (LGAN), together came into effect from April 2013 and supersedes the 2006 CIPFA Code of Practice for Internal Audit in Local Government.

A self-assessment against the standards for 2023/24 has been carried out by the Audit Manager. There are 11 overall standards, which are broken-down into 336 fundamental principles, against which to measure compliance. A summary of the findings is shown in the table below.

Aspect of Standards	No. of requirements in the standards	Standards not applicable at RBC	No. of applicable standards assessed	Compliance assessment		
				Yes	Partial	No
Definition of internal auditing	3		3	3		
Code of ethics	13		13	13		
<i>Attribute Standards</i>						
Purpose, authority & responsibility	23		23	23		
Independence & objectivity	30	7	23	23		
Proficiency & due professional care	21		21	21		
Quality assurance & improvement programme	27	3	24	24		
<i>Performance Standards</i>						
Managing the internal audit activity	47	1	46	46		
Nature of work	31		31	31		
Engagement planning	58	12	46	46		
Performing the engagement	22		22	22		
Communicating results	55	6	49	49		
Monitoring progress	4	1	3	3		
Communicating the acceptance of risk	2	2	0			
Totals	336	32	304	304		
				100%	0%	0%

An external assessment was carried out in 2023/24 and concluded,

'The internal assessment has been reviewed by the Chief Internal Auditor at Basingstoke and Deane Borough Council who concluded the Internal Audit Service provided at Rushmoor Borough Council conforms with the PSIAS requirements.'

Whilst the Council conforms to the PSIAS requirements some enhancements were identified as part of the external assessment and as a result have been included within the improvement plan below.

Quality Assurance and Improvement Plan (QAIP) 2024/25

Improvement points
Consider seeking feedback from the chair of the Audit Committee as part of the CAE's performance appraisal.
Consideration should be given to documenting verbal stakeholder on audits carried out.
Consideration should be given to reviewing each of the corporate risks which will enhance the CAE annual opinion.
Consideration should be given to including the CAE's annual opinion within the Annual Governance Statement each year.

This page is intentionally left blank

Rushmoor Borough Council
Provisional Audit planning
report
Year ending 31 March 2024
23 July 2024



Audit and Governance committee
Rushmoor Borough Council
Council Office, Farnborough Road
Farnborough, Hants
GU14 7 JU

23 July 2024

Dear Audit and Governance Committee Members

Provisional audit planning report

Attached is our audit planning report for the forthcoming meeting of the Audit and Governance Committee. The purpose of this report is to provide the Audit and Governance Committee of Rushmoor Borough Council with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

This report summarises our initial assessment of the key risks driving the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog. We are currently completing our detailed planning procedures and will update the committee if we identify any further risks or change in our audit strategy.

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Fund's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit and Governance Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 31 July 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Simon Mathers

Partner
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Rushmoor Borough Council. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Rushmoor Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Rushmoor Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) launched a consultation on temporary changes to the accounting code for preparation of the financial statements. Ultimately no changes have been made to the financial reporting framework for 2023/24 as a result of this.

As a result of the system wide implementation of backstop dates it is likely that we will disclaim the opinion on the Council's 2022/23 financial statements. The proposed disclaimer of the Council's 2022/23 financial statements will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Governance Committee as the audit progresses and our final assessment on the scope and nature of procedures, we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in the Council's financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Consider the impact on planned audit resource available to complete the audit work in advance of the applicable backstop dates.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Audit and Governance Committee.

Audit risks and areas of focus			
Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation on investment property	Significant risk	No changes in risk or focus	The Authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates - adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method	Significant risk	No change in risk or focus	The DRC and EUV valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY. The estimates heighten the risk of material errors.

Overview of our 2023/24 audit strategy

Page 26

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Audit and Governance Committee.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Pension Liability Valuation and the IAS 19 valuations	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
IFRS 16	Inherent risk	New Inherent Risk	<p>Mandatory implementation of IFRS 16 Leases has been deferred until 2024/25 (though voluntary adoption is permitted and encouraged). IFRS 16 leases is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions. Impact assessment disclosures will need to be made in the 2023/24 financial statements and the Council will need to ensure that it is prepared for the implementation of this standard.</p>

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Audit and Governance Committee.

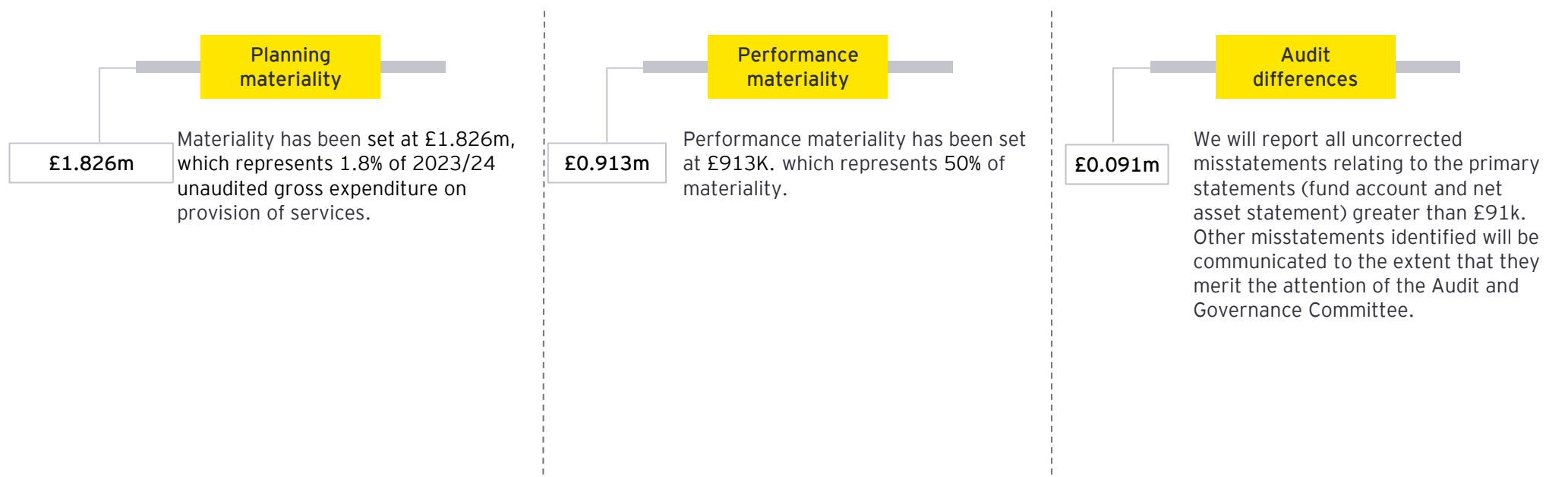
Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Going concern disclosure	Inherent risk	New Inherent Risk	The entity's ability to manage interest payments on borrowing. Current interest rates are more than double the MFTS 2023-24 budgeted assumption of 1.67% and so mitigation must be focused on lessening the cost of debt to ensure a balanced budget can be met in future years. As of 2024, the overall financial position has worsened. The Council has £157million of short-term external borrowing to be paid back within a year. Its ability to repay or refinance this borrowing is therefore likely to create a material uncertainty in the going concern assessment period. Reserves are limited and so is the Council's ability to generate revenue income due to inflation of the service cost base removing the ability to raise income from fees, charges, and rental income.

The outcome of the consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Audit and Governance Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Materiality



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.



Overview of our 2023/24 audit strategy

Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money, (VfM), in your use of resources for the relevant period. We include further details on VfM in Section 3.

We will also review and report to the National Audit Office, (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore, to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit Planning Report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit and Governance Committee where necessary to do so.



Overview of our 2022/23 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

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

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable has been agreed with management to complete the audit by 31 December 2024. In Section 7 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to. In particular, the achievement of completion of our procedures by the end of December will require officers to be available from the start of October to support the execution phase of our work. We are currently preparing requests for evidence to support the items we have sampled as part of our substantive procedures. The prompt provision of evidence for the samples selected for testing is also necessary for us to deliver to the agreed timeline.

Key Audit Partner and senior audit team

Simon Mathers is the Partner for 2023/24. Kalthiemah Abrahams, your audit manager, works on the same management team as your previous manager and again will have access throughout the audit to their knowledge and experience from previous years.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud
- ▶ Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determine an appropriate strategy to address those identified risks of fraud
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We have concluded that we do not have any additional specific risks in relation to management override of controls. Our consideration of fraud risks also covers revenue recognition and our identified risk in this area is included on the next slide.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of Investment Property valued at fair value

Financial statement impact

We have assessed that the risk of incorrect valuation of fair value assets results from the complex estimation involved in arriving at valuations, such that the involvement of specialists is required.

Errors, including incorrect assumptions, in relation to valuation would affect the year end carrying value of fair value assets.

What is the risk?

The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

These valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY.

These estimates heighten the risk of material error.

What will we do?

- ▶ Understand the Council's approach to the Investment Property;
- ▶ Determine the impact of revaluations on the financial statements;
- ▶ Consider the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialist;
- ▶ Challenge the assumptions made by management and their specialists, with input from EY real estates (EY specialists);
- ▶ Sample test key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code;
- ▶ Review assets not subject to valuation in 2023/24 to assess that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Test that accounting entries have been correctly processed in the financial statements.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of land and buildings and valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method

Financial statement impact

We have assessed that the risk of incorrect valuation of DRC and EUV assets results from the complex estimation involved in arriving at valuations, such that the involvement of specialists is required.

Errors, including incorrect assumptions, in relation to valuation would affect the year end carrying value of DRC and EUV assets.

What is the risk?

We have disaggregated land and building assets to identify those where we think the significant risk lies. We have associated the risk to those assets that are valued using the DRC and EUV valuation methods.

These valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY.

These estimates heighten the risk of material error.

What will we do?

- ▶ Understand the Council's approach to DRC and EUV assets;
- ▶ Determine the impact of revaluations on the financial statements;
- ▶ Consider the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialist;
- ▶ Challenge the assumptions made by management and their specialists, with input from EY real estates (EY specialists);
- ▶ Sample test key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code;
- ▶ Review assets not subject to valuation in 2023/24 to assess that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Test that accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Pension Liability Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £11 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We will:

- ▶ Liaise with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Incorrect disclosures in relation to IFRS 16 Lease

Mandatory implementation of IFRS 16 Leases has been deferred until 2024/25 (though voluntary adoption is permitted and encouraged). IFRS 16 leases is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions.

Impact assessment disclosures will need to be made in the 2023/24 accounts and the Council will need to ensure that it is prepared for the implementation of this standard

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Understand the entity's process for implementing the new leases standard;
- ▶ Assess the readiness of the Council for implementation of this major standard; and
- ▶ Review the disclosures in the 2023/24 financial statements in relation to the implementation of IFRS 16.

Going Concern disclosure

There is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. The Council has £157million of short-term external borrowing to be paid back within a year. Its ability to repay or refinance this borrowing is therefore likely to create a material uncertainty in the going concern assessment period.

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.



03 Value for Money risks

Page 39

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

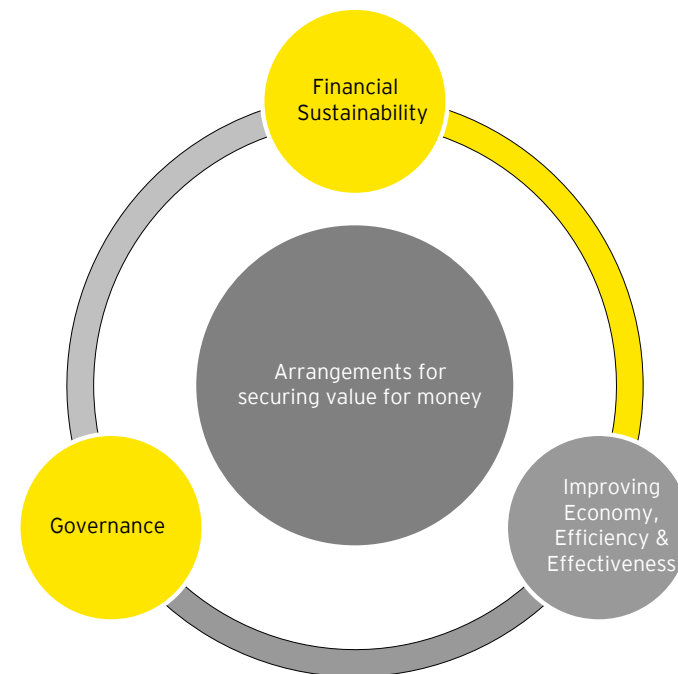
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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



Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.

Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

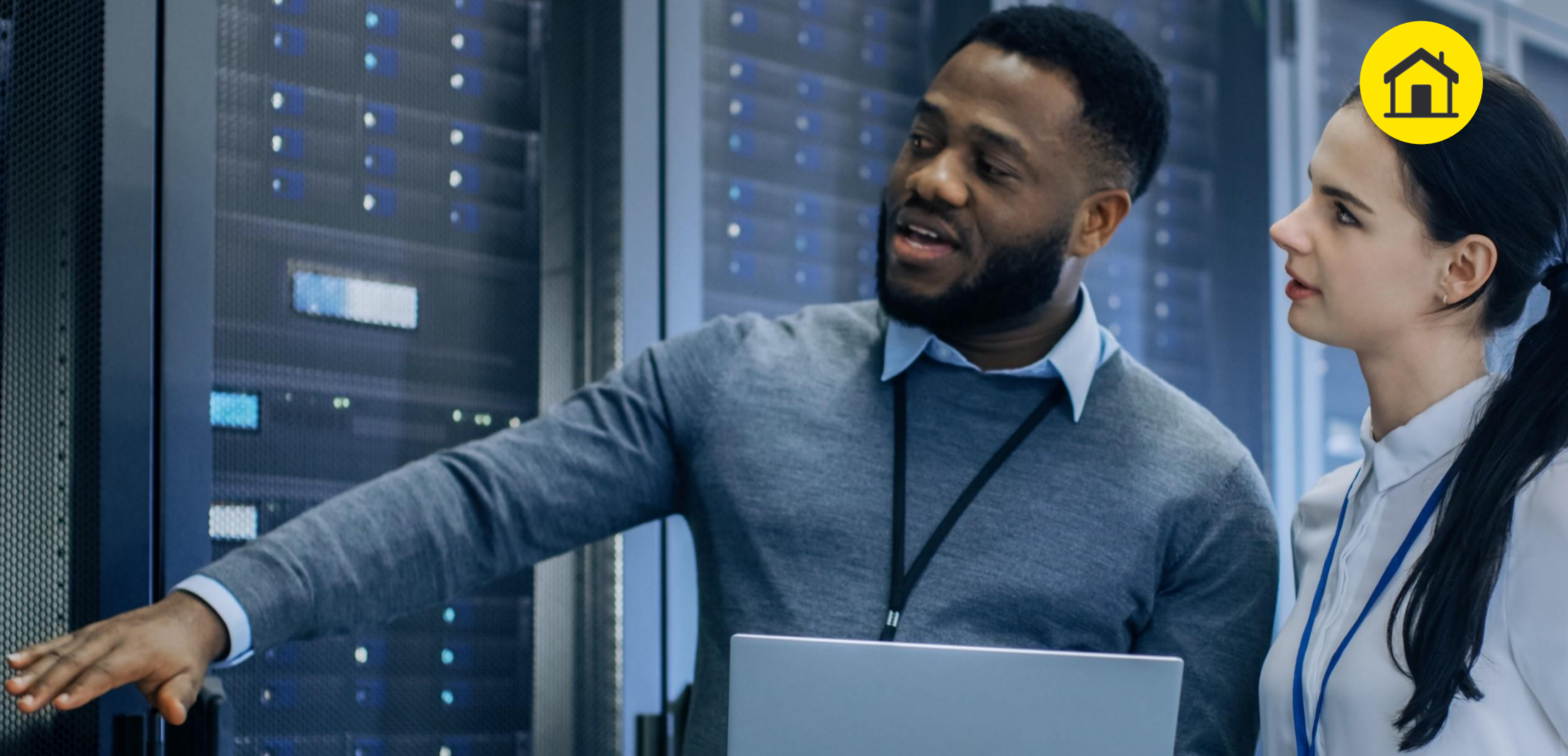
Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning.

We will update the next Audit and Governance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04 Audit materiality

Materiality

Council Materiality

For planning purposes, materiality for 2023/24 has been set at £1.826m (2020/21: £1.406m). This represents 1.8% (2021/22: 1.8%) of the Council's 2023/24 unaudited gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen gross expenditure on provision of services as we consider that this is of primary interest to the users of the accounts. We have chosen 1.8%, which is at the top end of the range of percentages within our audit approach for comparable size councils, after consideration of a range of factors such as the public profile of the entity and level of available revenue reserves. The council has provided group accounts for the current year. However, the group is not material in the current year and audit work will be limited. We have provided supplemental information about audit materiality in Appendix F.

Gross expenditure on provision of services
£101.467m



The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit and Governance Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have used 50%, which is at the lower end of the range within our audit approach, after consideration of a range of factors such, including the number of audit differences identified in our 2019/20 audit and we disclaimed more than one opinion prior to 23/24, therefore is more likely that the delays in the audits were due to a weaker control environment at the entity and more misstatements

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee or are important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Governance Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to rely on controls, both manual and IT:

- ▶ Accounts Receivables
- ▶ Accounts Payable
- ▶ Cash

For the remainder of transactions in 2023/24 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

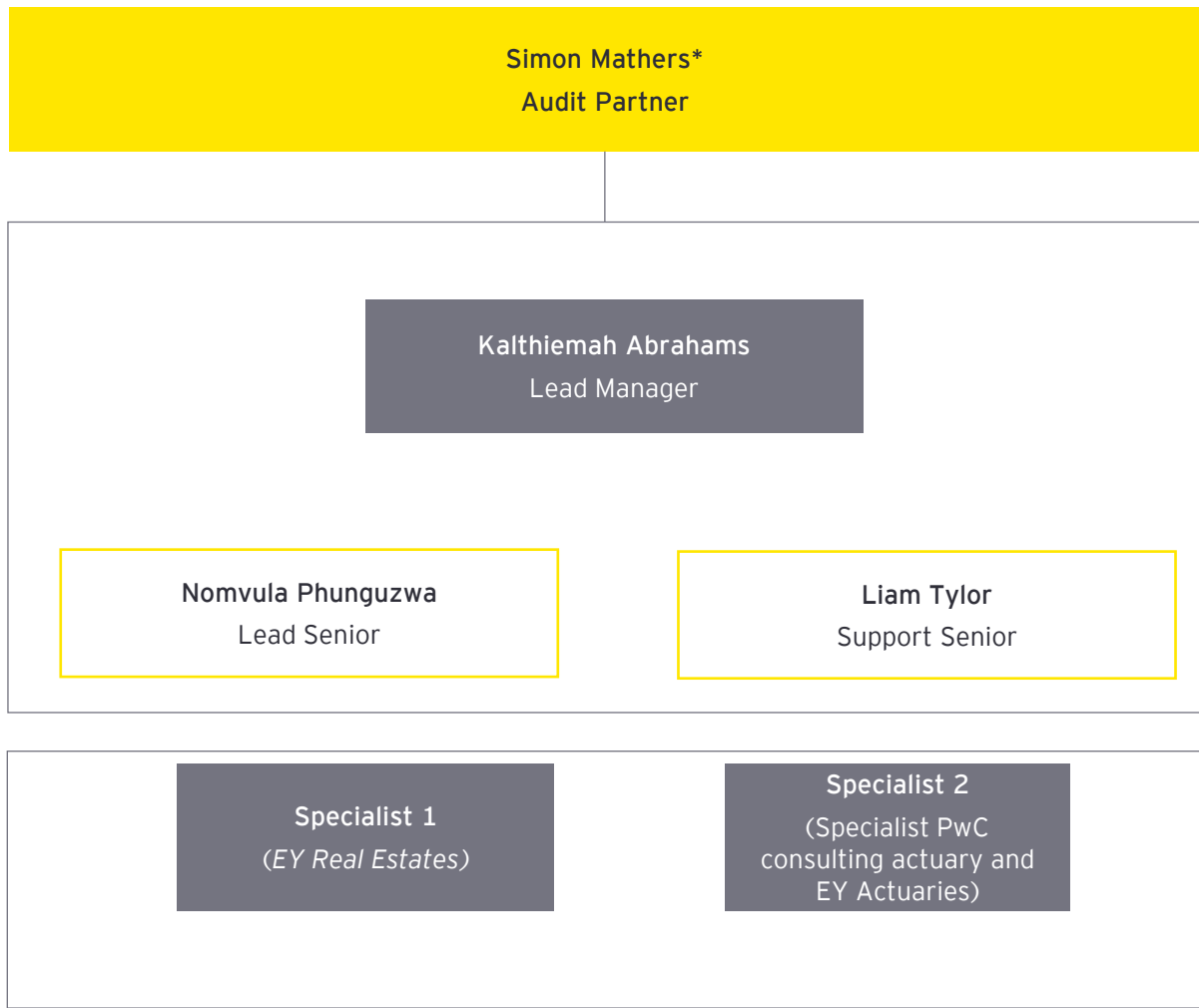
We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06 Audit team

Audit team

Page 50



* Key Audit Partner

Use of specialists

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team (EY Real Estates)
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



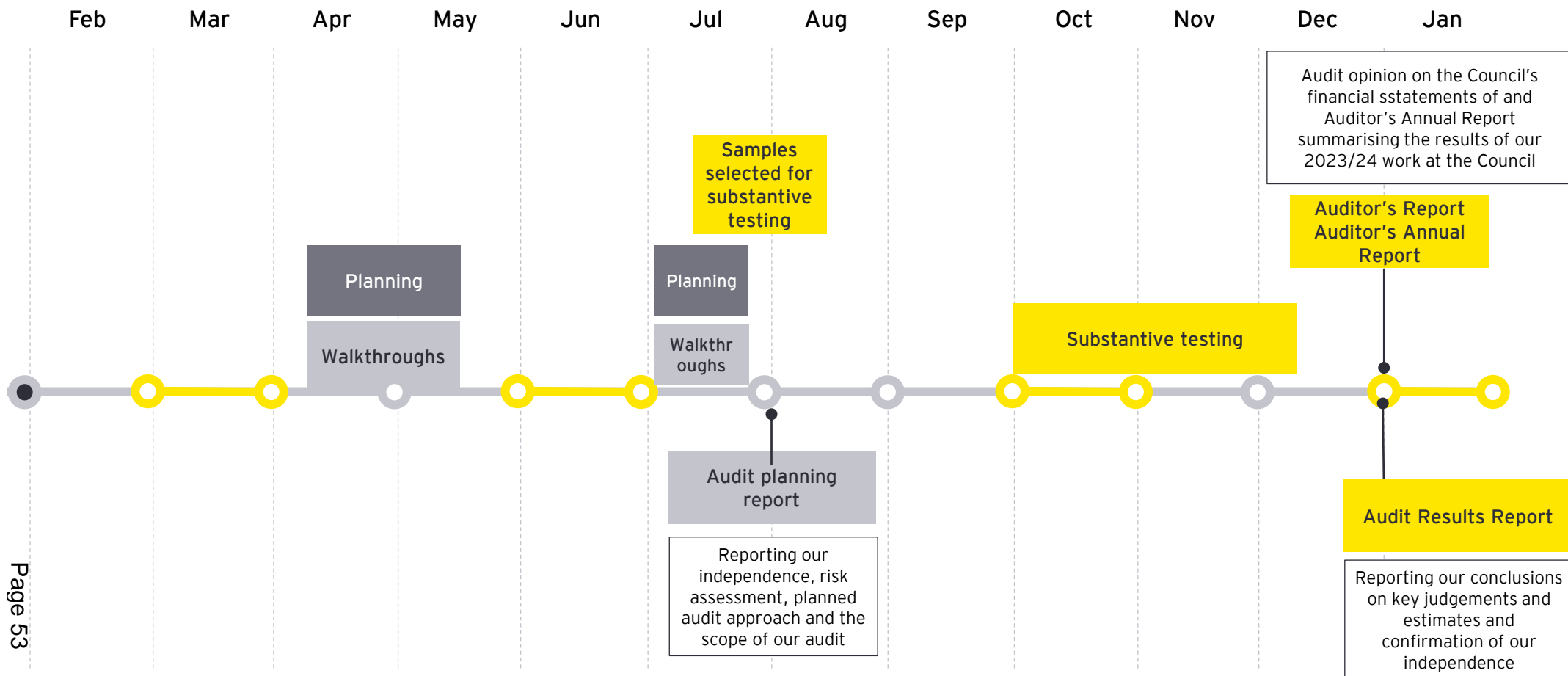
07

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24. A timetable has been agreed with management to complete the audit by 31 December 2024. In Section 7 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to. In particular, the achievement of completion of our procedures by the end of December will require officers to be available from the start of October to support the execution phase of our work. We are currently preparing requests for evidence to support the items we have sampled as part of our substantive procedures. The prompt provision of evidence for the samples selected for testing is also necessary for us to deliver to the agreed timeline.



From time-to-time matters may arise that require immediate communication with the Audit and Governance Committee, and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters, as necessary.



08

Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

Page 56

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is below 1:1. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self-interest threats at the date of this report

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Fund should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. *Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

27. *In preparing their statement of accounts, audited bodies are expected to:*

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. *If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*

Appendix B – Fees

Page 60

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2023/24	2022/23	2021/22
	£m	£m	£m
Total Fee - Code Work	145,266 Note 3*	38,375	38,375
Scale Fee Variation	TBC - Note 3*	Note 1*	Note 1*
Total audit	Tbc	Note 2*	Note 2*
Other non-audit services - Teachers pensions	N/A	N/A	N/A
Total other non-audit services	N/A	N/A	N/A
Total fees	Tbc	Tbc	Tbc

All fees exclude VAT

For Notes 1-3 refer to the next slide

Appendix B – Fees continued

Note 1: As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DLUHC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 and 2021/22 audit.

Note 2: The 2020/21, 2021/22, and 2022/23, was disclaimed.

Note 3: The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

As part of our audit planning, we have identified the following areas to date that will result in a scale fee variation:

- Due to the level and nature of errors in the 2019/20 financial statements we have set materiality for 2023/24 at 50% as there is a higher risk and likelihood of errors. This increases the level and amount of testing we need to complete;
- Our planning has been affected by the delays in getting responses from the IBC to audit queries and being able to, as a result, finalise our analytics work and procedures which feed into our planning.

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high-level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.▶ The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update (optional)

Regulatory update

The following table provides a high-level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ▶ Risk Assessment ▶ Understanding the entity's internal control ▶ Significant risk ▶ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ▶ Drive consistent and effective identification and assessment of risks of material misstatement ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ▶ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▶ how auditors understand the entity's use of information technology relevant to financial reporting. ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ▶ Manage vendor supplied changes ▶ Manage security settings ▶ Manage user access ▶ Manage entity-programmed changes ▶ Job scheduling and managing IT process

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit and Governance Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced Audit and Governance Committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

|

Appendix C – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report - July 2024
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - tbc

Appendix C – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report - tbc
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - tbc
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report - tbc
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility 	Audit results report - tbc

Appendix C – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - tbc
Independence	<ul style="list-style-type: none"> ▶ Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence ▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit and Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence 	Audit planning report - July 2024 Audit results report - date tbc

Appendix E – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - tbc
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	Audit results report - tbc
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - tbc
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - tbc
System of quality management	<ul style="list-style-type: none"> ▶ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit results report - tbc
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - tbc
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - tbc
Value for Money	<ul style="list-style-type: none"> ▶ Our risk assessment and any areas where we have identified risk of material weaknesses in arrangements in areas covered by the three VFM criteria; ▶ The outcome of our work, any identified material weaknesses in arrangements against the three VFM criteria and our VFM commentary 	Audit results report - Tbc Auditors annual report - Tbc

Appendix D – Additional audit information

Regulatory update

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit and Governance Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements. Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

We have included in Appendix E a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2022 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-023026 (UK) 04/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com

This page is intentionally left blank

Corporate Governance, Audit and Standards
Committee
31 July 2024

EXECUTIVE HEAD OF FINANCE
REPORT NO: FIN2409

TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2023/24

SUMMARY:

This report sets out the activities of the Treasury Management and non-Treasury Investment Operations for the full financial year 2023/24, and reports on compliance with Prudential Indicators.

RECOMMENDATIONS:

Members are requested to:

- (i) Pass comment to the Cabinet on the contents of this report in relation to the treasury management and non-treasury investment operations carried out during 2023/24.

1. INTRODUCTION

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operations for 2022/23. This report is a statutory requirement under the CIPFA Code of Practice on Treasury Management.
- 1.2 Full Council approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for the financial year 2023/24 in February 2023. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management 2021 ("the Code") and is fully incorporated into the Council's adopted strategy.

2. PURPOSE

- 2.1 This report sets out compliance with the strategy and performance against Prudential Indicators to the end of 2023/24 within appendices (A to D):

Appendix A

- The **Treasury Management operations** which sets out how the Council's treasury service operated during the period to March 2024;
- The **Treasury Management Borrowing** which sets out the Council's borrowing during the period to March 2024, and;
- The **Treasury Management Investments** which sets out the Council's Treasury Management investment operations for the period to March 2024.

Appendix B

- The **Non-Treasury Investment** sets out the Council's Non-Treasury investment performance for the period to March 2024.

Appendix C

- the **Prudential indicators** performance is compared to the indicators set out in the Annual Capital Strategy for the year 2023/24.

Appendix D

- The list of borrowing counterparties as at end of March 2024.

Appendix E

- Market commentary regarding from the Council's treasury management advisors Arlingclose

3 BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the aims and requirements of a Capital Strategy focusing on a whole organisation approach to prudent, sustainable, and resilient local government investment.
- 3.2 CIPFA have also issued two professional Codes of Practice to which the Council is required to "have regard to". These Codes provide frameworks that are designed to support local strategic planning, local asset management planning and proper option appraisal:
- The Prudential Code – developed to support local authorities in taking decisions around their capital investment programmes. The objectives of the Prudential Code are to ensure, within a clear reporting framework, that a local authority's capital expenditure plans and investment plans are affordable and proportionate; that all external borrowing and other long-term liabilities are within prudent and sustainable levels; that the risks associated with investments for commercial purposes are proportionate to their financial capacity; and that treasury management decisions are taken in accordance with good professional practice.
 - The Treasury Management Code - Treasury Management is defined as 'The management of the organisation's borrowing, investments, and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.
- 3.3 The primary purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed to deliver the Council's services. The secondary function of the treasury management operation is the funding of the Council's capital programme and manage cashflow requirements over a longer term period.
- 3.4 Non-treasury investment operations should ensure that all investments made

primarily for service reasons. Then, second to this, the function of investment management is to generate returns.

4 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2023/24

- 4.1 All treasury activity was conducted within the approved Treasury Management Practices (TMP's) for all areas apart from the interest exposure measure, please see paragraph 2.4 in Appendix C for details.
- 4.2 During 2023/24 there was an unprecedented number of Bank of England base rate increases from 3% in March 2023 to the current 5.25%. Whilst borrowing has remained within the approved limits (£200.8 million), interest costs have significantly increased. The majority of borrowing is currently short term and will remain so until the interest rate reduces. The rates are predicted by the financial markets to reduce circa 4% by the end of the calendar year 2025. The Council's revenue budget has capacity to pay approximately £3million interest on its borrowing, equating to £100million of borrowing in the long term. Interest costs above £3million are being funded by the Council's reserves. A full narrative on this challenge, including long term mitigation, is provided in the 2024/25 Annual Treasury Management Strategy adopted by Full Council at its meeting on 22nd February 2024.
- 4.3 Pooled funds are a long-term investment of surplus cash. Due to the rapid change in base rate and forecast economic climate the funds are currently valued at less than initial sums invested, full detail can be found in section 5. The mitigation is to hold these funds into the future to avoid the crystallisation of the capital loss. The current return of pooled funds is performing in line with short term treasury deposits.

5 KEY RISKS

- 5.1 The key risks to the Councils delivery of successful treasury and non-treasury investment options include:
- Inflation levels; inflation is now reducing after a prolonged period of increased levels and reached the bank of England inflation target of 2% in June 2024.
 - Bank of England Base rate is currently 5.25%. Expectations are that this will reduce during quarter 2 or quarter 3, however latest market forecast shows a slower than anticipated reduction.
 - Delivery of Capital Programme: Will impact borrowing requirements and timing will impact rates achievable for both borrowing and investments during the year.

Contact Details:

Report author:

Rosie Plaistowe-Melham – Services Manager Finance

01252 398037

rosie.plaistowe@rushmoor.gov.uk

Head of Service:

Peter Vickers - Executive Head of Finance

peter.vickers@rushmoor.gov.uk

APPENDIX A

Treasury management operation for the quarter ended March 2024

1 INTRODUCTION

- 1.1 The purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed, ensuring security of surplus monies invested and minimise the Council's cost of borrowing. The Council has adopted security, liquidity and then yield (SLY) as its treasury investment model objectives.

2 TREASURY MANAGEMENT ADVICE

- 2.1 The Council engages the services of Arlingclose for independent treasury advice. They provide a range of treasury management services including technical advice on debt and investment management and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.
- 2.2 All investment activity is carried out by the Council's own treasury team with advice from Arlingclose and having due regard to information from other sources such as the financial press and credit-rating agencies.
- 2.3 The Council's treasury management team maintain their knowledge of investment management. Staff attended relevant workshops provided by Arlingclose and other service providers.

3 TREASURY MANAGEMENT OPERATIONS

- 3.1 All treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's Approved Treasury Management Strategy, apart from the measure of interest exposure measure, please see paragraph 2.4 in Appendix C for details. Full detail of compliance against treasury indicators are given in Appendix C.
- 3.2 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates to ensure value for money is achieved.
- 3.3 The treasury management position as at 31 March 2024 and the change during the year is shown in the table below.

	31/03/2023 Balance £m	Movement £m	31/03/2024 Balance £m	Rate %
Long-term borrowing (> 12 months)	5.0	0.0	5.0	4.65
Short-term borrowing (< 12 months)	115.0	42.0	157.0	6.03
Total Borrowing	120.0	42.0	162.0	
Pooled Funds	(19.3)	(0.2)	(19.5)	5.80
Short-term investments	-	(15.0)	(15.0)	5.75
Cash	(1.8)	(4.5)	(6.3)	4.96
Total Investments	(21.1)	(19.7)	(40.8)	
Net borrowing/(investments)	98.9	22.3	121.2	

4 TREASURY MANAGEMENT BORROWING OPERATIONS

- 4.1 As at 31 March 2024 the Council held £162m of loans, an increase of £42m from the position at 31 March 2023, as part of its strategy for funding previous and current years' capital programmes, these are summarised in the table below.

Borrowing	31/03/2023 Balance £m	Movement £m	31/03/2024 Balance £m	Rate %
Long-term borrowing	5.0	0.0	5.0	4.65
Short-term borrowing	115.0	42.0	157.0	6.03
Total Borrowing	120.0	42.0	162.0	

5 INVESTMENT ACTIVITY IN 2023/24

- 5.1 The Council lends (invests) surplus cash as part of its day-to-day cash flow management. During the year, the Council's investment position is shown in the table below. Money Market Funds are same day maturity whilst Pooled Funds have no defined maturity date, however, are available for withdrawal after a notice period of a week with the exception of CCLA fund (6 months).

Investment	31/03/2023 Balance £m	Movement £m	31/03/2024 Balance £m	Rate %
Money Market Funds	1.1	5.5	6.5	5.07
Pooled Funds	21.9	-	21.9	5.80
Deposits with other LA's	-	15.0	15.0	5.75
Total	23.0	20.5	43.4	

- 5.2 All Money Market Fund investments are with counterparties credit rated A+, this is in compliance with Treasury management Practices (TMP's) Appendix C. A full list of Money Market investments made can be found below.

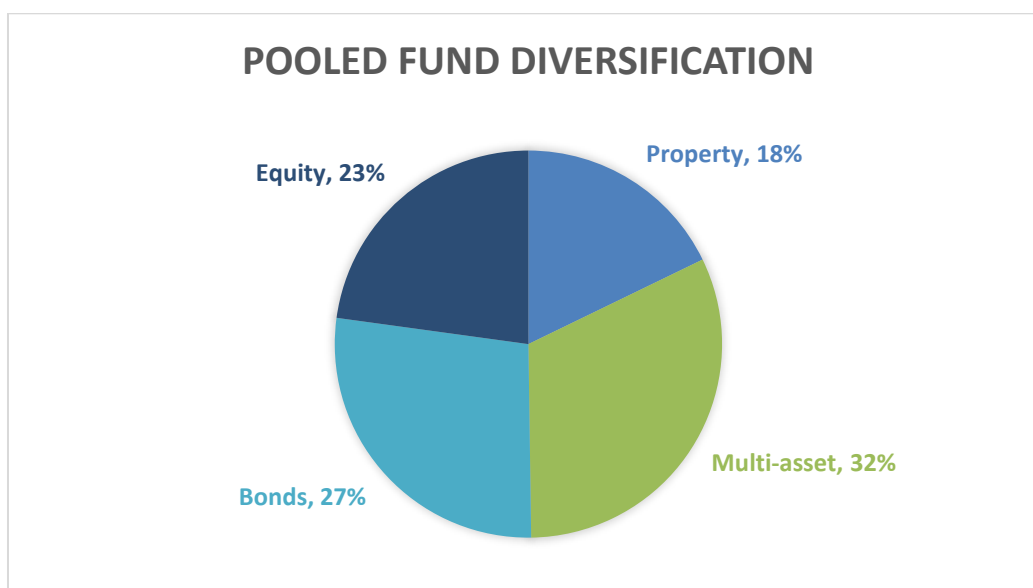
Money Market Funds	£
Aberdeen Standard Investments	200,000
Deutsche Bank	100,000
Insight	350,000
CCLA Public Sector Deposit Fund	800,000
Federated Short-Term Sterling Prime Fund	5,000,000
Total	6,450,000

Current deposits with other Local Authorities are as follows:

Deposits with other Local Authorities	£
City of Kingston Upon Hull	5,000,000
PCC Lancashire	5,000,000
City of Stoke on Trent	5,000,000
Total	15,000,000

- 5.3 £21.9m of the Council's investments are held in externally managed strategic pooled funds spread (diversified) across equity, multi-asset, bond and property funds where short-term security and liquidity are lesser considerations, and objectives are regular revenue income and long-term price stability. The value of the pooled fund portfolio had decreased to £19.49m as reported at the end of Quarter 3 (December 2023), this has improved to £19.51m in March 2024.

Diversification of Pooled Fund	Amount invested £m	% of Total Investments
Property	3.9	18%
Multi-asset	7.0	32%
Bonds	6.0	27%
Equity	5.0	23%
Total	21.9	100%



Pooled Funds performance				Capital Growth/ (Loss)	Dividends Earned
Fund Name	Cost	Valuation 31/03/23	Valuation 31/03/24	March 2023- March 2024	March 2023- March 2024
Aegon (Kames)	2,000,000	1,761,757	1,856,814	95,057	115,021
CCLA – Lamit Property Fund	3,882,127	4,435,090	4,262,094	(172,996)	223,281
M&G Strategic Corporate Bond Fund	4,000,000	3,370,666	3,518,177	147,511	164,005
Schroder Income Maximiser Fund	5,000,000	4,417,453	4,440,218	22,765	312,593
Threadneedle Strategic Bond Fund	2,000,000	1,796,674	1,887,682	91,008	77,484
UBS Multi Asset Income Fund	5,000,000	3,498,761	3,547,223	48,462	225,205
	21,882,127	19,280,402	19,512,207	231,805	1,117,591

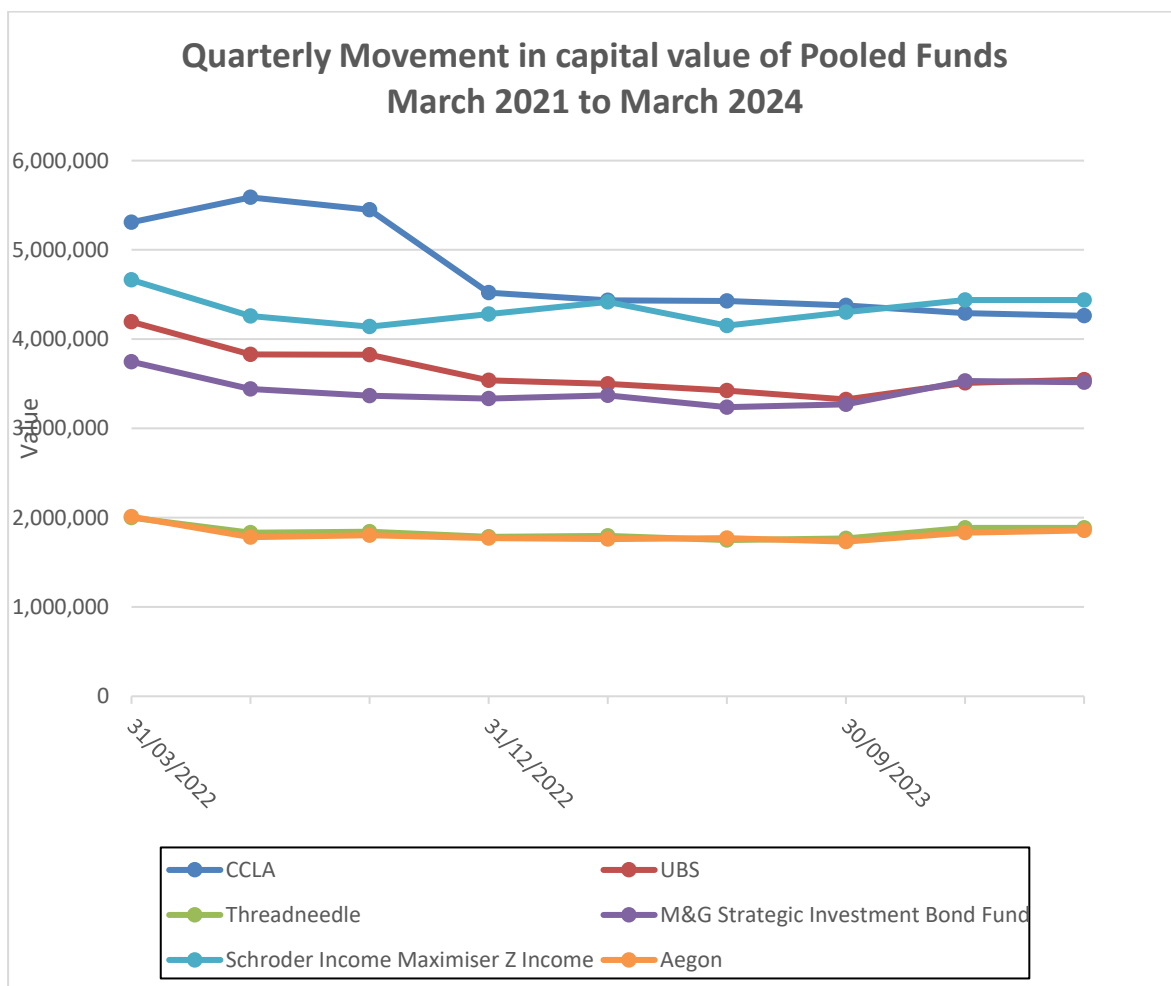
5.4 As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s long term investment objectives is being reviewed.

5.5 **Accounting Standard IFRS9 impact April 2025** – The statutory override for pooled funds in England – requires change in value of the original capital invested (i.e., current market price resulting in gains and losses) to be held as a value on the Balance Sheet until the fund is sold (i.e., when the gain or loss becomes real) – is set to end in 2025/26, i.e., the last year it will be in place will be 2024/25. Pooled funds are currently valued below their purchase price because of rising interest rates and the economic downturn,

resulting in a loss that will be an unbudgeted cost to the General Fund (rather than held as a notional value on the balance sheet) in **2025/26**.

5.6 Currently the override ending is a risk. If the override does end, Pooled Funds will introduce significant volatility on the Councils revenue budget because the revenue account will be subject to movements in Pooled fund valuation each year. Immediate divestment will result in a real cost to the revenue account, the values are improving, and the best mitigation strategy will be to set aside a revenue reserve to cover a reasonable worst-case scenario of the cost that reflects the current unrealised loss and expected improvement through to March 2026.

5.8 **There is variation in performance across the portfolio over the last two years as shown below.**



5.9 **Income Returns** – The income returned by fund for the period to 31 March 2024 is analysed below:

- CCLA's Local Authorities' Mutual Investment Trust - £3.9 million investment at commencement of the year. The Property Fund is designed to achieve long-term capital growth and income from investments in the commercial property sector. The fund has returned 5.03% annualised income during 2023/24.
- UBS Multi-Asset Income Fund - £5 million investment. This fund follows a strategy of reducing volatility exposure levels by spreading investments across a diversified range of asset classes. This fund has returned 6.44% annualised income during 2023/24.
- Threadneedle Strategic Bond Fund - £2 million investment. The fund aims to provide income and capital appreciation through investment grade and high yield bonds. This fund has returned 4.31% annualised income during 2023/24
- M & G Corporate Bond Fund - £4m investment. This fund aims for a target total return of 3-5% from a combination of investment income or capital appreciation. This fund has returned 4.87% annualised income during 2023/24.
- Schroder Income Maximiser Fund - £5m investment made in December 2018. The fund aims to provide both income and capital growth, delivering a target income of 7.77% per annum. The fund has returned 7.08% annualised during 2023/24.
- Aegon Diversified Monthly Income Fund - £2m investment made in February 2019. The fund aims to provide income with the potential for capital growth over the medium term. The fund has returned 6.53% annualised during 2023/24.

6 TREASURY MANGEMENT COMPLIANCE PERFORMANCE

- 6.1 Detailed compliance with TMP's approved in February 2023 for 2023/24 financial year is provided in Appendix C.

APPENDIX B

NON-TREASURY INVESTMENT OPERATIONS FOR 2023/24

1 INTRODUCTION

1.1 The purpose of non-treasury investment management operations is to ensure that all investment decisions are made with a suitable level of security and liquidity. Ensuring risks and rewards are monitored regularly.

1.2 The Council holds £143.8m of such investments at as 31 March 2024 in:

- directly owned property £135.8m
- loans to local businesses and landlords £6.5m
- loans to subsidiaries and partnerships £1.4m

2 PROPORTIONALITY

2.1 The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the forecast proportion of gross service expenditure funded by investment activity. This table includes Housing Benefits, to give consistency on prior reporting in year.

	2022/23	2023/24	
	Actual £m	Budget £m	Outturn £m
Gross Service Expenditure	58.0	57.5	67.7
Investment Income	8.1	8.3	8.2
Proportion	14.0%	14.4%	12.2%

The below table excludes the impact of Housing Benefits flowing through the income and expenditure to give a truer representation of

	2022/23	2023/24	
	Actual £m	Budget £m	Outturn £m
Gross Service Expenditure excluding Housing Benefit	33.9	34.5	42.3
Investment Income	8.1	8.3	8.2
Proportion	23.9%	24.1%	19.5%

3 SERVICE IMPROVEMENT LOANS

- 3.1 The Council lends money to its subsidiaries, local businesses, and its employees to support local public services and stimulate local economic growth. The Council is a funding partner of Farnborough International Limited (FIL), enabling FIL to develop the Farnborough International exhibition and conference centre. Expanding the exhibition and conferencing capabilities in Farnborough brings increased economic capacity to the Borough and is a investment in local business.
- 3.2 The Council's performance and upper limits on the outstanding loans to each category of borrower have been set as follows:

Category of Borrower	2023/24 Approved Limit £m	March 2024 Actual £m
Local businesses	6.7	6.5
Subsidiaries & Partnerships	3.5	1.4
Employees	0.1	0.0
Total	10.3	8.0

4 SERVICE INVESTMENTS: SHAREHOLDING IN SUBSIDIARIES

- 4.1 The Council invests in the shares of its subsidiary and holds a financial share in a development partnership and Rushmoor Homes to support local public services and stimulate local economic growth.

5 COMMERCIAL INVESTMENT: PROPERTY

- 5.1 The Council invests in local and regional commercial and residential property with the intention of making a net surplus that will be spent on local public services.

During the year the Council purchased The Meads as part of its regeneration masterplan.

Property by Type	2023	2023/24 transactions		Total
	Carry Forward	Purchase Cost	Sales	

Mixed Use	5.2	-	-	4.5
Industrial Units	26.9	-	-	23.7
Retail	50.8	6.4	-	57.2
Offices	43.0	1.2	-	44.2
Total	125.9	7.6	-	133.5

6 NON-TREASURY INVESTMENT INDICATORS

- 6.1 The Council measures and manages its exposures to non-treasury investment risks using the following indicators.
- 6.2 **Total risk exposure:** This indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn.

Total Investment Exposure	31-Mar-2024	
	Estimate £m	Outturn £m
Treasury Management Investments	35.9	43.4
Service Investments: Loans	8.1	8.0
Service Investments: Shares	-	-
Commercial Investments: Property	133.5	135.8
Total Investment	177.5	187.2
Commitment to lend	2.9	-
Total Exposure	180.4	187.2

- 6.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure (internal borrowing).

Investments funded by borrowing	31-Mar-2024	
	Estimate £m	Actual £m
Service Investments: Loans	8.1	8.0
Commercial Investments: Property	133.5	135.8
Investment in Town Centres	30.5	18.2
Total Funded by Borrowing	172.1	162.0

6.4 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investments rate of return (net of all costs)	31-Mar-2024	
	Estimate %	Actual %
Treasury Management investment	4.0	5.7
Service Investments: Loans	5.5	4.9
Commercial Investments: Property	2.6	5.3

APPENDIX C

PRUDENTIAL INDICATORS

- 1.1 **Prudential Indicators:** The following indications are required by the CIPFA “Prudential Code” 2017 edition.
- 1.2 **Estimates of Capital Expenditure:** The Council’s planned capital expenditure and financing may be summarised as follows.

	2023/24	
	Budget £m	Outturn £m
General Fund Capital Expenditure	50.0	34.6
Total	50.0	34.6
External Sources	9.2	4.8
Own Resources	2.6	1.9
Debt	38.2	27.9
Total	50.0	34.6

- 1.3 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

	2023/24	
	Budget £m	Outturn £m
MRP	2.17	1.57
Capital Receipts	2.63	0

- 1.4 **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

	2023/24	
	Budget £m	Outturn £m
Debt (inc. leases)	172.1	162.0
Capital Financing Requirement	177.0	167.6
Difference	4.9	5.6

- 1.5 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	2023/24	
	Budget Limit £m	Outturn £m
Authorised Limit - total external debt	200.8	162.0
Operational Boundary - total external debt	195.8	162.0

- 1.6 Compliance with specific investment limits is demonstrated in the table below.

	31-Mar-24 Actual £m	2023/24 Limit £m	Complied?
Any group of pooled funds under the same management	21.9	25.0	Yes
Money Market Funds	6.6	25.0	Yes

2 TREASURY MANAGEMENT INDICATORS

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

	31-Mar-24 Actual	2023/24 Target	Complied?
Portfolio average credit rating	A+	A-	Yes

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each period without giving prior notice.

	31-Mar-24 Actual £m	2023/24 Target £m	Complied?
Total sum borrowed in past 3 months without prior notice	-	1.0	Yes

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

	31-Mar-24 Actual £m	2023/24 Limit £m	Complied?
Borrowing net of Investments			
Upper limit on one-year impact of a 1% rise in interest rates (on borrowing net of investments)	0.685	0.5	No
Upper limit on one-year impact of a 1% fall in interest rates (on borrowing net of investments)	1.197	0.5	No

	31-Mar-24 Actual £m	2023/24 Limit £m	Complied?
Borrowing			
Upper limit on one-year impact of a 1% rise in interest rates (on borrowing only)	0.873	0.5	No
Upper limit on one-year impact of a 1% fall in interest rates (on borrowing only)	1.984	0.5	No

	31-Mar-24 Actual £m	2023/24 Limit £m	Complied?
Investments			

Upper limit on one-year impact of a 1% rise in interest rates (on investments)	0.187	0.5	Yes
Upper limit on one-year impact of a 1% fall in interest rates (on investments)	0.187	0.5	Yes

In prior period only the investment position has been reported. This report now shows the net and borrowing position for completeness. On each of these bases, the £0.5m target has been exceeded due to the levels of borrowing the Council currently has in place. The Council is unable to take action on this currently as the borrowing is required for treasury management cashflow and funding of committed capital expenditure. However, it can be noted that the risk to the Council is higher than approved levels.

- 2.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.
- 2.6 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.
- 2.7 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Currently investments beyond year end are mainly made up of pooled funds. Currently, as the pooled funds are in a capital loss position, strategically the council has decided to hold on to these investments. The trend over recent months is that valuations are improving. These investments deliver dividend income for the council in the meantime.

	2023/24 £m	2022/23 £m	2021/22 £m
Actual principal invested beyond year end	36.9	21.9	21.9
Limit on principal invested beyond year end	90.0	90.0	90.0
Complied	Yes	Yes	Yes

LIST OF DEBT COUNTERPARTIES AS AT 31 MARCH 2024

	Amount £
Chichester District Council	5,000,000
Merseyside Fire and Rescue Services	3,000,000
Rushcliffe Borough Council	5,000,000
Vale of Glamorgan Council	3,000,000
North of Tyne Combined Authority	5,000,000
Bolton Metropolitan Borough Council	5,000,000
Vale of Glamorgan Council	2,000,000
Northern Ireland Housing Executive	5,000,000
Oxfordshire County Council	5,000,000
Northern Ireland Housing Executive	10,000,000
West Midlands Combined Authority	5,000,000
Somerset County Council Pension Fund	3,000,000
West Yorkshire Combined Authority	7,000,000
Oxfordshire County Council	5,000,000
West Yorkshire Combined Authority	3,000,000
Nottinghamshire Office of the PCC	6,000,000
Vale of White Horse District Council	5,000,000
North Ayrshire Council	5,000,000
West of England Combined Authority	10,000,000
Crawley Borough Council	2,000,000
South Oxfordshire County Council	5,000,000
Vale of White Horse District Council	2,500,000
West Yorkshire Combined Authority	5,000,000
Furness Building Society	7,500,000
Renfrewshire Council	5,000,000
Warwickshire County Council	5,000,000
West Midlands Combined Authority	10,000,000
Havant Borough Council	5,000,000
West Midlands Combined Authority	5,000,000
Crawley Borough Council	3,000,000
Test Valley Borough Council	5,000,000
Gloucestershire County Council	5,000,000
	162,000,000

Market commentary regarding the year 2023/24 from the Council's treasury management advisors Arlingclose – April 2024

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e., excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e., including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March meeting was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations

for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over the period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28 March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31 March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's

outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini-budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

This page is intentionally left blank

**TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS
2024/25 – Quarter 1**

SUMMARY:

This report sets out the activities of the Treasury Management and non-Treasury Investment Operations for quarter 1 in the financial year 2024/25, and reports on compliance with Prudential Indicators.

RECOMMENDATIONS:

Members are requested to:

- (i) Make any recommendations, as appropriate, to the Cabinet on the contents of this report in relation to the treasury management and non-treasury investment operations carried out during 2024/25.
- (ii) Note the position on the pooled funds held in the UBS Multi Asset Income fund and the CCLA Local Authorities Property Fund as detailed in paragraphs 4.1-4.7.

1. INTRODUCTION

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operation performance for Quarter 1 2024/25. This report is a statutory requirement under the CIPFA Code of Practice on Treasury Management.
- 1.2 Full Council approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for the financial year 2024/25 in February 2024. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management 2021 ("the Code") and is fully incorporated into the Council's adopted strategy.

2. PURPOSE

- 2.1 This report sets out compliance with the strategy and performance against Prudential Indicators to the end of June 2024/25 within appendices (1-4):

Appendix 1

- The **Treasury Management operations** which sets out how the Council's treasury service operated during the period to June 2024;
- The **Treasury Management Borrowing** which sets out the Council's borrowing during the period to June 2024, and;
- The **Treasury Management Investments** which sets out the Council's Treasury Management investment operations for the period to June 2024.

Appendix 2

- the **Prudential indicators** performance is compared to the indicators set out in the Annual Capital Strategy for the year 2024/25.

Appendix 3

- The list of borrowing counterparties as at end of June 2024.

Appendix 4

- Market commentary regarding from the Council's treasury management advisors Arlingclose

3 BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the aims and requirements of a Capital Strategy focusing on a whole organisation approach to prudent, sustainable, and resilient local government investment.
- 3.2 CIPFA have also issued two professional Codes of Practice to which the Council is required to "have regard to". These Codes provide frameworks that are designed to support local strategic planning, local asset management planning and proper option appraisal:
- The Prudential Code – developed to support local authorities in taking decisions around their capital investment programmes. The objectives of the Prudential Code are to ensure, within a clear reporting framework, that a local authority's capital expenditure plans and investment plans are affordable and proportionate; that all external borrowing and other long-term liabilities are within prudent and sustainable levels; that the risks associated with investments for commercial purposes are proportionate to their financial capacity; and that treasury management decisions are taken in accordance with good professional practice.
 - The Treasury Management Code - Treasury Management is defined as 'The management of the organisation's borrowing, investments, and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.
- 3.3 The primary purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed to deliver the Councils services. The secondary function of the treasury management operation is the funding of the Council's capital programme and manage cashflow requirements over a longer-term period.
- 3.4 Non-treasury investment operations should ensure that all investments made primarily for service reasons. Then, second to this, the function of investment management is to generate returns.
- 3.5 This quarterly report provides an additional update and 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 Authority's normal quarterly Budget Management report.

4 POOLED FUNDS

- 4.1 The Council holds investments in a number of pooled funds. These were invested into between 2013 and 2019 when the Council was in a different Treasury Management position, with higher cash holdings. Despite delivering dividends (in 2023/24 the Council Receipted £1.1m) which have performed in line with the treasury market (2023/24 average 5.78%), as a total, the funds are currently valued below the value of initial sums invested. These are detailed below:

Pooled Fund	Original Investment	Current Value (as at 31 June 2024)	Current Gain/(Loss)
CCLA	3,882,128	4,240,996	358,868
UBS Multi Asset Fund	5,000,000	3,551,024	(1,448,976)
Threadneedle Investments	2,000,000	1,868,018	(131,982)
M&G Investments Strategic Corporate Bond Fund	4,000,000	3,466,114	(533,886)
Schroders Income Maximiser	5,000,000	4,519,353	(480,647)
Aegon Diversified Monthly Income Fund	2,000,000	1,863,763	(136,237)
Total Pooled Funds	21,882,128	19,509,268	(2,372,860)

- 4.2 Whilst the council has been in a net loss position, the intention was to mitigate the current losses by holding on to the funds into the future to avoid the crystallisation of the capital loss. The council has been closely tracking the situation, and funds have been improving.
- 4.3 In July, just after the close of this Q1 report period, the council received notification that the UBS fund in which the council has £5m invested, would be closed from September 2024. This is, as at the end of June 2024, valued at £1.4m lower than the original investment, which the council will be forced to react to this.
- 4.4 Options include:
- Redeem the UBS fund now
The Council would suffer the estimated £1.4m loss, however the net £3.5m investment return can also be used to support the council's treasury management position and support reduction of the council's debt. One investment within the fund is not traded on the stock exchange, the current valuation of this for Rushmoor is £18k which would not be payable if the council wished to redeem now.
 - Redeem the UBS fund when it closes in September
As above, however the funds value may improve or worsen, the trend has been reasonably steady in recent months, but future movements are unknown. One investment within the fund is not traded on the stock

exchange, the current valuation of this is £18,000 which would be payable if the council waits until September to redeem.

- Redeem the UBS & CCLA fund to help mitigate the loss
Currently this is valued to have a net £1.0m loss. The CCLA fund has a 6 month notice period to redeem, so there will be a risk as to how the value of this fund moves over coming months. Over the previous 12 months, the CCLA fund has lost £171k in its fair value but has been delivering revenue income throughout this time.

4.5 In previous reports to members, a risk regarding the change in accounting requirements regarding these funds has been reported. From 2025/26, any movement in the capital gain or loss will impact the bottom line of the General Fund, where in the past there has been protections built into the local authority accounting standards. Therefore, the potential impact of pooled funds was anticipated, however not within this financial year.

4.6 Other held pooled funds remain in a capital loss position, with a trend of slow improvement. The strategic position on these is to continue to hold with a view they will potentially improve to minimise the capital loss. They continue to deliver dividends in 2024/25, and in the first quarter £324k is due for all of the funds.

4.7 Officers have considered options and propose to wait until the final quarterly dividend (estimated at £42,761) has been paid on the UBS fund and redeem both this fund and give notice on the CCLA fund ahead of September to minimise further capital value loss. This decision will be taken to Cabinet to ensure appropriate budget is put in place to cover the impact.

5 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2024/25

4.1 All treasury activity was conducted within the approved Treasury Management Practices (TMP's).

4.2 The majority of borrowing is currently short term and will remain so until the interest rate reduces. The rates are predicted by the financial markets to reduce to circa 3.1% by the end of the calendar year 2025. The Council's revenue budget has capacity to pay approximately £3million interest on its borrowing, equating to £100million of borrowing in the long term. Interest costs above £3million are being funded by the Council's reserves. A full narrative on this challenge, including long term mitigation, is provided in the 2024/25 Annual Treasury Management Strategy adopted by Full Council at its meeting on 22nd February 2024.

4.3 Pooled funds are a long-term investment of surplus cash. Due to the rapid change in base rate and forecast economic climate the funds are currently valued at less than initial sums invested. The mitigation is to hold these funds into the future to avoid the crystallisation of the capital loss. The current return of pooled funds is performing in line with short term treasury deposits.

5 KEY RISKS

- 5.1 The Council has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 5.2 The key risks to the Councils delivery of successful treasury and non-treasury investment options include:
- Inflation levels
Inflation rates are now reducing after a prolonged period of increased levels
 - Bank of England Base rate
Base rate as of writing remains at 5.25%. Expectations are that this will reduce during quarter 2 or quarter 3, however a slow reduction is anticipated
 - Delivery of Capital Programme
Will impact borrowing requirements and timing will impact rates achievable for both borrowing and investments during the years
 - Changes in Valuation of Pooled Funds
From 2025/26 will impact bottom line of General Fund

Contact Details:

Report author:

Rosie Plaistowe-Melham – Services Manager Finance
01252 398037

rosie.plaistowe@rushmoor.gov.uk

Head of Service:

Peter Vickers - Executive Head of Finance

This page is intentionally left blank

Treasury Management Report Q1 2024/25

Introduction

The Council applies the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This quarterly report provides an additional update and includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are included in Appendix 2.

The Authority's treasury management strategy for 2024/25 was approved at the Council meeting on 22 February 2024. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

Local Context

On 31st March 2024, the Authority had net borrowing of £118.8m 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

	2024-25 Estimate	31.3.24 Actual £m	31.3.25 Forecast £m
General Fund CFR	167.9	167.6	173.0
Less: Other debt liabilities	0.8	1.0	0.7
Borrowing CFR	167.1	166.6	172.3
Less: Internal borrowing	5.0	4.6	5.0
External borrowing	162.1	162.0	167.3
Less: Balance sheet resources	26.7	43.2	18.0
Net borrowing	135.4	118.8	149.3

The treasury management position at 30th June and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	30.6.24 Balance £m	30.6.24 Rate %
Long-term borrowing				
- Other (local authorities)	5.0	(3.0)	2.0	5.10%
Short-term borrowing	157.0	(14.0)	143.0	5.16%
Total borrowing	162.0	(17.0)	145.0	
Long-term investments	21.9	(0.0)	21.9	6.87%

Short-term investments	15.0	(15.0)	0.0	n/a
Cash and cash equivalents	6.3	(1.4)	5.0	5.19%
Total investments	43.2	(16.4)	26.9	
Net borrowing	118.8	(0.7)	118.2	

The council had £15m of local authority investments that have matured during the quarter. These have been utilised to reduce Local authority borrowing to minimise interest costs.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority’s chief objective when borrowing has been to strike an appropriately 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 Authority’s long-term plans change being a secondary objective. The Authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

Policy interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the last quarter gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectantly positive economic data. Data from the US continues to impact global markets including UK gilt yields.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the quarter and 4.96% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.

Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.25% through the quarter.

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

The Authority currently holds £135.8m in commercial investments primarily for financial return that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.

Loans Portfolio: At 30th June the Authority held £145m of loans, (a decrease of £17m on 31st March 2024), as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 30th June 2024 are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.24 Balance £m	Net Movement £m	30.6.24 Balance £m	30.6.24 Weighted Average	30.6.24 Weighted Average
--	-----------------------------------	--------------------------------	-----------------------------------	---	---

				Rate %	Maturity (years)
Local authorities (long-term)	5.0	(5.0)	0.0	5.10%	2.00
Local authorities (short-term)	162.0	(12.0)	145.0	5.13%	1.01
Total borrowing	167.0	(17.0)	145.0		

The Authority's short-term borrowing cost has remained high with the currently high Base Rate and short-dated market rates. The average rate on the Authority's short-term loans at 30th June 2024 on £145m was 5.13%.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period (Years)
Horsham District Council	2.0	5.10	2
Total borrowing	2.0		

The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a portfolio of short- and long-term borrowing was maintained.

Forward starting loans: To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Authority arranged £15m of forward starting loans with fixed interest rates of 5.17% for the delivery of cash in the following months time, details of which are below.

Table 3C: Forward starting loans

	Amount £m	Rate %	Loan Period (Years)	Forward Period (Months)
Vale of White Horse DC	5	5.20%	1	1
West of England Combined Authority	10	5.15%	1	1
Total borrowing	15	5.17%		

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

The UK Infrastructure Bank is one alternative source of funding which offers funding at gilt yields + 0.40% (0.40% below the PWLB certainty rate) and the possibility of more flexible funding structures than the PWLB. Funding from UKIB is generally only available for certain types of projects that meet its criteria of green energy, transport, digital, water and waste. The minimum loan size is £5 million.

Other Debt Activity (not applicable for Q1)

Treasury Investment Activity

The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Authority holds some invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	31.6.24 Balance £m	31.6.24 Income Return %
Banks & building societies	(0.3)	0.7	0.4	5.14
Local authorities	15	(15)	0	n/a
Money Market Funds	6.6	(1.65)	5.0	5.1-5.2
Other Pooled Funds				
- <i>Strategic bond funds</i>	6		6	4.63
- <i>Equity income funds</i>	5		5	12.69
- <i>Property funds</i>	3.9		3.9	5.17
- <i>Multi asset income funds</i>	7		7	5.55
Total investments	43.2	(15.95)	27.3	

Both the CIPFA Code and government guidance require the Authority 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 Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2024	5.34	A+	30%	16	5.69%
30.06.2024	5.2	A+	100%	1	5.74%
Similar LAs	4.76	A+	62%	52	5.02%
All LAs	4.66	A+	62%	10	5.06%

Externally Managed Pooled Funds: £21.9m of the Authority's investments is invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

The reliance markets had placed at the beginning of 2024 on rapid declines in inflation, stalling growth and the consequent interest rate cuts in quick succession proved overoptimistic. Core inflation was higher than expected and economic activity was relatively resilient. Central bankers remained

cautious and, barring the one 0.25% cut by the European Central Bank, the status quo was maintained for policy rates by the Bank of England and the US Federal Reserve.

It was a tough quarter for fixed income investors. Government bonds yields, sensitive to hotter-than-expected inflation data and an improving economic outlook, remained elevated. The higher-for-longer interest rate narrative keeping yields mostly pegged in a narrow range between 4.0% - 4.7%. Escalating geopolitical tensions and the setback in expectations of lower official interest rates and corporate borrowing costs were headwinds for corporate bonds. Combined, these resulted in a drop in capital values of the Authority's bond funds, and, to a lesser extent, the multi-asset funds where there was some offset from better equity performance.

Upbeat earnings data and better economic growth prospects helped global equities perform well during the quarter and supported investor appetite for riskier assets despite stronger than expected inflation and employment data delaying interest rate cuts. US stocks once again performed well although much of the momentum in the S&P 500 in recent months has been derived from the very large concentration in the index of a handful of technology stocks.

UK equities also enjoyed a positive quarter. The FTSE All Share index was buoyed in April by data showing the economy had emerged from the short, shallow recession in 2023. Sterling's weakness against the dollar in April also provided a boost to UK stocks with overseas earnings. The energy, materials and mining sectors gained as the outlook for global manufacturing improved. Healthcare and financial stocks were also supported by good earnings data. The rally faded somewhat with the unexpected announcement in May of a general election in early July.

Dwindling prospects of policy rate cuts weighed on consumer discretionary stocks as well as on the UK real estate sector. Improvement in commercial property capital values was dampened by property's sensitivity to higher interest rates.

The Authority has budgeted £1.24m income from these investments in 2024/25. Income due up to 30th June was £324k. Over the quarter, these funds generated £3k of unrealised capital loss.

The change in the Authority's funds' capital values and income return over the 3-month period is shown in Table 4.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. 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 period total returns will exceed cash interest rates.

Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Authority also held £143.8m of such investments in

- directly owned property £135.8m
- loans to local businesses and landlords £6.5m
- subsidiaries £1.4m

A full list of the Authority’s non-treasury investments is available.

Treasury Performance

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

MRP Regulations

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

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

Compliance

The S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Authority’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	30.6.24 Actual	2024/25 Limit	Complied?
Any group of pooled funds under the same management	5	15	Yes
Negotiable instruments held in a broker’s nominee account	0	15	Yes
Limit per foreign countries	0	6	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	30.6.24 Actual	2024/25 Operational Boundary	2024/25 Authorised Limit	Complied?

Borrowing	145	170	200	Yes
Leases	1	1.8	2	Yes
Total debt	146	171.8	202	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark:

This indicator compares the Authority'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 £25m required to manage day-to-day cash flow.

	31.3.24 Actual	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast
Loans CFR	166.4	169.8	144.1	130.8
Less: Balance sheet resources	-45.4	-40.1	-35.4	-30.7
Net loans requirement	121	129.7	108.6	100.1
Plus: Liquidity allowance	25	25	25	25
Liability benchmark	146	154.7	133.6	125.1
Existing borrowing	162	199	102	44

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on variable year asset lives and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.

Rushmoor BC

	Actual		Forecasts									£m
Position at 31 March	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Loans CFR	166.4	169.8	144.1	130.8	129.8	124.2	123.7	123.2	122.6	122.0	121.3	
External borrowing	-162.0	-199.0	-102.0	-44.0	-42.0	-42.0	-42.0	-42.0	-42.0	-42.0	-42.0	
Internal (over) borrowing	4.4	-29.2	42.1	86.8	87.8	82.2	81.7	81.2	80.6	80.0	79.3	
Balance sheet resources	-45.4	-40.1	-35.4	-30.7	-30.7	-31.4	-32.2	-32.9	-33.7	-34.5	-35.4	
Investments (new borrowing)	41.0	69.3	-6.6	-56.1	-57.2	-50.8	-49.5	-48.2	-46.8	-45.4	-43.9	
Treasury investments	41.0	69.3	25.0	25.0	25.0	25.6	26.3	26.9	27.6	28.3	29.0	
New borrowing	0.0	0.0	31.6	81.1	82.2	76.4	75.8	75.1	74.4	73.7	72.9	
Net loans requirement	121.0	129.7	108.6	100.1	99.2	92.8	91.5	90.2	88.8	87.4	85.9	
Liquidity allowance	25.0	25.0	25.0	25.0	25.0	25.6	26.3	26.9	27.6	28.3	29.0	
Liability benchmark	146.0	154.7	133.6	125.1	124.2	118.4	117.8	117.1	116.4	115.7	114.9	

Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

2. 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	30.6.24 Actual	Complied?
Under 12 months	100%	0%	100%	Yes
12 months and within 24 months	100%	0%	0%	Yes
24 months and within 5 years	100%	0%	0%	Yes
5 years and within 10 years	100%	0%	0%	Yes
10 years and above	100%	0%	0%	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.

3. Long-term Treasury Management Investments: The purpose of this indicator is to control the Authority'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:

	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£40m	£40m	£30m
Actual principal invested beyond year end	£13m	£13m	£13m
Complied?	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.

Additional indicators

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

	2024/25 Target	30.6.24 Actual	Complied?
Portfolio average credit rating	A+	A+	Yes
Portfolio average credit score	5.0	5.2	Yes

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

	30.6.24 Actual	2024/25 Target	Complied?
Total cash available within 3 months	£5m	£5m	Yes

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk.

Although important information for the Council to consider, the Council is currently unable to influence performance against this measure. The Council requires the higher level of borrowing for cashflow and committed capital expenditure. Once the council is in a position to pay the current level of debt down, more options will be available to the council regarding its treasury management function.

Interest rate risk indicator	2024/25 Target	30.6.24 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2.0m	£1.8m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2.0m	£1.8m	Yes

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

	<u>01/04/24</u>	<u>30/06/24</u>
Bank Rate	5.25%	5.25%
1-year PWLB certainty rate, maturity loans	5.39%	5.37%
5-year PWLB certainty rate, maturity loans	4.72%	4.89%
10-year PWLB certainty rate, maturity loans	4.80%	4.96%
20-year PWLB certainty rate, maturity loans	5.24%	5.37%
50-year PWLB certainty rate, maturity loans	5.07%	5.18%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

This page is intentionally left blank

Prudential Indicators Q1 2024/25

The Authority measures and manages its capital expenditure, borrowing with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Expenditure: The Authority has undertaken and is planning capital expenditure as summarised below

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget
Capital expenditure	34.6	20.9	2.2	1.3

The main General Fund capital projects to date have included Union Yard, Aldershot and Aldershot Crematorium.

Capital Financing Requirement: The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

The actual CFR is calculated on an annual basis.

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget
CFR	167.6	173.0	149.0	137.2

Gross Debt and the Capital Financing Requirement: Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget	Debt at 30.6.2024
Debt (incl. PFI & leases)	162.0	168.0	154.1	129.3	146.0
Capital Financing Requirement	167.6	173.0	149.0	137.2	

Debt and the Authorised Limit and Operational Boundary: The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Debt at 30.6.24	2024/25 Authorised Limit	2024/25 Operational Boundary	Complied?
Borrowing	145.0	200.0	170.0	Yes
Leases	1.0	2.0	1.8	Yes
Total debt	146.0	202.0	171.8	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Net Income from Commercial and Service Investments to Net Revenue Stream: The Authority’s income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget
Total net income from service and commercial investments	7.1	8.7	9.5	9.5
Proportion of net revenue stream	57.2%	65.9%	69.9%	65.5%

Proportion of Financing Costs to Net Revenue Stream: Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget
Financing costs (£m)	6.9	7.6	7.6	6.1
Proportion of net revenue stream	55.55%	57.82%	55.90%	42.10%

Treasury Management Indicators: These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are within the Treasury Management Report Q1 2024/25 at Appendix 1.

LIST OF DEBT COUNTERPARTIES AS AT 31 JUNE 2024

	Amount
Vale of White Horse District Council	5,000,000
North Ayrshire Council	5,000,000
West of England Combined Authority	10,000,000
Crawley Borough Council	2,000,000
South Oxfordshire District Council	5,000,000
Vale of White Horse District Council	2,500,000
West Yorkshire Combined Authority	5,000,000
Furness Building Society	7,500,000
Renfrewshire Council	5,000,000
Warwickshire County Council	5,000,000
West Midlands Combined Authority	10,000,000
Havant Borough Council	5,000,000
West Midlands Combined Authority	5,000,000
Crawley Borough Council	3,000,000
Northern Ireland Housing Executive	3,000,000
Test Valley Borough Council	5,000,000
South Oxfordshire District Council	5,000,000
Rushcliffe Borough Council	5,000,000
Bolton Metropolitan Borough Council	5,000,000
Oxfordshire County Council	5,000,000
Oxfordshire County Council	5,000,000
Oxfordshire County Council	5,000,000
West Yorkshire Combined Authority	7,000,000
Northern Ireland Housing Executive	5,000,000
East Lindsey District Council	3,000,000
Gloucestershire County Council	5,000,000
Test Valley Borough Council	5,000,000
Thames Valley PCC	5,000,000
Horsham District Council	2,000,000
	<u>145,000,000</u>

This page is intentionally left blank

External Context

Economic background: UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

Data released during the period showed that showed the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April following an expansion of 0.4% in the previous month.

Labour market data continued to provide mixed messages for policymakers, exacerbated by issues the Office for National Statistics is having compiling the labour force survey. In the three months between February and April 2024, unemployment was up, employment fell, while the decline in vacancies slowed and wage growth remained elevated. Unemployment rose to 4.4% (3mth/year) while average regular earnings (excluding bonuses) was 6.0% and total earnings (including bonuses) was 5.9%. Adjusting for inflation, real regular pay rose by 2.3% and total pay by 2.2%. Given how keenly the 'second-round' impact of inflation on wages is watched by the BoE, policymakers will likely want to see more downward movement before cutting interest rates.

Having started the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at this level throughout the quarter. In line with expectations, at its June meeting, the Committee voted by a majority of 7-2 in favour of maintaining the status quo. The two dissenters preferred an immediate 0.25% reduction in Bank Rate to 5.0%. This continued dovish tilt by the Committee increased financial market expectations that the first cut in Bank Rate will likely be in August.

Earlier in May, in addition to an identical MPC rate decision and voting pattern, the Bank published the latest version of its Monetary Policy Report (MPR). Within the Report, the Committee noted that it expected four-quarter GDP growth to increase over the forecast period, reflecting the declining negative effects of past Bank Rate increases and the predicted downward path of interest rates which should provide support to economic activity. The trajectory of inflation was broadly similar to that in the previous MPR, albeit slightly lower towards the end of the forecast horizon due to the Committee's revised assessment of falling external inflationary pressures from past import price increases. This meant the Committee expected headline inflation to hit the 2% target two quarters sooner than in the February MPR. As was highlighted earlier, inflation data published in June showed that CPI inflation fell to the 2% target in May.

Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in H2 2024. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

The US Federal Reserve also maintained interest rates over the period, holding the Fed Funds Rate at 5.25%-5.50% for the seventh consecutive month in June, as was expected. US policymakers have maintained a relatively dovish stance throughout the period but have steadily reduced their predictions around the pace and timing of rate cuts in the face of higher inflation and firmer economic growth. At the meeting, economic projections pointed to one rate cut in calendar 2024 and four in 2025.

The European Central Bank cut rates in June, reducing its main refinancing rate from 4.50% to 4.25%. Inflation in the region fell to 2.5% in May, having increased in the previous month, but since February has been fairly sticky at between 2.4% and 2.6%. Economic growth in the region has picked up but

remains weak, and with inflation above the ECB's target this continues put pressure on policymakers on how to balance these factors when setting monetary policy.

Financial markets: Sentiment in financial markets showed signs of improvement over the quarter, but bond yields remained volatile. Early in the period yields climbed steadily, but mixed signals from economic data and investors' constant reassessment of when rate cuts might come caused a couple of fairly pronounced but short lived dips in yields. Towards the end of the quarter yields rose once again and were generally higher than at the start of the period.

Over the quarter, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.18% having reached 4.41% in May. While the 20-year gilt started at 4.40%, hit 4.82% in May, before ending the period at 4.61%. The Sterling Overnight Rate (SONIA) averaged 5.20% over the quarter to 30th June.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

During the quarter, Fitch revised its outlook on Transport for London (TfL) to stable from negative while S&P upgraded its long-term rating for TfL to AA- from A+, in line with its rating of the UK sovereign.

Fitch also upgraded the long-term ratings for the main four Australian banks – Australia & New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac.

Having placed Warrington Borough Council on review for a downgrade in March, Moody's subsequently withdrew its ratings for the council in June.

Credit default swap prices started and ended the quarter at broadly similar levels in the UK as they did for the European, Singaporean and Australian lenders on Arlingclose's counterparty list, while Canadian banks generally trended modestly downwards.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

**CORPORATE GOVERNANCE, AUDIT
AND STANDARDS COMMITTEE**

**CORPORATE MANAGER –
LEGAL SERVICES**

31ST JULY 2024

REPORT NO. LEG2403

FREEDOM OF INFORMATION – ANNUAL UPDATE REPORT 2024

SUMMARY AND UPDATE:

The Freedom of Information Act 2000 (FOIA 2000) provides public access to information held by a local authority. Freedom of Information requests are a fundamental part of local government and encourages openness and scrutiny of the Council's decisions. Rushmoor Borough Council has a statutory duty to fulfil its obligations under FOIA 2000.

The Council's performance on FOIs is steadily improving and there is further work planned, including training, and publishing more information online.

A new Microsoft Lists system has been launched to improve resilience and increase oversight by senior management.

1. INTRODUCTION

- 1.1 Public authorities spend money collected from taxpayers and make decisions that can significantly affect many people's lives. Access to information helps the public make public authorities accountable for their actions and allows public debate to be better informed.
- 1.2 Any member of the public or external organisation can submit a freedom of information request (FOI) to Rushmoor Borough Council. Rushmoor Borough Council is under a duty to comply with the statutory timeframes to respond to requests (20 working days to process for a normal FOI request). This can be extended for more complex requests.
- 1.3 Rushmoor has 1 part-time officer overseeing information requests and data protection, along with support from the Corporate Manager, Legal Services, who also is the Data Protection Officer and Deputy Monitoring Officer. Service teams can liaise with the Legal team for complicated requests and FOI advice.

2. FOI SNAPSHOT

2023

- Operations – received 254 (including cross service requests), 39% of requests.
- Finance – 91 requests (including cross service requests), 14% of requests.
- Environmental Health – received 81 (including cross service requests), 12.5% of requests.
- Hampshire County Council (HCC) – we received 79 requests for information not held by Rushmoor, 11% of requests.
- People – 58 requests (including cross service requests), 9% of requests.
- Communications, Policy, and Performance – 51 requests (including cross service requests), 7.8% of requests.
- Democracy, Strategy and Partnerships – 32 requests (including cross service requests), 5% of requests.
- Legal – 11 (including cross service requests), 1.7% of requests.

Services that receive a high number of requests

- Housing options - received 53 requests, 8.2% of all requests. Requests include looking for homelessness figures and housing list waiting times.
- IT - received 42 requests, 6.5% of all requests. Requests include were looking at systems we use, use of AI, phone contracts and network providers. Most are marketing requests or looking for business.
- Finance – 91 requests, 14% of all requests. Requests include asking for business rates dates, council spending, funding gap and Council Tax information.
- Crematorium – received 30 requests, 4.6% of all requests. Requests include looking for public health funeral data.
- HR – 58 requests, 9% of requests. Requests include looking for council structure, equality roles, zero hours contracts, pay levels and training software.
- Planning – 40 requests, 6% of requests. Requests include looking for s106 planning agreements, planning breaches, Tree Preservation Orders (TPOs) and conservation areas.
- HCC – 79 requests for information not held by RBC, 11% of all requests. Requests include looking for information about social care, public health, highways, schools, and trading standards.

3. FOI PERFORMANCE UPDATE

3.1 Freedom of information requests data (Rushmoor)

TABLE A

Number of requests received	Q1	Q2	Q3	Q4
2020/21	114	131	174	156
2021/22	142	139	141	166
2022/23	155	131	108	149
2023/24	167	162	162	193
2024/25	198			

We calculate this data one month behind to allow for the time to responses. So Q1 (April, May and June) data would be March, April, May.

TABLE B

% responded to on time (one month behind)	Q1	Q2	Q3	Q4
2017/18	85%	89%	89%	85%
2018/19	87%	83%	87%	81%
2019/20	84%	93%	85%	81%
2020/21	68%	65%	60%	82%
2021/22	58%	63%	76%	71%
2022/23	62%	37%	50%	70%
2023/24	73%	72%	68%	86%
2024/25	71%			

3.2 Whilst there has been a fall in Q1 2024/2025 for FOI response turnaround time, there has been an increase generally in percentage turnaround time since 2023.

3.3 The regulatory body, the Information Commissioner's Office (ICO) expect to see 90% responded to within the 20 working-day statutory timeframe - as a minimum.

3.4 There could be a potential financial penalty from the ICO or a decision notice due to lack of responses/not responding in time and therefore not complying with our obligations under the Freedom of Information Act 2000 (FOIA).

3.5 FOI performance and management is discussed regularly at the Information Governance Group (IGG) and the Corporate Governance Group (CGG). The Legal team are liaising with Service Managers and individual officers to reduce those FOIs that go overdue.

- 3.6 On 15 July 2024, the Legal and Transformation Team jointly launched Microsoft (MS) Lists across the Council as a tool to manage the handling of FOIs. The MS system sends automatic reminders to the relevant services when an FOI is nearing the end of the time to comply. It also allows senior management better oversight of the number of outstanding and overdue FOIs across the Council.
- 3.7 One way to reduce the burden of dealing with FOIs is to publish more data proactively. This is ideal for requests that we receive on a frequent basis. If we get requests for information that we publish or are due to be published on our website, it is a simple refusal response from the service detailing that the information is already in the public domain with a link to the data under section 21 of the FOIA or that the information is intended for future publication under section 22 of the FOIA (if the data was not yet published).
- 3.8 According to FOI statistics for central government for January to March 2024, across all monitored bodies, 76% of requests were responded to in time, down from 86% in Q1 2023. The volume of FOI requests across all monitored bodies has steadily increased from 2021 until 2024. Please see Annex A.
- 3.9 In line with the national FOI statistics for monitored bodies (www.gov.uk), the Council's overall number of requests is at its highest recorded level.
- 3.10 There are no approved FOI statistics to measure our performance against other local authorities, however the ICO have intervened in cases where councils have performed poorly over a prolonged period (e.g., 2022 – 2024), and no formal action plan is in place.
- 3.11 An example of this is the ICO enforcement notice against Shropshire Council in April 2023. In this case, individual service areas were responsible for recording and collating their own FOI requests and there was not sufficient management oversight. Another example is Norfolk County Council, who had only responded to 260 out of 511 Subject Access Requests (SARs) it received within the statutory timescales from 6 April 2021 to 6 April 2022.
- 3.12 The Council will be offering FOI training to staff towards the end of this year to increase knowledge and awareness. This will cover some of the most frequent exemptions (e.g., possible reasons for refusal).

4) LEGAL IMPLICATIONS

- 4.1 As above, Rushmoor Borough Council is under a statutory obligation to respond to FOI requests within the timeframes.
- 4.2 The ICO is taking a robust approach with local authorities who do not comply with FOIA 2000 and/or who do not have a clear action plan in

place to reduce any backlog of overdue FOIA request. This is typically done through the ICO issuing enforcement notices or a reprimand to local authorities.

5) FINANCIAL AND RESOURCE IMPLICATIONS

5.1 There are no direct financial implications. The processing of FOIs across the Council takes considerable legal officer time and resource.

5.2 There is a continuing drive at Rushmoor to ensure that any overdue FOIs are reduced to zero.

5.3 The increase in the number of the FOI requests received, increases workload across the Council and service teams.

6) EQUALITIES IMPACT IMPLICATIONS

There are no equality issues relating to this report.

7) RECOMMENDATION:

It is recommended that officers:

- (a) Continue their work on reducing the number of overdue FOIs within the system in 2024 towards the 90% turnaround time, as per the ICO target;
- (b) Continue to raise FOI awareness and knowledge across employees, through regular training and guidance; and
- (c) Publish as much information proactively to reduce the number of FOI requests.

CONTACT DETAILS:

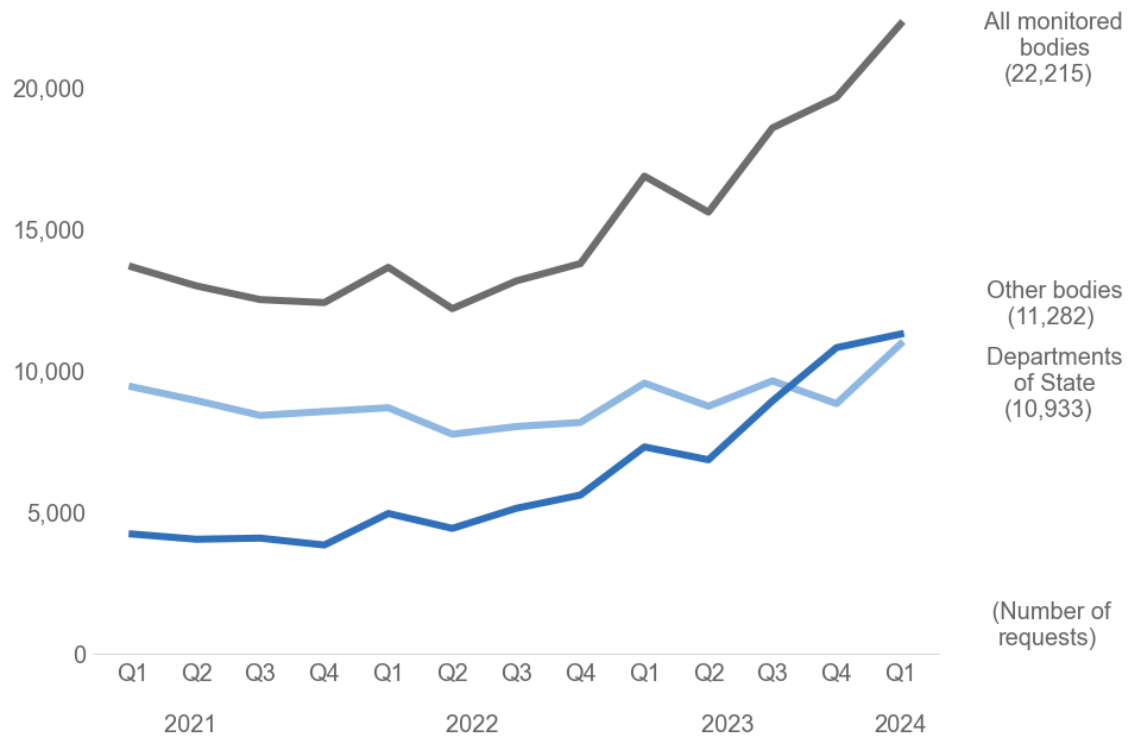
Report Author

Sophie Thorp – Corporate Manager – Legal Services

sophie.thorp@rushmoor.gov.uk

Annex A

Volume of FOI requests by quarter since Q1 2021 for other public bodies (excluding local authorities) – www.gov.uk data



By virtue of paragraph(s) 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank