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**AUDIT COMMITTEE
AGENDA**

**WEDNESDAY 27 NOVEMBER 2024 AT 7.30 PM
CONFERENCE ROOM 2 - THE FORUM**

Membership

Councillor Robert Stewart (Chair)
Councillor Rick Freedman (Vice-Chair)
Councillor Michela Capozzi

Councillor Terry Douris
Councillor Graeme Elliot
Councillor Goverdhan Silwal PhD

For further information, please contact Corporate and Democratic Support on 01442 228209 or email member.support@dacorum.gov.uk

AGENDA

1 APOLOGIES FOR ABSENCE

To receive any apologies for absence

2 DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

3 MINUTES AND ACTIONS (Pages 3 - 6)

To confirm the minutes of the previous meeting and consider the actions

4 PUBLIC PARTICIPATION

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation

5 STATEMENT OF INTERNAL CONTROL ASSURANCE (SICA) REPORT

Report to follow.

6 STRATEGIC RISK REGISTER Q2 2024/25

Report to follow.

7 TREASURY MANAGEMENT 2024/25 MID-YEAR PERFORMANCE REPORT (Pages 7 - 15)

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

18 SEPTEMBER 2024

Present:

Councillors: Freedman (Chair)
Elliot
England
Wyatt-Lowe

Officers:

N Howcutt	Chief Finance Officer
F Jump	Head of Financial Services
S Choudhury	Head of Transformation
C Fennell	Head of Communities and Leisure
R Lang	Head of Safe Homes
H Peacock	Head of Strategy, Quality and Assurance
C Dempsey	Financial Planning and Analysis Manager
P Hunt	Housing Needs Manager
T Angel	Democratic Support Officer

Others: Philip Lazenby (TIAA)
Chris Paisley (KPMG)

The meeting began at 7.30 pm.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Stewart, Reynolds and Douris.

Councillor Freedman substituted for Councillor Stewart.

Councillor England substituted for Councillor Reynolds.

Councillor Wyatt-Lowe substituted for Councillor Douris.

2. DECLARATIONS OF INTEREST

Councillor England advised he was the former Portfolio Holder for Climate & Ecological Emergency.

3. MINUTES AND ACTIONS

The minutes of the previous meeting were agreed by the members present and then signed by the Chair.

4. PUBLIC PARTICIPATION

There was no public participation.

5. FINAL OUTTURN REPORT 2023/2024

Please refer to the video minutes for full discussion.

Outcome

1. That the Committee reviewed the final financial outturn for 2023-24 (Appendices A and B) and noted the final financial outturn position for 2023-24.
2. That the Committee reviewed the Capital Programme Outturn for 2023-24 (Appendix C).
3. That the Committee reviewed the balances on earmarked reserves as at 31st March 2024 (Appendix D).

6. STATEMENT OF ACCOUNTS 2023/2024

Please refer to the video minutes for full discussion.

Outcome

1. The committee reviewed the Statement of Accounts 2023/24 (Appendix A) and raised any matters on which assurance is sought in order to approve the Statements on behalf of the Council;
2. Subject to consideration of the External Auditor's Audit Findings Report, approved the Letter of Representation (Appendix B) in the capacity of those charged with Governance and;
3. Approved the Statement of Accounts for 2023/24.
4. Delegated to the Chair or Vice Chair of the Audit Committee to sign the final accounts upon receiving the final audit opinion and approve any further changes the statement of accounts agreed with the Council's auditors prior to the receipt of that opinion.

7. EXTERNAL AUDIT YEAR END REPORT

Please refer to the video minutes for full discussion.

Outcome

The committee noted the contents of the External Auditor's Year End Report for 2023-24.

8. REGULATOR OF SOCIAL HOUSING INSPECTION & REGULATORY JUDGEMENT

Please refer to the video minutes for full discussion.

Outcome

The regulator of social housing inspection & regulatory judgement were acknowledged and signed off by Audit Committee.

Action

H Peacock to advise how many tenants were spoken to as part of the survey.

9. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT

Please refer to the video minutes for full discussion.

Outcome

1. Noted the final internal audit reports issued for following Council activities:
 - Leisure Contract - Reasonable Assurance
 - Climate Change – Limited Assurance
 - Performance Management – Reasonable Assurance
 - Housing Allocations and Homelessness - Reasonable Assurance
 - Housing Regulatory Compliance and Building Safety- Reasonable Assurance

2. Noted the content of the SICA and progress against the annual internal audit plan.

**10. TREASURY MANAGEMENT OUTTURN AND PERFORMANCE INDICATORS
2023/24**

Please refer to the video minutes for full discussion.

Outcome

The committee noted the contents of the report on Treasury Management performance and the Prudential Indicators for 2023/24.

11. STRATEGIC RISK REGISTER UPDATE Q4 2023/24

Please refer to the video minutes for full discussion.

Outcome

The committee noted the report.

The meeting ended at 9.01 pm.

Audit Committee Action Points – September

Date of meeting	Action point	Responsible officer	Date action completed	Response
18/09/24	<p><u>Item 8. Regulator of Social Housing Inspection & Regulatory Judgement</u></p> <p>H Peacock to advise how many tenants were spoken to as part of the survey. (Q. by Cllr Elliot)</p>	H Peacock	25/09/2024	<p>The survey was conducted using a mixed methods approach and carried out quarterly across the year from May 2023 to April 2024. Each quarter a representative sample of avg. 242 General Needs and Sheltered Housing tenants was taken from the entire tenant population. Quotas for these samples were set by age and property type to match the profile of the Council’s tenant base.</p> <p>The fieldwork was carried out quarterly, with 244 tenant responses being collected during May 2023, 244 in August 2023, 243 in November 2023 and 241 in February 2024.</p> <p>In total, we interviewed 972 tenants including 730 General Needs tenants, 240 Sheltered Housing tenants and 2 whose record did not have their tenancy type recorded. This amounts to a margin of error of +/- 2.97 which sits within the regulator’s requirement of a margin of error of +/-4%.”</p>



Audit Committee

Report for:	Audit Committee
Title of report:	Treasury Management 2024/25 Mid-Year Performance Report
Date:	27 th November 2024
Report on behalf of:	Cllr William Allen, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A: Investment portfolio as at 30 September 2024 Appendix B: Link Asset Services counterparty credit list as at 30 September 2024
Background papers:	Cabinet 13 th February 2024 – Treasury Management Strategy (Appendix K to Budget 2024-25 Report)
Glossary of acronyms and any other abbreviations used in this report:	CIPFA-The Chartered Institute of Public Finance and Accountancy MPC- Bank of England Monetary Policy Committee CFR- Capital Financing Requirement GDP- Gross Domestic Product CPI- Consumer Prices Index

<p>Report Author / Responsible Officer</p> <p>Report Author: Clare Dempsey, Financial and Regulatory Accounting Manager</p> <p>  Clare.Dempsey@dacorum.gov.uk / 01442 228264 (ext. 2264)</p> <p>Responsible Officer: Fiona Jump, Head of Financial Services</p> <p>  Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)</p>
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Corporate Priorities	Service improvement and delivery:

	Running the Council efficiently and putting residents at the heart of everything we do
Wards affected	All
Purpose of the report:	To report upon the mid-year information on Treasury Management performance for 2024/25.
Recommendation (s) to the decision maker (s):	Committee reviews and notes the 2023/24 Treasury Management performance report.
Report Period for post policy/project review:	Regular reports are taken to Members on the Council's Treasury Management performance.

1. Background

1.1 The purpose of this report is to update Audit Committee on the performance of the Council's treasury management function during the first half of 2024/25, to the period 30 September 2024.

1.2 Treasury management is defined as:

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

The Council's Treasury Management team manages the Council's cash-flows in order to strike the optimal balance between the following three elements:

- The liquidity requirements for the Council's day-to-day business;
- Funding the Council's capital programme;
- Investing surplus monies in line with the Treasury Management Strategy.

2. Governance

2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

2.2 The Code requires:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- Creation and maintenance of treasury management practices setting out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report (this report) and an Annual Report (stewardship report) covering during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and execution and administration of treasury management decisions;

- This Council nominates Cabinet to be responsible for effective scrutiny of the Treasury Management Strategy, policies and monitoring before recommendation to Full Council.

3. Economic update

3.1 The first half of 2024/25 saw:

- Interest rates fall from 5.25% to 5.00%.
- Gross Domestic Product (GDP) stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- Consumer Prices Index (CPI) inflation hitting its targets in June before increasing to 2.2% in July and August.
- A further easing in wage growth as the headline 3myr rate (including bonuses) fell from 4.6% in June to 4.0% in July.

3.2 The Bank of England lowered rates from 5.25% to 5.0% in August. In its September meeting, the bank opted to hold rates at 5.0%, signalling a preference for a more gradual approach to rate cuts.

3.3 Below is our treasury advisors, Link Group's forecast of interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View		28.05.24								
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

4. Treasury Management Strategy Statement and Annual Investment Strategy update

4.1 Council approved the 2024/25 Treasury Management Strategy Statement (TMSS) on 13 February 2024.

4.2 The Council's Annual Investment Strategy, which is included in the TMSS, outlines the Council's investment priorities as:

- Security of capital;
- Liquidity;
- Return on investment.

4.3 The Council aims to achieve optimum return on investments within the context of the first 2 priorities. See Appendix A for a breakdown of the Council's investment portfolio, as at 30 September 2024.

4.4 Link Asset Services' full counterparty credit list as at 30 September 2024 identifies those organisations the Council is able to place funds and is shown in Appendix B.

4.5 All investments during the first six months of 2024/25 were placed in accordance with the approved strategy.

5. Investment Performance 2024/25

- 5.1 It is the Council's priority to ensure security of capital and liquidity and to obtain a level of return consistent with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out best value available in periods up to 12 months with high credit rated financial institutions.
- 5.2 As shown in section 3.3, the latest interest forecast sets out a view that in the short-term interest rates are to steadily decrease, as the Bank of England seeks to manage inflation. The general fund half yearly performance is achieving £1.5m against a budget of £0.5m, a surplus of £1m. On the HRA, half yearly performance is achieving investment income of £0.2m against a budget of £0.1m, a surplus of £0.1m. This favourable return is unlikely to continue in the long-term if interest rates fall as predicted.
- 5.3 The Council held £81.971m of investments as at 30 September 2024 (£88.579m at 31 March 2024). The average investment return for the first six months of the year was 5.14%. In comparison, the Council achieved 4.51% in the first 6 months of 2023/24.

6. Borrowing

The Capital Financing Requirement

- 6.1 The Council's Capital Financing Requirement (CFR) is the Council's underlying need to borrow for capital purposes and is forecasted to be £379.715M as at 31/03/2025. This includes the fixed interest rate borrowing from the Public Works Loan Board (PWLB) for HRA Self Financing and the General Fund capital expenditure requirements.

Current Borrowing Arrangements

- 6.2 As a Local Authority, the Council is able to borrow from PWLB, which operates within the Debt Management Office (DMO), an Executive Agency of HM Treasury.
- 6.3 The PWLB charges interest on loans it issues. Any Council borrowing will be carried out in line with its approved Treasury Management Strategy. If required, the Council can utilise existing cash balances to fund its future capital programme instead of undertaking new external borrowing.

Debt rescheduling

- 6.4 No debt rescheduling has been undertaken in the current financial year. There may be opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

Compliance with Treasury and Prudential Limits

- 6.5 The Council has a statutory duty to determine and monitor affordable borrowing limits. During the half year ended 30th September 2024, the Council operated within the treasury and prudential indicators in the Council's Treasury Management Strategy Statement. The Chief Finance Officer envisages no difficulties for the current or future years in complying.

7. The Council's Capital Expenditure (Prudential Indicators)

- 7.1 Prudential indicators are set yearly as part of the Council's Treasury Management Strategy. They set the annual limits on borrowing, and provide a basis for assessing the affordability of financing costs, external debt and capital expenditure.

Prudential Indicators for Capital Expenditure

7.2 The table below shows the revised estimates for capital expenditure and financing with the changes since the capital programme was agreed in February 2024, as at the end of September 2024.

Capital Expenditure by Service	2024/25 Original Budget	Revised Forecast as at September 2024
	£M	£M
General Fund	10.62	8.638
HRA	60.192	59.683
Total	70.814	68.320
Financed by:		
Capital grants & S106	8.185	11.789
Capital receipts & reserves	34.351	37.101
Revenue	0	0.000
Internal Borrowing General Fund	13.74	0.000
HRA Borrowing	14.538	19.430
Total financing	70.814	68.320

7.3 The table below shows the CFR and the expected debt position over the period; termed the 'Operational Boundary'. The changes to the forecast CFR are due to incorporation of the actual Capital Programme outturn position from 2023/24 and slippage and underspends in 2024/2025. It is assumed as per the budget that £14.5m of HRA borrowing will be internal (funded by cash balances rather than borrowing externally), this is usually more cost effective.

	2024/25	2024/25
	Original Estimate £M	Revised Forecast £M
Prudential Indicator – Capital Financing Requirement		
CFR – General Fund	18.587	12.787
CFR – HRA	375.775	366.927
Total CFR	394.361	379.715
Net movement in CFR from 31/03/24	30.41	15.764
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	345.685	335.907
Other long term liabilities (leases)	1.188	1.188
Total debt 31 March 2025	346.873	337.095

Prudential Indicator for Borrowing Activity

7.4 The key control over treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year, plus the estimates of any additional CFR for 2024/25 and the next two financial years.

7.5 The table highlights that the Council's gross borrowing is forecast to be below its CFR.

	2024/25	2024/25
	Original Estimate £M	Revised Estimate £M
Gross borrowing	345.685	335.907
Plus other long term liabilities (leases)	1.188	1.188
Less investments	(42.864)	(81.97)
Net borrowing	304.009	255.123
CFR (year-end position)	394.361	379.71

7.6 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised annually by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. As at 30 September 2024, the Council is forecast to have borrowing and other long term liabilities of £340.755m at 31/03/2025, which is £89.245m under the authorised limit.

Authorised limit for external debt	2024/25 Original Indicator £M	Current Forecast Debt 31/03/2025 £M
Borrowing	420.000	339.567
Other long term liabilities	10.000	1.188
Total	430.000	340.755

8. Options and alternatives considered

8.1 None. A mid- year treasury management review is a statutory requirement.

9. Consultation

9.1 The Council liaise with Link Asset Services, our Treasury advisors.

10. Financial comments

10.1 In accordance with the CIPFA Treasury Management in the Public Services Code of Practice, the order of the Council's investment priorities is 1. Security; 2. Liquidity; and, 3. Return. This may result in the Council achieving a lower rate of return than an organisation operating a more aggressive investment strategy in a less regulated sector.

11. Legal Implications:

11.1 There are no direct legal implications arising from this report.

12. Risk implications:

12.1 A prudent approach to investment is required to minimise the risk to the Council of investment losses, as outlined in the Council's Treasury Management Strategy 2024/25. This report provides an update on the delivery of that strategy.

13. Equalities, Community Impact and Human Rights:

13.1 A Community Impact Assessment is not required. There are no Human Rights Implications.

14. Sustainability Implications (including climate change, health and wellbeing, community safety):

14.1 None arising directly from the report.

15. Council infrastructure (including Health and Safety, HR/OD, assets and other resources):

15.1 None arising directly from the report

16. Conclusion:

- 16.1 The Treasury Management Mid-Year Report provides an update of the Council's 2024/25 treasury activities and highlights compliance with policies previously approved by Members. Its approval is required for the Council to meet its statutory obligations in respect of Treasury Management activities.

Borrower	Deposit Type	Principal	Date Lent	Date Repayable	Interest Rate	Duration (Days)	Approved Duration	DBC Limit(M)
National Westminster Bank PLC (RFB)	Call Account	1,221,231	30/09/2024	01/10/2024	3.25	1	12 months	14.5
BlackRock MMF	MMF	1,750,000	30/09/2024	01/10/2024	4.90	1	100 days	9.0
Goldman Sachs MMF	MMF	9,000,000	30/09/2024	01/10/2024	4.92	1	100 days	9.0
Insight Liquidity MMF	MMF	9,000,000	30/09/2024	01/10/2024	4.99	1	100 days	9.0
National Westminster Bank PLC (RFB)	Investment	6,000,000	17/10/2023	16/10/2024	5.57	365	12 months	14.5
Debt Management Office	Investment	10,000,000	01/05/2024	17/10/2024	5.15	169	60 months	n/a
National Westminster Bank PLC (RFB)	Investment	2,000,000	08/05/2024	08/05/2025	5.13	365	12 months	14.5
National Westminster Bank PLC (RFB)	Investment	3,000,000	15/05/2024	15/05/2025	5.10	365	12 months	14.5
Lloyds Bank Plc (RFB)	Investment	2,000,000	28/05/2024	22/11/2024	5.25	178	6 months	11.0
Debt Management Office	Investment	9,000,000	01/07/2024	15/11/2024	5.10	137	60 months	n/a
Debt Management Office	Investment	2,000,000	09/07/2024	19/12/2024	5.03	163	60 months	n/a
Debt Management Office	Investment	2,500,000	10/07/2024	16/12/2024	5.03	159	60 months	n/a
Debt Management Office	Investment	4,000,000	17/07/2024	17/01/2025	5.03	184	60 months	n/a
Debt Management Office	Investment	1,500,000	06/08/2024	17/01/2025	4.80	164	60 months	n/a
Debt Management Office	Investment	3,000,000	15/08/2024	25/10/2024	4.92	71	60 months	n/a
Debt Management Office	Investment	4,500,000	21/08/2024	17/01/2025	4.82	149	60 months	n/a
Debt Management Office	Investment	1,500,000	02/09/2024	04/10/2024	4.93	32	60 months	n/a
Debt Management Office	Investment	3,000,000	10/09/2024	19/11/2024	4.89	70	60 months	n/a
Debt Management Office	Investment	2,000,000	13/09/2024	25/10/2024	4.91	42	60 months	n/a
Debt Management Office	Investment	3,000,000	16/09/2024	16/12/2024	4.79	91	60 months	n/a
Leeds Building Society	Investment	2,000,000	17/09/2024	18/10/2024	4.89	31	100 days	9.0

Country	Counterparty	Approved Duration	DBC Limit (M)
U.K	Al Rayan Bank Plc	6 months	11
U.K	Bank of Scotland PLC (RFB)	6 months	11
U.K	Barclays Bank PLC (NRFB)	6 months	11
U.K	Barclays Bank UK PLC (RFB)	6 months	11
U.K	Clydesdale Bank PLC	6 months	11
U.K	Goldman Sachs International Bank	6 months	11
U.K	Handelsbanken Plc	12 months	12.5
U.K	HSBC Bank PLC (NRFB)	12 months	12.5
U.K	HSBC UK Bank Plc (RFB)	12 months	12.5
U.K	Lloyds Bank Corporate Markets Plc (NRFB)	6 months	11
U.K	Lloyds Bank Plc (RFB)	6 months	11
U.K	National Bank Of Kuwait (International) PLC	6 months	11
U.K	NatWest Markets Plc (NRFB)	6 months	11
U.K	Santander Financial Services plc (NRFB)	6 months	11
U.K	Santander UK plc	6 months	11
U.K	SMBC Bank International Plc	6 months	11
U.K	Standard Chartered Bank	12 months	12.5
U.K	Coventry Building Society	100 days	9
U.K	Leeds Building Society	100 days	9
U.K	Nationwide Building Society	6 months	11
U.K	Skipton Building Society	6 months	11
U.K	Yorkshire Building Society	6 months	11
U.K	National Westminster Bank PLC (RFB)	12 months	14.5
U.K	The Royal Bank of Scotland Plc (RFB)	12 months	14.5