



# Public Document Pack

## Boston Borough Council

**Chief Executive**  
**Rob Barlow**

Municipal Buildings  
Boston  
Lincolnshire PE21 8QR  
Tel: 01205 314200

Friday 9 January 2026

### Notice of meeting of the Audit & Governance Committee

Dear Councillor

You are invited to attend a meeting of the Audit & Governance Committee  
on **Monday 19th January 2026 at 6.30 pm**  
in the Committee Room - Municipal Buildings, West Street, Boston, PE21 8QR

**Rob Barlow**  
**Chief Executive**

#### **Membership:**

Chairman:	Councillor Barrie Pierpoint
Vice-Chairman:	Councillor James Cantwell
Councillors:	Anton Dani, Anne Dorrian, Neil Drayton, Andy Izard, Jonathan Noble, Ralph Pryke, Lina Savickiene, David Scoot and Stephen Woodliffe
Co-opted Independent Members:	Adam Cartwright and Gideon Hall

Quorum 3

**Members of the public are welcome to attend the committee meeting as observers except during the consideration of exempt or confidential items.**

**This meeting may be subject to being recorded.**

### **Agenda**

#### **Part I - Preliminaries**

##### **A Apologies for Absence**

To receive apologies for absence.

##### **B Declarations of Interest**

To receive declarations of interests in respect of any item on the agenda.

**C Minutes** (Pages 1 - 12)

To sign and confirm the minutes of the last meeting.

**D Actions** (Pages 13 - 18)

To note the actions from the previous meeting.

**E Public Questions**

To answer any written questions received from members of the public no later than 5 p.m. two clear working days prior to the meeting – for this meeting the deadline is 5 p.m. on Wednesday 14 January 2026.

**Part II - Agenda Items**

**1 Audit & Governance Committee Personal Skills Audit** (Pages 19 - 34)

(A report by John Medler, Assistant Director – Governance & Monitoring Officer)

**2 Internal Audit Progress Report** (Pages 35 - 50)

(A report by Mark Harrison, Audit Manager – Lincolnshire County Council)

**3 Draft Treasury Management Policy Statement; Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2026/27; and Treasury Management & Investment Management (Non-Treasury) Principles and Practices.** (Pages 51 - 138)

(A report by Russel Stone, Director of Finance (S151 Officer))

**4 Audit of Building Control Service by the Building Safety Regulator** (Pages 139 - 144)

(A report by Christian Allen, Assistant Director – Regulatory)

**5 Audit and Governance Committee Annual Report 2024/2025** (Pages 145 - 156)

(A report by John Medler, Assistant Director – Governance & Monitoring Officer)

**6 Work Programme** (Pages 157 - 160)

(For Members to consider the Committee's work programme.)

**Notes:**

Please contact Democratic Services ([demservices@boston.gov.uk](mailto:demservices@boston.gov.uk)) if you have any queries about the agenda and documents for this meeting.

Council Members who are not able to attend the meeting should notify Democratic Services as soon as possible.

**Alternative Versions**

Should you wish to have the agenda or report in an alternative format such as larger text, Braille or a specific language, please telephone 01205 314502.

# Agenda Item C

## Boston Borough Council

Minutes of a meeting of the **Audit & Governance Committee** held in the Committee Room - Municipal Buildings, West Street, Boston, PE21 8QR on Monday 17th November 2025 at 6.30 pm.

### **Present:**

Councillor Barrie Pierpoint, in the Chair.

Councillors Councillor James Cantwell, Anton Dani, Neil Drayton, Andy Izard, Jonathan Noble, Ralph Pryke, David Scoot and Stephen Woodliffe.

Co-opted Independent Members: Adam Cartwright.

### Officers:

Director of Finance, Assistant Director - Governance and Monitoring Officer, Group Manager – Insights & Transformation, Information Manager and Data Protection Officer, Chief Finance Officer (PSPSL), Head of Finance Delivery - Technical and Corporate, PSPSL, Treasury and Investment Manager (PSPSL), Engagement Director, KPMG, External Audit Assistant Manager, KPMG and Democratic Services Officer.

## **27 Apologies for Absence**

Apologies for absence were received from Councillor Lina Savickiene, and from Co-opted Independent Member Gideon Hall.

## **28 Declarations of Interest**

There were no declarations of interest.

## **29 Minutes**

The minutes of the previous meeting held on 13<sup>th</sup> October 2025 were agreed and signed by the Chairman.

## **30 Actions**

Members considered the action sheet from the previous meeting held on 13<sup>th</sup> October 2025 which had been circulated with the agenda. It was confirmed that there were no outstanding actions.

## **31 Public Questions**

No questions had been received.

## **32 Proposed Amendments to the Council's Contract Procedure Rules**

At the request of the Chairman, this item was brought forward in the meeting.

The Committee received a detailed report on proposed amendments to the Council's Contract Procedure Rules (CPRs), presented by the Head of Procurement & Contracts, PSPSL. The review had been undertaken to ensure compliance with the Procurement Act

2023, reflected best practice, and addressed practical challenges identified since the last update three years ago. The amendments aimed to strengthen governance, improve flexibility, and support local suppliers while maintaining transparency and value for money. The Proposed Contract Procedure Rules – Clean Version was attached at Appendix 1a, the Proposed Contract Procedure Rules – Tracked Changes was attached as Appendix 1b, the Revised Delegations to Officers were attached as Appendix 2 and the Key Changes were attached as Appendix 3 within the report.

Key changes included:

- Updated procurement thresholds to align with legislative changes and benchmarking across other authorities.
- Reduction in minimum quotations from five to three for mid-value contracts (£50,000–£100,000) to reflect market feedback and practical sourcing challenges.
- New sections on conflict of interest and pre-market engagement to provide clearer guidance for officers.
- Additional exemption for short-term continuity arrangements where delays in re-procurement occur, capped at six months.
- Integration of frameworks and dynamic markets in line with the Procurement Act 2023.
- Removal of duplication by transferring asset disposal provisions to the Finance Procedure Rules.
- Enhanced contract management requirements, including monitoring, reporting, and post-contract evaluation.

The Committee was advised that Contract Management Standards would be implemented across the partnership within the following month, introducing tiered monitoring based on contract value and risk.

Members welcomed the clarity of the report and raised several points for further explanation:

- Members queried the rationale for increasing the threshold for written contract performance reports from £85,000 to £1,000,000. Officers explained that the change focussed on strategic, high-value contracts while ensuring operational contracts remain subject to robust monitoring through the new standards. A detailed written response would be provided following the meeting.
- Members expressed concern that the In-Tend portal could be a barrier for local suppliers and asked how contractors could access it. Officers confirmed that support was available, including one-to-one assistance and simplified processes for certain thresholds. A written response would be provided to outline the steps taken to improve accessibility.
- Concerns were raised about reducing the requirement for five written quotations to three. Officers advised that this change reflected practical difficulties in sourcing five quotes in certain sectors and feedback from local suppliers who found the process burdensome. The revised approach maintained competitiveness while improving accessibility. A written response would provide further detail on measures to prevent recurrence.
- A Member queried whether the Council operated an approved contractor list. Officers confirmed that no formal list existed, as it was no longer considered best practice, but suppliers could register on the portal to receive notifications of opportunities.

- Members expressed concern about upfront payments and asked whether payment terms would be reviewed. Officers confirmed that guidance on payment mechanisms was included within the revised standards and would be reinforced through training to minimise financial risk.
- Members sought assurance that high-value contracts would be closely monitored. Officers confirmed that bi-monthly review meetings would be held for strategic contracts, supported by escalation procedures and a contract management network to share best practice.

The Committee noted the importance of balancing flexibility with strong governance and welcomed the introduction of Contract Management Standards as a key improvement.

**Resolved:**

**That the proposed amendments to the Council's Contract Procedure Rules be recommended for approval by Cabinet and Council.**

**33 External Audit Completion Report 2024/2025 (ISA260)**

The Committee received the External Audit Completion Report for 2024/25, presented by KPMG. The auditors confirmed that the audit was substantially complete and that an unqualified, unmodified opinion would be issued ahead of the statutory deadline. Members were advised that Boston Borough Council was in a strong position compared to the national picture, where many audits remain incomplete. The report provided assurance on key areas of financial reporting and governance, including asset valuations, management override of controls, and pension obligations.

The auditors highlighted that two material misstatements relating to asset valuations had been identified and corrected by management:

- Garfits Lane Playing Field: Land value per acre assumption overstated by £1.485m.
- PRSA Athletics Track: Inflationary uplift error resulting in an overstatement of £1.249m.

No issues were found regarding management override of controls or post-retirement benefit obligations. Four recommendations were raised for performance improvement, none of which were significant or fundamental to internal control. Of ten prior-year recommendations, six had been implemented, two partially implemented, and two remained outstanding. The audit fee increase of £22,000 was explained as due to ISA 315 revised risk assessment requirements and an inflationary uplift set by PSAA.

Members welcomed the positive outcome and commended the improvements in timeliness and quality of information provided by PSPS.

The following points were raised during discussion:

- A Member requested inclusion of a glossary of technical terms and acronyms in future audit reports to aid understanding. The auditors agreed to implement this.
- A Member queried why one recommendation had not been accepted. Officers confirmed that work was ongoing and that a detailed response would be provided following the meeting.

- Clarification was sought on governance arrangements for efficiency board meetings. Officers confirmed that agendas and minutes were now maintained to ensure transparency.
- Members noted the increase in audit fees and requested confirmation that this was driven by national changes rather than local issues. The auditors confirmed the increase was due to new auditing standards and PSAA adjustments.
- Members expressed concern about the complexity of asset valuations and asked whether additional controls would be introduced. Officers confirmed that Contract Management Standards and enhanced review processes were being implemented.

The Committee acknowledged the significant improvement in collaborative working between auditors and officers and noted that Boston's position compared favourably to the national picture.

**Resolved:**

**That the External Audit Completion Report for 2024/25 be noted.**

**34 External Auditor's Annual Report 2024/25**

The Committee received the External Auditor's Annual Report for 2024/25, presented by KPMG in accordance with the National Audit Office's Code of Audit Practice. The report summarised the findings from the audit and provided commentary on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources. This assessment covered three key domains:

- Financial Sustainability: How the Council plans and manages its resources to ensure services can continue.
- Governance: How the Council makes informed decisions and manages risks.
- Improving Economy, Efficiency and Effectiveness: How the Council uses performance and cost information to improve service delivery.

The auditors confirmed that no significant weaknesses had been identified in any of these areas. Boston Borough Council was reported to be in a strong position compared to the national picture, where many authorities faced challenges in financial resilience and governance. The report would be published alongside the signed annual accounts on the Council's website.

Members welcomed the positive assurance and raised several points for clarification:

- A Member queried whether the ongoing cost pressure from IDB levies might reduce following falling fuel prices. Officers explained that costs remained high due to electricity charges and operational requirements, and confirmed that discussions with drainage boards and government were ongoing.
- Members asked whether the temporary government grant to offset IDB costs would continue. Officers advised that indications suggested continuation for the coming year, but a long-term funding solution had not yet been secured.
- A Member highlighted the significant change in the Council's year-end cash position compared to the previous year and requested commentary on the reasons behind this movement. Officers undertook to provide a written response at the next meeting.

- Members noted the importance of maintaining robust arrangements for identifying and monitoring efficiency savings, particularly given the medium-term financial challenges outlined in the report. Officers confirmed that improvements to governance processes for efficiency monitoring were underway.

The Committee acknowledged the favourable comparison to national trends and commended the Council's proactive approach to financial planning and governance.

**Resolved:**

**That the External Auditor's Annual Report for 2024/25 be noted.**

**35 Financial Statements 2024/25**

The Committee received the audited Financial Statements for 2024/25, presented by the Head of Finance Delivery, PSPSL. The report sought formal approval for publication and outlined key changes since the draft version considered in July. The Audited Financial Statements 2024/25 were attached as Appendix 1 within the report. Members were reminded that the Accounts and Audit Regulations required the statements to be approved and published by 27<sup>th</sup> February 2026.

The audited statements incorporated adjustments identified during the external audit process, including:

- Two valuation corrections:
  - Garfitts Lane Playing Field – land value per acre assumption overstated by £1.485m.
  - PRSA Athletics Track – inflationary uplift error resulting in an overstatement of £1.249m.
- Disclosure amendments – Updates to the Related Parties note and Officers' Remuneration note to ensure compliance with the CIPFA Code of Practice.
- Minor presentational changes – To improve clarity and meet statutory requirements.

Officers confirmed that final checks with KPMG were ongoing and requested delegated authority for minor amendments prior to official sign-off. The Committee was assured that these adjustments did not affect the overall financial position or the unqualified audit opinion.

Members welcomed the clarity of the report and raised several points for further explanation:

- Members queried the nature of the valuation errors and whether additional controls would be introduced to prevent recurrence. Officers confirmed that enhanced review processes and validation of floor areas were being implemented.
- A Member requested a breakdown of the proportion of expenditure on salaries and pensions. Officers undertook to provide a written response.
- Clarification was sought on the total amount of government funding received under the Boston Partnership initiative. Officers agreed to confirm this outside the meeting.
- Members asked for comparative figures and trends. Officers undertook to report these at the next meeting.

- Questions were raised about the reduction in property fund returns. Officers explained that this reflected market conditions and lower yields, while overall returns remained positive when income was considered.
- Members queried the disclosure of peppercorn leases and the increase in debt impairment. Officers confirmed these were linked to the implementation of IFRS 16 and arrears analysis.

The Committee noted the importance of maintaining robust processes for year-end accruals and valuation checks, particularly given the complexity of accounting standards.

**The recommendations were proposed by Councillor Anton Dani and seconded by Councillor Suzanne Welberry.**

**Resolved:**

1. **That the audited Financial Statements for 2024/25 be approved for publication;**
2. **That delegated authority be given to the S151 Officer, in consultation with the Chairman, to approve any amendments prior to official sign-off; and**
3. **That the S151 Officer be authorised to approve the Letter of Representation on behalf of the Committee.**

## **36 Annual Governance Statement - Action Plan Update**

The Committee received an update on progress against actions arising from the Annual Governance Statement (AGS), presented by the Group Manager – Insights & Transformation. The AGS formed a key part of the Council's governance framework and provided assurance that arrangements were in place to deliver good governance in line with the CIPFA/SOLACE principles.

The update focused on improvement areas identified in the previous statement and confirmed that work was ongoing to strengthen financial planning and governance processes.

Two key actions were highlighted:

- Medium-Term Financial Strategy (MTFS): A revised process had been implemented to improve financial planning, monitoring, and reporting, ensuring greater transparency and resilience in budget setting.
- Proxy Voting and Virtual Meetings: The Council was monitoring government proposals for new arrangements to allow remote participation and proxy voting. Further guidance was expected nationally, and implementation will follow once legislation is confirmed.

The report provided assurance that no new governance risks had emerged since the last update and that existing actions remained on track.

**Resolved:**

**That the update be noted.**

**37 Quarter 2 25/26 Risk Report**

The Committee received the Quarter 2 Risk Report, presented by the Group Manager – Insights & Transformation. The report provided an update on the Council's strategic and partnership risk registers as at the end of September 2025 and formed part of the Committee's regular oversight of risk management arrangements. The BBC Strategic Risks were attached as Appendix A, the Partnership Risk Register was attached as Appendix B and the Fraud Risk Register was attached as Appendix C within the report.

Members were reminded that the Council's risk management framework was aligned with CIPFA best practice and supported informed decision-making by identifying, assessing, and mitigating risks that could impact service delivery or financial sustainability.

The update confirmed:

- Actions from recent risk workshops were being progressed, including work on defining risk appetite and reviewing mitigation strategies.
- A comprehensive review of all risks would follow the risk appetite workshops scheduled for later in the year.
- Some risks remained marked as “not on target”, and officers undertook to provide detailed explanations and revised timelines in the next quarterly report.

Members welcomed the report and raised several points for clarification:

- Members queried why certain risks were flagged as not on target and requested clarity on revised deadlines and mitigation progress. Officers confirmed that updates would be provided in Quarter 3 and that interim measures were in place to manage exposure.
- A Member expressed concern about the significant delay to the IT server room upgrade project, noting its importance for business continuity and cyber resilience. Officers explained that the delay was due to supply chain issues and confirmed that mitigation work, including temporary resilience measures, was underway. A written update was promised.
- Members highlighted the absence of the Landlords Reform Bill from the risk register and asked whether its implications for housing enforcement and resource planning had been considered. Officers confirmed that this risk was being assessed and would be included in the next review.
- Members asked how the effectiveness of mitigation actions was tested. Officers advised that this was identified as an improvement area in a recent internal audit and that enhanced assurance processes would be introduced.
- Members noted the importance of clearly defining risk appetite and asked how this would be communicated. Officers confirmed that workshops would inform a revised risk appetite statement, which would be reported to the Committee and embedded in governance processes.

The Committee emphasised the need for timely updates on high-impact risks and welcomed the commitment to strengthen assurance over mitigation effectiveness.

**Resolved:**

**That the Quarter 2 Risk Report be noted.**

### 38 2025/26 Mid-Term Treasury Report

The Committee received the Mid-Term Treasury Management Report for 2025/26, presented by the Treasury and Investment Manager, PSPSL. The report provided an update on treasury performance for the first half of the financial year and confirmed compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and the Council's approved Treasury Management Strategy. The 2025/26 Mid-Term Treasury Report was attached as Appendix 1 within the report.

Key highlights included:

- **Borrowing Position:** The Council continued to operate with low external borrowing, maintaining a strong liquidity position. External borrowing stood at £1m, with £17.3m internally borrowed against a capital financing requirement of £18.3m.
- **Repayment of LOBO Loan:** The historic LOBO loan with State Street, carrying an interest rate of 11.125%, had been repaid following a one-off offer from the lender. This was replaced with a £1m Public Works Loan Board (PWLB) loan at 4.81% for five years, generating projected savings of approximately £660,000 over the remaining term.
- **Investments:** Investment balances as at 30<sup>th</sup> September were £31m, achieving an average return of 4.95% on treasury investments and 3.12% on property funds. Compliance with all prudential indicators was confirmed.
- **Property Funds:** Valuations had decreased by £2m compared to purchase cost, reflecting market conditions, although overall returns remained positive when income was considered.

The report assured Members that no difficulties were anticipated for the remainder of the year and that the Council remained within approved treasury and prudential indicators.

Members commended the clarity of the report and raised several points for further explanation:

- A Member queried whether future PWLB borrowing could include a repayment structure to reduce principal over time rather than a maturity loan. Officers confirmed that annuity options were available and would be considered at renewal to manage long-term debt prudently.
- Members asked whether similar yields could be achieved on maturing investments. Officers advised that current market rates are lower, with one-year deposits around 4.4%, and noted that returns were expected to decline as interest rates fall.
- Questions were raised about the impact of property fund performance and whether alternative investment strategies were being considered. Officers confirmed that property funds were under review and that options for exit would be explored when market conditions improve, balancing liquidity needs and long-term returns.
- Members sought clarification on changes to Section 106 financing and the timing of receipts from the M&G property fund liquidation. Officers undertook to provide a written update.
- Members noted the importance of monitoring treasury risks, particularly in light of market volatility and interest rate movements. Officers confirmed that risk appetite remained unchanged and that treasury activity would continue to prioritise security and liquidity over yield.

The Committee acknowledged the proactive approach taken to secure savings through the LOBO loan repayment and commended the Treasury team for achieving a favourable outcome.

**The recommendation was moved by Councillor David Scoot and seconded by Councillor Neil Drayton.**

**Resolved:**

**That the Mid-Term Treasury Report for 2025/26 be noted and comments recorded for consideration by Council.**

### **39 Counter Fraud, Bribery and Corruption Policy**

The Committee received the refreshed Counter Fraud, Bribery and Corruption Policy, presented by the Director of Finance (S151 Officer). The policy, attached as Appendix 1 within the report, formed a critical part of the Council's governance framework and set out the Council's commitment to maintaining the highest standards of integrity and accountability. The update ensured compliance with current legislation and aligned with best practice guidance issued by CIPFA and the Local Government Association.

Key features of the revised policy include:

- A clear zero-tolerance approach to fraud, bribery, and corruption.
- Defined responsibilities for Members, officers, and contractors.
- Procedures for reporting suspected fraud, including whistleblowing channels.
- Confirmation of the role of internal audit in monitoring compliance and undertaking investigations.
- Alignment of the policy across the South & East Lincolnshire Councils Partnership, with minor amendments to ensure correct references to Boston Borough Council.

The policy also reinforced the Council's commitment to proactive fraud prevention measures, including risk-based audits, staff training, and awareness campaigns.

Members welcomed the update and raised several points for clarification and improvement:

- A Member suggested that the wording in the policy should move from "aims" to "will" to emphasise the Council's firm commitment to zero tolerance. Officers agreed to review and strengthen the language accordingly.
- Members queried whether internal audit undertook random spot checks in addition to scheduled reviews. Officers confirmed that spot checks were carried out where appropriate and that internal audit provided assurance on fraud prevention measures through its annual plan and targeted reviews.
- Clarification was sought on delegated authority for minor amendments. Officers confirmed that authority rests with the S151 Officer to make changes required by legislation or statutory guidance without returning to Committee.
- Members asked whether staff and Members received regular training on fraud awareness. Officers confirmed that training was delivered periodically and that refresher sessions would be scheduled following the policy update.

- Members queried whether whistleblowing arrangements were robust and accessible. Officers confirmed that the Whistleblowing Policy complemented the Counter Fraud Policy and provided clear channels for confidential reporting.

The Committee noted the importance of maintaining strong anti-fraud measures, particularly in light of increasing cyber threats and financial pressures.

**Resolved:**

1. **That the Counter Fraud, Bribery and Corruption Policy be approved; and**
2. **That delegated authority be given to the S151 Officer to make minor amendments to reflect changes in legislation or statutory guidance.**

#### **40 Information Governance Annual Update 2024/25**

The Committee received the annual update on Information Governance compliance, presented by the Group Information Manager and Deputy Data Protection Officer. The report provided assurance on the Council's adherence to key legislation, including the Data Protection Act 2018, Freedom of Information Act 2000, and Environmental Information Regulations, for the period 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025. It outlined performance against statutory requirements and highlighted the Council's commitment to transparency and data security.

Key points included:

- Volume of Requests: 724 information requests had been received during the year, with 98.3% responded to within statutory deadlines, exceeding the ICO's benchmark of 95%. Five months achieved 100% compliance.
- Redactions and Refusals: 99 requests had been redacted, primarily for personal data and law enforcement exemptions, and 47 had been refused because the information was already published or scheduled for publication.
- Internal Reviews and ICO Action: Only three internal review requests had been received, and no ICO decision notices had been issued against the Council.
- Data Incidents: 53 data incidents had been reported, none meeting the threshold for ICO notification or resulting in harm or claims.
- Subject Access Requests: 16 subject access requests had been processed, and third-party data requests had been managed in compliance with legal requirements.

The report confirmed that the Council continued to maintain strong governance arrangements and proactive measures to ensure compliance.

Members welcomed the positive performance and raised several points for clarification:

- A Member queried whether any requests had been redacted for health and safety reasons. Officers undertook to confirm this outside the meeting.
- Clarification was sought on how internal reviews were conducted. Officers explained that reviews were carried out by a different officer to ensure independence and reassessment of decisions.

- Members asked whether councillors were informed when FOI requests relate to them. Officers confirmed that councillors were contacted if their input was required to provide recorded information.
- A Member suggested introducing a feedback process to measure satisfaction with FOI responses. Officers noted that statutory processes already allowed escalation to the ICO but agreed to consider options for additional feedback.
- Members queried whether the volume of requests was increasing and what impact this had on resources. Officers confirmed a slight upward trend year-on-year and advised that resource planning was reviewed regularly to maintain compliance.

The Committee commended the strong compliance record and noted the importance of maintaining robust processes in light of increasing public expectations for transparency.

**Resolved:**

**That the Information Governance Annual Update for 2024/25 be noted.**

#### **41 Work Programme**

The Committee received the updated Work Programme for the Audit & Governance Committee, presented by the Democratic Services Officer. The report outlined scheduled items for forthcoming meetings and invited Members to suggest any additional topics for inclusion.

The Work Programme was a key planning tool to ensure the Committee fulfilled its responsibilities for financial oversight, governance, and risk management in line with statutory requirements and best practice.

The update confirmed that the programme included:

- Regular reports on risk management, treasury performance, and internal audit progress.
- Annual items such as the Statement of Accounts, Annual Governance Statement, and Information Governance Update.
- Forward planning for emerging issues, including legislative changes and partnership governance.

Members noted the volume of reports scheduled for future meetings and raised several points for consideration:

- A Member queried whether additional meetings should be considered to manage heavy agendas. The Chairman advised that while agendas could be lengthy, meetings were structured to ensure all items received appropriate scrutiny and that additional meetings would only be scheduled if necessary.
- Members suggested exploring options to streamline preparation, such as allocating sections of large reports among Members. The Chairman confirmed that this could be considered informally if required.
- Members asked whether the Work Programme was flexible enough to accommodate emerging risks or urgent governance matters. Officers confirmed that the programme was reviewed regularly and could be updated to reflect new priorities.

- A Member highlighted the importance of including Member training sessions within the programme, particularly on technical areas such as treasury management and audit standards. Officers agreed to incorporate training opportunities where appropriate.

The Committee acknowledged the importance of maintaining a clear forward plan to support effective governance and welcomed the assurance that the programme remained adaptable.

**Resolved:**

**That the Work Programme be noted.**

The Meeting ended at 8.48 pm.

Actions from Audit & Governance Committee meeting on 17<sup>th</sup> November 2025

	Action	Status / Update	Due Date	Responsible Officer(s)
1	<p><b>Minute 32 – Proposed Amendments to the Council’s Contract Procedure Rules</b></p> <p>Action for officers to provide a written response regarding the rationale for increasing the threshold for written contract performance reports from £85,000 to £1,000,000.</p>	<p><b>In hand</b></p> <p>A written response will be circulated in due course.</p>	19 January 2026	MG
2	<p><b>Minute 32 – Proposed Amendments to the Council’s Contract Procedure Rules</b></p> <p>Action for officers to provide a written response to outline the steps taken to improve accessibility to the In-Tend portal.</p>	<p><b>Complete</b></p> <p>A written response has been circulated.</p>	19 January 2026	MG
3	<p><b>Minute 32 – Proposed Amendments to the Council’s Contract Procedure Rules</b></p> <p>Action for officers to provide further detail on measures regarding the requirement of written quotations.</p>	<p><b>Complete</b></p> <p>A written response has been circulated.</p>	19 January 2026	MG

	Action	Status / Update	Due Date	Responsible Officer(s)
4	<p><b>Minute 33 - External Audit Completion Report 2024/2025 (ISA260)</b></p> <p>Action for officers to include a glossary of technical terms and acronyms in future audit reports to aid understanding.</p>	<p><b>Complete</b></p> <p>This has been noted.</p>	19 January 2026	JB / DW
5	<p><b>Minute 33 - External Audit Completion Report 2024/2025 (ISA260)</b></p> <p>Action for officers to provide a detailed response regarding the outstanding recommendation.</p>	<p><b>Complete</b></p> <p>This will be considered as part of the 25/26 year end process.</p>	19 January 2026	JB / DW
6	<p><b>Minute 33 - External Auditor's Annual Report 2024/25</b></p> <p>Action for officers to provide a written response regarding the Council's year-end cash position compared to the previous year.</p>	<p><b>Complete</b></p> <p>A written response has been circulated.</p>	19 January 2026	JB / DW
7	<p><b>Minute 35 - Financial Statements 2024/25</b></p> <p>Action for officers to provide a written response regarding a breakdown of the proportion of expenditure on salaries and pensions.</p>	<p><b>Complete</b></p> <p>A written response has been circulated.</p>	19 January 2026	ES

	Action	Status / Update	Due Date	Responsible Officer(s)
8	<b>Minute 35 - Financial Statements 2024/25</b> Action for officers to provide clarification on the total amount of government funding received under the Boston Partnership initiative.	<b>Complete</b> A written response has been circulated.	19 January 2026	PSPS
9	<b>Minute 35 - Financial Statements 2024/25</b> Action for officers to provide comparative figures and trends in relation to collection rates for Council Tax and Business Rates.	<b>Complete</b> A written response has been circulated.	19 January 2026	PSPS
10	<b>Minute 37 - Quarter 2 25/26 Risk Report</b> Action for officers to provide an update regarding the delay to the IT server room upgrade project.	<b>Complete</b> This will be included in the Q3 report.	19 January 2026	SR
11	<b>Minute 37 - Quarter 2 25/26 Risk Report</b> Action for officers to include the Landlords Reform Bill in the next review.	<b>Complete</b> This will be included in the Q3 report.	19 January 2026	SR

	Action	Status / Update	Due Date	Responsible Officer(s)
12	<p><b>Minute 38 - 2025/26 Mid-Term Treasury Report</b></p> <p>Action for officers to provide an update regarding the changes to Section 106 financing and the timing of receipts from the M&amp;G property fund liquidation.</p>	<p><b>Complete</b></p> <p>A written response has been circulated.</p>	19 January 2026	SH
13	<p><b>Minute 38 - 2025/26 Mid-Term Treasury Report</b></p> <p>Action for officers to prepare a report to Full Council in January 2026.</p>	<p><b>Complete</b></p> <p>The report will be considered by Full Council on 12<sup>th</sup> January 2026.</p>	19 January 2026	SH
14	<p><b>Minute 39 - Counter Fraud, Bribery and Corruption Policy</b></p> <p>Action for officers to review and strengthen the policy wording accordingly.</p>	<p><b>Complete</b></p> <p>Wording has been reviewed and strengthened with removal of "we aim" from the introductory line.</p>	19 January 2026	RS
15	<p><b>Minute 40 - Information Governance Annual Update 2024/25</b></p> <p>Action for officers to confirm whether any requests had been redacted for health and safety reasons.</p>	<p><b>Complete</b></p> <p>A written response has been circulated.</p>	19 January 2026	RS

	Action	Status / Update	Due Date	Responsible Officer(s)
<b>16</b>	<b>Minute 41 - Work Programme</b> Action for officers to incorporate training opportunities where appropriate.	<b>Complete</b> All opportunities for training will be annotated into the Work Programme.	<b>19 January 2026</b>	<b>ALL</b>
<b>17</b>	<b>Additional</b> Action for Democratic Services to submit the Minutes to a future Full Council meeting.	<b>Complete</b> The draft minutes will be considered by Full Council on 12 <sup>th</sup> January 2026.	<b>19 January 2026</b>	<b>RF</b>

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**Report To:** Audit & Governance Committee

**Date:** 19 January 2026

**Subject:** Audit & Governance Committee Personal Skills Audit

**Purpose:** Evaluating the knowledge and skills of the A&G committee members

**Key Decision:** N/A

**Report Of:** John Medler, Assistant Director – Governance & Monitoring Officer

**Report Author:** Rebecca James, Scrutiny & Policy Officer

**Ward(s) Affected:** None

**Exempt Report:** No

## Summary

This Skills Audit is designed to assess the current skills, knowledge, and training needs of members of the Audit & Governance Committee. The responses received will feed into the self-assessment work later in the year, help identify areas for development and ensure the committee operates effectively.

## Recommendations

That the Committee agrees to complete the Personal Skills Audit.

## Reasons for Recommendations

To support effective audit and governance arrangements within the Council.

## Other Options Considered

Do nothing, not recommended.

## **1. Background**

1.1 The purpose of the Personal Skills Audit (**Appendix 1**) is to support the committee in ensuring continuous effective audit and governance practice for the Committee and across the Council.

## **2. Report**

2.1 The A&G committee undertake an annual self-assessment process, following CIPFA best practice that "*The committee should evaluate its impact and identify areas for improvement*".

2.2 Specific responsibilities for the Committee include maintenance of governance, risk and control arrangements; financial and governance reporting; and establishing appropriate and effective arrangements for audit and assurance. The CIPFA knowledge and skills framework (**Appendix 2**) outlines the key knowledge and skills that a committee needs to collectively have to be as effective as possible.

2.3 As part of the 2025 self-assessment, it was agreed that a skills audit would be done to gather information on the knowledge, skills and development needs of the A&G committee members. The Skills Audit document can be found at **Appendix 1**. Committee members will have the option of filling in the form using the word document or following an online link to complete using MS Forms. The results of the skills audit will then be used to feed in to the 2026 self-assessment work.

## **3. CONCLUSION**

3.1 The findings from the Skills Audit will be used to feed in to the 2026 self-assessment work, which will help the committee focus on areas of improvement and ensure oversight of governance and audit issues at committee meetings.

### **Implications**

#### **South and East Lincolnshire Councils Partnership**

None

#### **Corporate Priorities**

Effective governance and audit arrangements are an essential element of the delivery of all corporate priorities.

#### **Staffing**

None

## **Workforce Capacity Implications**

None

## **Constitutional and Legal Implications**

None

## **Data Protection**

None

## **Financial**

Effective governance and audit arrangements ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

## **Risk Management**

None

## **Stakeholder / Consultation / Timescales**

No consultation undertaken.

## **Reputation**

None

## **Contracts**

None

## **Crime and Disorder**

None

## **Equality and Diversity / Human Rights / Safeguarding**

None

## **Health and Wellbeing**

None

## **Climate Change and Environmental Implications**

None

## **Acronyms**

CIPFA - The Chartered Institute of Public Finance and Accountancy

## Appendices

Appendices are listed below and attached to the back of the report:

## Skills Audit Survey CIPFA knowledge and skills framework

## Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

## Chronological History of this Report

A report on this item has not been previously considered by a Council body.

## Report Approval

Report author: **Rebecca James, Scrutiny & Policy Officer**  
[Rebecca.James@e-lindsey.gov.uk](mailto:Rebecca.James@e-lindsey.gov.uk)

Signed off by: John Medler, Assistant Director, Governance & Monitoring Officer  
[John.Medler@e-lindsey.gov.uk](mailto:John.Medler@e-lindsey.gov.uk)

Approved for publication: Councillor Barrie Pierpoint, Chair of Audit & Governance  
[Barrie.pierpoint@boston.gov.uk](mailto:Barrie.pierpoint@boston.gov.uk)

# Audit & Governance Committee

## Personal Skills Audit

### Section 1: Your Details

Name: \_\_\_\_\_

Role (e.g., Chair, Member): \_\_\_\_\_

### Section 2: Core Areas of Knowledge

Please rate your level of knowledge in each area:

**1 = No Experience | 2 = Basic | 3 = Intermediate | 4 = Advanced**

Knowledge Area	Rating (1–4)	Comments / Development Needs
1. Organisational Knowledge		
2. Audit Committee Role and Functions		
3. Governance		
4. Internal Audit		
5. Financial management and accounting		
6. External Audit		
7. Risk Management		
8. Counter Fraud		

9. Values of Good Governance		
10. Treasury Management		

## Section 3: Core Skills

Rate your skills using the same scale (1–4):

Skill Area	Rating (1–4)	Comments / Development Needs
1. Strategic thinking and understanding of materiality		
2. Questioning and constructive challenge		
3. Focus on improvement		
4. Ability to balance practicality against theory		
5. Clear communication skills and focus on the needs of users		
6. Objectivity		
7. Meeting management skills		

## Section 4: Training Needs

Which areas do you feel require further development?

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Suggested training or support:

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## Section 5: Other Skills or Experience relevant to the committee

Please list any additional skills or experience that may contribute to the effectiveness of the committee:

General Skills / Experience	Comments
IT literacy	
Negotiation	
Community engagement	
Leadership	

Project management	
Other (please state):	<ol style="list-style-type: none"><li>1.</li><li>2.</li><li>3.</li><li>4.</li></ol>

## Section 6: Other Comments

Please state any further thoughts, comments, or general feedback on any relevant issues relating to the Audit & Governance Committee that you wish to raise.



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**AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)**

<b>CORE AREAS OF KNOWLEDGE</b>			
	<b>KNOWLEDGE AREA</b>	<b>DETAILS OF CORE KNOWLEDGE REQUIRED</b>	<b>HOW THE AUDIT COMMITTEE MEMBER IS ABLE TO APPLY THAT KNOWLEDGE</b>
1	ORGANISATIONAL KNOWLEDGE	<p>An overview of the governance of the authority and decision-making processes.</p> <p>Knowledge of the organisational objectives and major functions of the authority.</p>	<p>This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers.</p>
2	AUDIT COMMITTEE ROLE AND FUNCTIONS	<p>An understanding of the audit committee's role and place within the governance structures.</p> <p>Familiarity with the committee's terms of reference and accountability arrangements</p> <p>Knowledge of the purpose and role of the audit committee</p>	<p>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</p>
3	GOVERNANCE	<p>Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS</p> <p>Knowledge of the local code of governance.</p>	<p>The Committee will review the local code of governance and consider how governance arrangements align to the principles in the framework.</p> <p>The Committee will plan the assurances it is to receive in order to adequately support the AGS</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p>

## AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)

4	INTERNAL AUDIT	<p>An awareness of the key principles of the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN)</p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.</p>	<p>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards</p> <p>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The Committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</p> <p>The audit committee chair is likely to be interviewed as part of any external quality assessment and the committee will receive the outcome of the assessment and action plan.</p>
5	FINANCIAL MANAGEMENT AND ACCOUNTING	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016)</p>	<p>Reviewing the financial statements prior to publication, asking questions</p> <p>Receiving the external audit report and opinion on the financial audit.</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls</p> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>

## AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)

6	EXTERNAL AUDIT	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide.</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The audit committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>
7	RISK MANAGEMENT	<p>Understanding of the principles of risk management, including linkage to good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation</p> <p>Understanding of risk governance arrangements including the role of members and of the audit committee.</p>	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice.</p>
8	COUNTER FRAUD	<p>An understanding of the main areas of fraud and corruption risk to which the organisation is exposed.</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud</p>

## AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)

		<p>Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p>	<p>strategy and receives reports on the effectiveness of that strategy.</p> <p>An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</p>
9	VALUES OF GOOD GOVERNANCE	<p>Knowledge of the Seven Principles of Public Life</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>
10	TREASURY MANAGEMENT	<p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management.</p> <p>The key knowledge areas are:</p> <ul style="list-style-type: none"> <li>• Regulatory requirements</li> <li>• Treasury risks</li> <li>• The organisation's treasury management strategy</li> <li>• The organisation's policies and procedures in relation to treasury management.</li> </ul>	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

## AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)

CORE SKILLS			
	SKILLS	KEY ELEMENTS	HOW THE AUDIT MEMBER IS ABLE TO APPLY THE SKILL
1	STRATEGIC THINKING AND UNDERSTANDING OF MATERIALITY	Able to focus on material issues and overall position, rather than being side tracked by detail.	<p>When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures.</p> <p>The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.</p>
2	QUESTIONING AND CONSTRUCTIVE CHALLENGE	<p>Able to frame questions that draw out relevant facts and explanations.</p> <p>Challenging performance and seeking explanations while avoiding hostility or grandstanding.</p>	<p>The audit committee will review reports and recommendations to address weaknesses in internal control.</p> <p>The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.</p>
3	FOCUS ON IMPROVEMENT	Ensuring there is a clear plan of action and allocation of responsibility.	<p>The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities.</p> <p>Where errors or control failures have occurred, then the audit committee should seek assurance that appropriate action has been taken.</p>
4	ABLE TO BALANCE PRACTICALITY AGAINST THEORY	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic

## AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)

5	CLEAR COMMUNICATION SKILLS AND FOCUS ON THE NEEDS OF THE USERS	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
6	OBJECTIVITY	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity	The audit committee will receive assurance reports and review risk registers.  There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
7	MEETING MANAGEMENT SKILLS	Chair the meetings effectively: Summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.



## **Internal Audit Progress Report – January 2026 Executive Summary**

**Purpose of the report** - The Head of Internal Audit is required to provide a written status report to Senior Management and the Committee, summarising internal audit activity:

- Role of Internal Audit.
- The purpose of the report.
- Performance dashboard
- Analysis of 'live' audit reviews.
- Executive summaries limited and no opinions.
- Planning and resourcing.
- Appendix 1 – Overdue management actions

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# **Internal Audit Progress Report – January 2026.**

The Head of Internal Audit is required to provide a written status report to Senior Management and the Committee, summarising internal audit activity.

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## Role of Internal Audit

The requirement for an internal audit function in local governance 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 and guidance.'*

The standards relevant for the financial year 2025/26 relating to proper practices are laid down in the Global Internal Audit Standards, 2024 and the Application Note: Global Internal Audit Standards in the UK Public Sector, 2025.

The role of internal audit is best summarised through the purpose statement contained within the Standards, which states:

*"Internal audit strengthens the organisation's ability to create, protect, and sustain value by providing the board and management within independent, risk-based and objective assurance, advice, insight and foresight.*

*Internal auditing enhances the organisation's:*

- *Successful achievement of its objectives.*
- *Governance, risk management and control processes.*
- *Decision-making and oversight.*
- *Reputation and creditability with their stakeholders.*
- *Ability to serve the public interest.*

Internal audit is most effective when:

- it is performed by competent professionals in conformance with the GIIA Standards, which are set in the public interest.
- The internal audit function is independently positioned with accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

## The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Head of Internal Audits annual opinion.

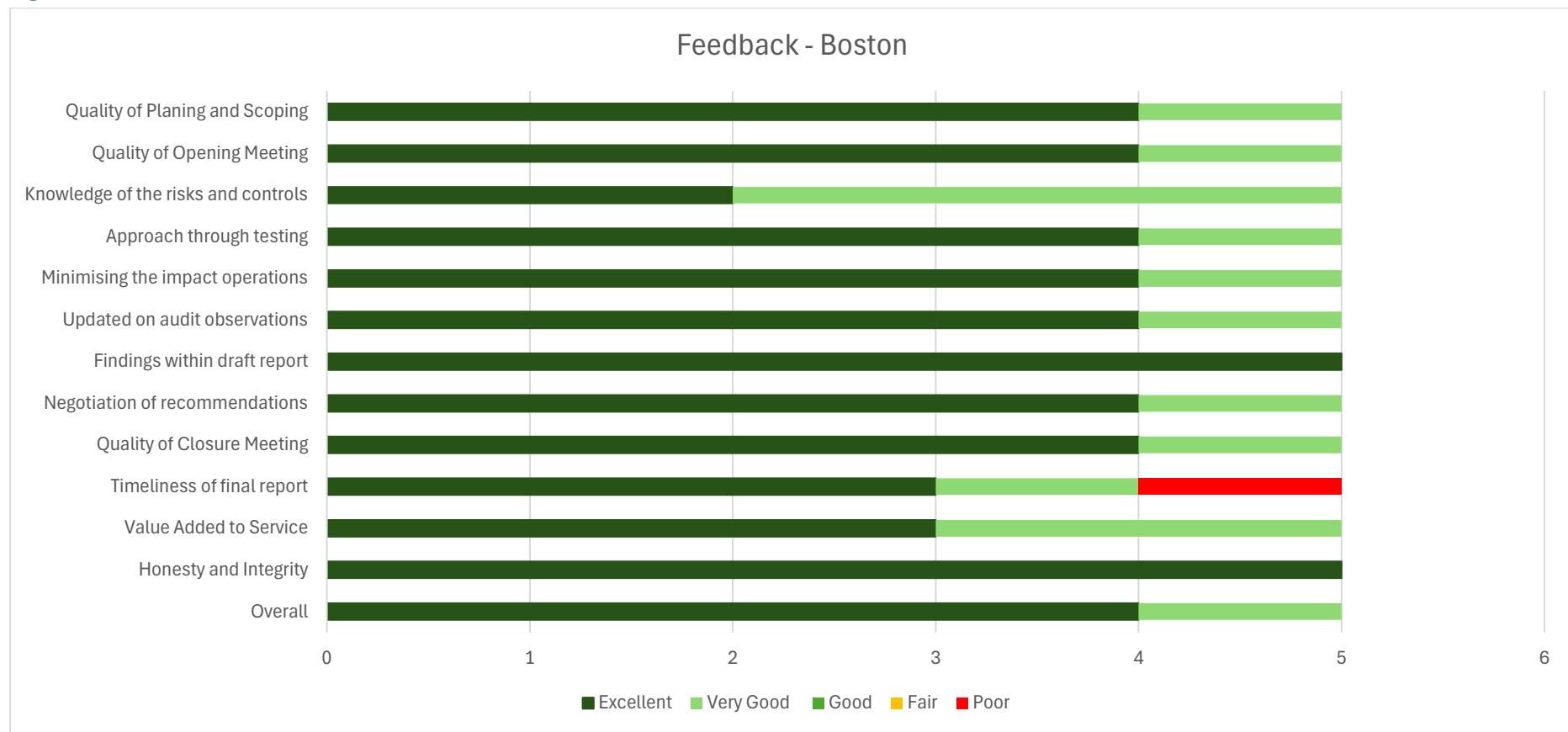
Internal audit reviews culminate in an opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

<b>Substantial</b>	A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Adequate</b>	There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

Internal quality assurance checks are undertaken at multiple points throughout assurance and advisory reviews. This culminates in the Head of Internal Audit signing off each audit report prior to its release which includes the approval of the final assurance award. This approach provides consistency in assurance ratings and robustness in the level of assurance the committee can take from assurances.

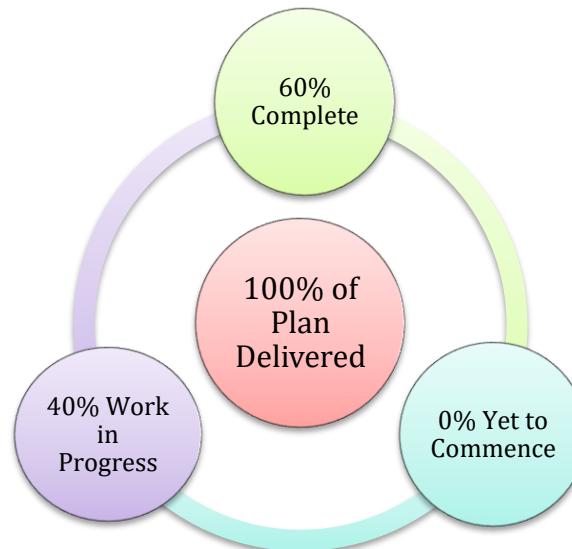
# Performance Dashboard

Figure 1



**Feedback** is an essential aspect of our internal quality assurance programme. Post audit feedback questionnaires (PAQs) are issued after every audit assignment. For completed 2025/26 audits officers provided feedback responses to five of the eight requests issued following completed audit assignments. The response rate has raised concerns relating to a perceivable lack of management engagement with the internal audit service. Details of this have been raised by internal audit with the senior leadership team.

**Figure 1** summarises the feedback received from the following reviews risk register, ICT cyber security, leisure services, Section 106 funding and feedback from the advisory review relating to values. As demonstrated by the data, the majority of feedback received has been positive. The poor graded feedback concerns the ICT cyber security review delivered by a specialist third party, was discussed at the November audit committee.



*Figure 2 audit plan delivery*

**Figure 2** the internal audit plan is progressing as expected, with 60% of the plan completed by the end of quarter three. Tracking processes have been a focus for development during the current year along with improving and communicating the importance of tracking delivery and performance. The delivery model has delivered efficiency as a result of improvements made.

This financial year to date as seen the internal audit team adequately resourced to deliver the agreed audit plan, advisory engagements, and follow-up activity. The team utilised contingency within the annual audit plan to address risk-based needs arising during the year. In addition, the team continued to enhance its advisory function with the intention to and raise awareness and sharing lessons learned to support strong governance, effective risk management, and robust control processes.

There has been no recruitment during the current year as the team has no vacancies. All senior auditors are supervised by a qualified and skilled principal auditor. Management and quality processes have been sufficient to monitor conformance with the IIA's Global internal Audit Standards and CIPFA's Application Notes.

## Analysis of 'live' Audit Reviews

Table 1

Internal audits in progress				
Assignment Area	Audit Profile	High Level Risks	Completion Due	Audit Sponsor
Planning	High	Assess the effectiveness of phase one of the planning service review across SELCP, focusing on governance, performance, and compliance. Evaluate whether the shared management structure and associated changes have been implemented effectively and are delivering against strategic objectives.	December 2025	AD Planning
Finance Resilience including Skills Capacity and Management Code Compliance	High	Provide assurance on the administration of grants and funds. A fundamental enabler of the council's corporate plan and key priorities. Review delivery, resource and risk management of grant funded programmes.	December 2025	Section 151 Officer
Health and Safety Actions Implementation	High	The audit will assess whether procedures are consistently applied, responsibilities and deadlines clearly assigned, and evidence is maintained to confirm implementation. The review will also examine governance and escalation arrangements to ensure overdue actions are addressed promptly and that reporting to SLT and Committees accurately reflects the true position of H&S compliance.	December 2025	Director of Communities
ICT AI Governance	Medium	To assess how AI, automation, and algorithm-supported processes are currently being used or explored across the Partnership, including services delivered by PSPS, and to assess whether there are appropriate controls in place. This includes reviewing governance, data protection considerations, user accountability, and preparedness for risks arising both from internal use of AI and from AI-generated information received from external sources.	March 2026	AD Corporate

Identification and Monitoring of Savings	High	To provide assurance that the newly developed systems for the identification and monitoring of savings targets across the partnership have been implemented and managed effectively as part of the budget setting process for 2026/27.	March 2026	Section 151 Officer
Disability Facilities Grants	Medium	To assess whether key risks associated with DFG delivery—particularly legal compliance, timeliness, fraud, quality of adaptations, governance, and use of Better Care Fund allocations—are being effectively identified, managed, and monitored across the Partnership.	March 2026	AD Communities and Housing Services

Table 2

Assignment Area		Report due to Committee	Management Responses Overdue	Assurance Rating	Audit Sponsor
Funds and Grants Administration and Planning		January 2026	Yes. A closure meeting was held on 26 November 2025. Four medium-level actions were identified, and no management responses have been provided to date.	Adequate	Section 151 Officer

Final internal audit reports completed		
Assignment Area	Assurance rating	Findings Summary
Identification and monitoring of savings	Insufficient Controls	The audit was unable to establish sufficient first or second-line controls to test for adequacy and fulfil the agreed assignment scope to provide a reliable assurance rating. Seven key findings were reported with five root causes identified. The recommendations included for management to take immediate action to implement effective, formal and management led controls to provide a foundation level for the control environment and that an assurance driven audit is rearranged to provide an update on systems and processes implemented. A repeat audit will be undertaken once sufficient controls have been implemented. This anticipated to be in quarter four.
Risk Register Review	Adequate	The review identified one high, four medium and one low rated finding requiring management action to address. Risk register for Boston Borough Council met core requirements, but several risk entries lacked measurable outcomes, assigned ownership, and strategic objective alignment. Controls and mitigations were inconsistently recorded, with no formal validation process or assessment of effectiveness. Risk

		appetite was referenced but not formally defined or applied. Training records were unavailable due to the absence of a central tracking system. While oversight, by the Audit Committee and senior leadership was evident, report formats and executive summaries were often unclear or overly detailed. Strengthening documentation, formalising risk appetite, and improving strategic alignment and oversight would enhance risk management effectiveness.
ICT Cyber Security	Adequate	The review identified five medium rated findings requiring management action to address. Cyber security controls across Boston Borough Council were generally well-managed, supported by a formal strategy, ICT roadmap, and structured governance. The IT team had defined roles and processes, with cyber risks reviewed and reported appropriately. A successful ransomware simulation and appropriate network monitoring were noted. Testing identified the absence of documented procedures for threat escalation, undefined remediation timescales, and unresolved vulnerabilities without senior approval. Threat scanning intervals did not align with vendor guidance, and oversight reports lacked full visibility of identified risks. Addressing these areas would strengthen cyber resilience and assurance.
Values (Advisory)	N/A	The review identified seven key findings. Internal Audit identified that Boston Borough Councils commitment to its values framework through the workforce development strategy, though its revision for 2025/26 was delayed. Testing identified that values were not consistently linked to staff conduct codes, and the workforce strategy lacked provisions for accountability or consequences. Induction processes did not include a standard checklist for values training, limiting assurance. Communication methods varied, with some staff missing key information, and appraisals did not require reflection on values. Delays in completing appraisals further hindered performance discussions. Strengthening links between values, conduct, and performance processes would improve consistency and accountability.
Capital Budget Monitoring	Adequate	The review identified one medium rated finding requiring management action to address. Internal audit testing confirmed that updates to the capital budget monitoring process, completed in preparation for the 2025/2026 financial year, had been implemented effectively in Quarter one. Meetings with budget holders were documented using software, and agreed actions were recorded on SharePoint for monitoring, with relevant mitigations completed. Outcomes of these meetings were shared with Assistant Directors, and regular discussions were held with the Section 151 Officer regarding the position of budgets within the capital programme. Audit testing evidenced a clear audit trail for amendments to capital budgets, in line with financial regulations and procedures at each council. The Section 151 Officer had developed guidance for the 2026/2027 budget-setting process, including a review of the capital programme to ensure future revenue impacts were considered. The Capital Monitoring Team operated at full capacity, and further development was planned to ensure all expenditure was included in monitoring. Overall, internal audit testing confirmed that key risks relating to capital budget monitoring were managed effectively.

PSPS Contract Management	Adequate	The review identified eight medium and one low rated finding's requiring management action to address. Audit testing confirmed that the contract had been monitored by the Shareholder Board, Stakeholder Board, and Client Liaison Group, attended by councillors and officers from the partner councils and PSPS. KPIs were in place within individual Service Level Agreements and monitored through regular liaison, with systems established to ensure compliance with TECKAL guidance. A medium risk relating to the PSPS relationship was recorded in the partnership risk register, although one council's operational register did not include PSPS-related risks. The audit noted ongoing reviews of resourcing in finance and service delivery in light of potential Local Government Reorganisation changes. Separation of duties existed for PSPS Board members; however, not all councillor board members had declared their roles in published interests. While specific contract management was not in place, governance arrangements covered key elements effectively, though some internal controls required strengthening to maintain effectiveness.
Leisure Services Procurement	Substantial	No findings were identified during the review. Audit testing confirmed full compliance with the Public Contracts Regulations 2015 during Stages 1 and 2 of the procurement, with legal scrutiny applied at each stage and governance evidenced through senior leadership oversight, member briefings, and Joint Scrutiny Committee involvement. Documented procedures and templates had been followed, and evidence showed clear segregation of duties across procurement design, bid evaluation, legal review, and decision-making. Whistleblowing arrangements were in place across the councils and PSPS, reducing bias and supporting impartiality in line with Regulation 24. Testing of Stage 3 found no issues, and the procurement was expected to conclude within anticipated timelines, meeting regulatory requirements and strategic objectives. Overall, substantial assurance was provided that controls and processes for managing the procurement were operating effectively.
Section 106	Adequate	The review identified five medium rated findings requiring management action to address. Internal audit testing confirmed that documentation for the allocation of s106 funds was accurate and supported by regular stakeholder engagement. Monitoring records aligned with published Infrastructure Funding Statements (IFS) as required under the Community Infrastructure Levy Regulations, and budget monitoring was integrated with financial reporting. However, the statutory deadline for IFS publication was missed at ELDC and BBC, and s106-related risks were not formally recognised within operational risk registers. Delays in implementing the Uniform planning system also affected progress towards aligning planning processes across the partnership. While key risks were managed effectively, internal audit identified areas where controls could have been strengthened.

## Executive Summaries of 'Limited' or 'No' Assurance Opinions

There have been no finalised limited or no assurance awards for April to December 2025.

## Planning and Resourcing

**Table four** shows delivery progress against the annual audit plan agreed by the Committee in March 2025.

**Table five** shows delivery progress for advisory engagements. The team retain a flexible approach to regularly reviewing our plan to ensure we can respond adequately to the council's risk needs and profile should that change mid-year and agree to share changes or amendments with the audit committee along with risk-based rationale and any arising implications.

The audit team is adequately resourced to deliver the remainder of the audit plan for 2025/26. An annual report and opinion will be presented to the audit committee in July 2026 which will include all outcomes. It is expected the audit programme will be delivered in its entirety and will be sufficient to inform the annual audit opinion.

*Table 4 – Audit plan delivery*

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
<b>ASSURANCE WORK 2024/2025</b>							
Risk Register Review	Monitoring Officer	✓	✓	✓	✓	✓	Adequate
Capital Budget Monitoring	S151 Officer	✓	✓	✓	✓	✓	Adequate
ICT Cyber Security	AD Corporate	✓	✓	✓	✓	✓	Adequate
Identification and Monitoring of Savings	S151 Officer	✓	✓	✓	✓	✓	Insufficient Controls Report
PSPS Contract Management	S151 Officer	✓	✓	✓	✓	✓	Adequate

Leisure Services Procurement	AD Leisure & Local Services	✓	✓	✓	✓	✓	✓	Substantial
Funds and Grants Administration and Planning	S151 Officer	✓	✓	✓	✓	✓		Adequate
Section 106	AD Planning	✓	✓	✓	✓	✓	✓	Adequate
Health and Safety Actions Implementation	Director of Communities	✓	✓	✓	✓	✓		
Planning	AD Planning	✓	✓	✓				
Finance Resilience including Skills Capacity and management Code Compliance	Section 151 Officer	✓	✓	✓				
ICT AI Governance	AD Corporate	✓	✓					
Identification and Monitoring of Savings	S151 Officer	✓	✓					
Disability Facilities Grants	AD Communities and Housing Services	✓	✓					

Table 5 – Advisory assignment delivery

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
<b>ASSURANCE WORK 2024/2025</b>							
Values	Monitoring Officer	✓	✓	✓	✓	✓	Not Applicable

## Appendix 1 Overdue management actions

**Table 6** presents the outstanding management actions from 2021/22. The outstanding high management action from 2020/21 has been extended to 31 March 2026. This is due to the income system that is used to take payments being upgraded. Implementation has been delayed. Alongside the upgrade there is a solution for taking card payment over the phone which will support PCI DSS compliance. The extension has been supported.

**Table 7** shows those from 2024/25. Three medium management actions from the Towns Fund and Capital Programme review have been extended at the request of the AD Growth to allow for a service review to be concluded and recommendations implemented.

*Table 6-Management Actions (2020-2021)*

Audit Year	Audit	Audit Report Date	Audit Sponsor	Assurance Opinion	Management Actions Total	Management Actions - Closed	Management Actions - Not Due	Management Actions - Follow Up Required	Open Management Actions - Risk Analysis			
									Critical	High	Medium	Low
2021/22	BBC - Key Controls testing	Jun-22	S151 Officer	Substantial	6	5	1	0	0	1	0	0
<b>TOTAL</b>					<b>6</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>

*Table 7-Management Actions (2024-2025)*

Audit Year	Audit	Audit Report Date	Audit Sponsor	Assurance Opinion	Management Actions Total	Management Actions - Closed	Management Actions - Not Due	Management Actions - Follow Up Required	Open Management Actions - Risk Analysis			
									Critical	High	Medium	Low
2024/25	SELCP - Housing Benefits and Council Tax Support	Dec-24	S151 Officer	Substantial	1	0	1	0	0	0	1	0
2024/25	SELCP - Towns Fund and Capital Programme	May-25	AD, Growth	Adequate	4	1	3	0	0	0	3	0
<b>TOTAL</b>					<b>5</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>

**Table 8** below shows all actions now under internal audit management and oversight. During quarter three follow up reviews were conducted resulting in the evidenced closure of 11 actions, 27 actions were not due at the time of extracting the data. Quarter four will see eight of the outstanding actions reviewed for effective implementation and reported as part of the final yearend report. The audit team have improved follow up procedures now that the team are proficient in assessing the adequacy and effectiveness of management actions. A programme of delivery is in place to provide the committee with the residual risk should management actions remain outstanding after the agreed implementation date, or if actions fail to mitigate the finding and associated risk to the council.

Future reports will inform the committee should any dates be delayed by management alongside their rationale.

Table 8

Audit Year	Audit	Audit Report Date	Audit Sponsor	Assurance Opinion	Management Actions Total	Management Actions - Closed	Management Actions - Not Due	Management Actions - Follow Up Required	Open Management Actions - Risk Analysis				
									Critical	High	Medium	Low	
2024/25	Budget Monitoring - Revenue	Mar-25	S151 Officer	Adequate	4	3	1	0	0	0	1	0	
2024/25	Capacity, Aims and Priorities	Apr-25	AD, Corporate	Adequate	4	3	1	0	0	0	0	1	
2024/25	Insurance	Jan-25	S151 Officer	Limited	8	6	2	0	0	2	0	0	
2024/25	Bank Reconciliations	Sep-24	S151 Officer	Limited	3	2	1	0	0	0	0	1	
2025/26	Risk Register Review	Jul-25	AD, Governance	Adequate	6	0	6	0	0	1	4	1	
2025/26	ICT Cyber Security	Aug-25	AD, Corporate	Adequate	5	4	1	0	0	0	0	1	
2025/26	Capital Budget Monitoring	Sep-25	S151 Officer	Adequate	1	0	1	0	0	0	0	1	
2025/26	Section 106	Oct-25	AD, Planning	Adequate	5	0	5	0	0	0	0	5	
2025/26	PSPS Contract Management	Oct-25	S151 Officer	Adequate	9	0	9	0	0	0	0	8	
TOTAL						45	18	27	0	0	3	22	2

# Agenda Item 3



<b>Report To:</b>	Audit and Governance Committee
<b>Date:</b>	19 <sup>th</sup> January 2026
<b>Subject:</b>	Draft Treasury Management Policy Statement; Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2026/27; and Treasury Management & Investment Management (Non-Treasury) Principles and Practices.
<b>Purpose:</b>	To provide pre-decision scrutiny to the treasury documents being proposed.
<b>Key Decision:</b>	No
<b>Portfolio Holder:</b>	Councillor Sandeep Ghosh, Portfolio Holder for Finance and Economic Growth
<b>Report Of:</b>	Russell Stone – Director of Finance (S151 Officer)
<b>Report Author:</b>	Sean Howsam, Treasury & Investments Manager (PSPSL)
<b>Ward(s) Affected:</b>	None directly
<b>Exempt Report:</b>	No

## Summary

This report covers the Draft Treasury Management Policy, Draft Treasury Management Strategy Statement and Treasury Management & Investment Management (Non-Treasury) Principles and Practices for the 2026/27 financial year. They are included as part of the Budget Setting Report that is submitted to Cabinet and Council for approval.

As the report is a treasury report it is being submitted to Audit and Governance Committee for scrutiny prior to submission to Cabinet and Council.

**This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2026/27.**

## Recommendations

That the Audit and Governance Committee scrutinise the Treasury Management Policy (**Appendix 1**), the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy 2026/27 (**Appendix 2**) and the Treasury Management & Investment (Non-Treasury) Principles and Practices

**(Appendix 3)** and make any comments and suggestions for consideration by Cabinet in February 2026 and Council on 2 March 2026 when they consider these documents as part of the budget report.

### **Reasons for Recommendations**

To comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

### **Other Options Considered**

Members have the option of making comments to Cabinet and Council in respect of the proposed strategy or alternatively making no comments.

## **1. Background**

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion, any existing debt may be restructured to meet Council risk or cost objectives.
- 1.3 Accordingly, treasury management is defined as:

"The management of the local authority'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".
- 1.4 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:
  - A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
  - An overview of how the associated risk is managed.
  - The implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The capital strategy is being reported separately.

## 2. Report

**2.1** There are no proposed changes to the Treasury Management Policy Statement in **Appendix 1** and it is attached for completeness.

**2.2** The Council is required to set out its Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy for the forthcoming year. These outline the Council's strategy for borrowing and its policies for managing its investments and for giving priority to the security and liquidity of those investments. Our strategy statements for 2026/27 are attached at **Appendix 2**. The strategy statements cover:

- reporting requirements
- capital prudential indicators 2025/26 to 2030/31
- the borrowing requirement
- the MRP policy
- the use of the Council's resources and the investment position
- prudential and treasury indicators
- treasury limits in force which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment policy
- creditworthiness policy
- country limits
- investment strategy

**2.3** The strategy document presented to Audit and Governance for scrutiny is currently at draft stage. This is because the future Capital Programme has yet to be finalised and approved by Council. Once this is known the tables within the strategy document shown at **Appendix 2** will be amended and considered by Cabinet prior to submission to Council for approval before the commencement of the 2026/27 financial year.

**2.4** The Council's strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code and will require approval by Full Council. In addition there will be Quarterly and Mid-Year Treasury Reports and an Annual Report submitted to Governance and Audit Committee. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

2.5 The strategy proposes an increase in the operational boundary for external borrowing from £15m to £35m and the authorised borrowing limit from £18m to £38m. The Council's Capital Financing Requirement projections are increasing through to 2030/31 resulting from unfinanced capital expenditure in the Capital Programme. The increase in the borrowing limits will provide flexibility to the S151 Officer to externally borrow to cover this capital expenditure when market conditions are most favourable.

2.6 The only change to the investment criteria proposed is an increase in the maximum amount invested in the CCLA Money Market Fund from £7.5m to £10m. This is because of the higher levels of short term funding required due to increases in precept payments.

2.7 The Treasury Management & Investment Management (Non-Treasury) Principles and Practices are attached at **Appendix 3**.

### **3. Conclusion**

3.1 This report has been produced based on information available from the budget setting process. As this process is ongoing, the information is subject to amendment prior to its final submission to Council.

#### **Implications**

##### **South and East Lincolnshire Councils Partnership**

None

##### **Corporate Priorities**

None

##### **Staffing**

None

##### **Workforce Capacity Implications**

None

##### **Constitutional and Legal Implications**

This Council is required to produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy before the commencement of each financial year to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

##### **Data Protection**

None

##### **Financial**

Adoption of the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy will ensure sound financial controls associated with the management of the authority's investments and cash flows, its banking, money market and capital market transactions and safeguard these assets.

## **Risk Management**

The Strategy will put in place measures for the effective control of the risks associated with Treasury Management and the pursuit of optimum performance consistent with those risks. The Council's priority is the security of its investments.

## **Stakeholder / Consultation / Timescales**

This report is being submitted for pre decision scrutiny prior to submission to Cabinet and Council.

MUFG Corporate Markets, who are external treasury advisors to the Council, have been consulted in relation to the compilation of this report.

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis as part of the monthly portfolio meetings.

## **Reputation**

The security of investments is the Council's main priority when investing surplus cash.

## **Contracts**

None

## **Crime and Disorder**

None

## **Equality and Diversity / Human Rights / Safeguarding**

None

## **Health and Wellbeing**

None

## **Climate Change and Environmental Implications**

None directly from the report.

## **Acronyms**

BPF – Boston Partnership Fund

bps – basis points

CDS - Credit Default Swap

CFR – Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

GDP – Gross Domestic Product

LB – Liability Benchmark

LOBO – Lender Option Borrower Option

LUF – Levelling Up Fund

MHCLG – Ministry of Housing, Communities and Local Government

MPC - Monetary Policy Committee

MRP – Minimum Revenue Provision

PWLB - Public Works Loan Board

q/q – Quarter on Quarter

RICS – Royal Institution of Chartered Surveyors

SONIA - Sterling Overnight Index Average

UKSPF - UK Shared Prosperity Fund

VRP – Voluntary Revenue Provision

## Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1 Treasury Management Policy Statement 2026/27

Appendix 2 Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Plan 2026/27

Appendix 3 Treasury Management and Investment Management (Non-Treasury) Principles and Practices

## Background Papers

Background papers used in the production of this report are listed below: -

Document title.	Where the document can be viewed.
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website
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## Chronological History of this Report

A report on this item has not previously been considered by a Council body for the 2026/27 financial year.

## Report Approval

Report author: Sean Howsam – Treasury & Investments Manager (PSPSL)  
[Sean.Howsam@pspsl.co.uk](mailto:Sean.Howsam@pspsl.co.uk)

Signed off by: Russell Stone – Director of Finance/S151 Officer.  
[russell.stone@sholland.gov.uk](mailto:russell.stone@sholland.gov.uk)

Approved for publication: Councillor Sandeep Ghosh, Portfolio Holder for Finance and Economic Growth  
[Sandeep.ghosh@boston.gov.uk](mailto:Sandeep.ghosh@boston.gov.uk)

**Treasury Management Policy Statement 2026/27**

Boston Borough Council defines its treasury management activities as:

1. The management of the local authority'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.
2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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## **Draft Treasury Management Strategy Statement**

Minimum Revenue Provision Policy Statement and  
Annual Investment Strategy 2026/27

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## 1. Introduction

### 1.1 Background

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

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

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

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

*“The management of the local authority'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.”*

The Council's treasury function is undertaken by Public Sector Partnership Services Ltd (PSPSL) on behalf of the Council. PSPSL is responsible for the:

- Production of the annual treasury management strategy
- Production of regular treasury management policy reports
- Production of treasury management practices
- Production of budget and budget variations relating to the treasury management function
- Production of management information reports

- Provision of adequate treasury management resources and skills, and effective division of responsibilities within the treasury management function
- Arrangement of the appointment of external service providers.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

## 1.2 Reporting Requirements

### 1.2.1 Capital Strategy

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

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

### 1.2.2 Treasury Management reporting

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

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

amending prudential indicators as necessary, and whether any policies require revision. In addition, this Council will receive quarterly update reports.

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

## Scrutiny

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

## Quarterly reports

In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) has also been required. However, these additional reports do not have to be reported to Full Council/Cabinet but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee. The reports, specifically, should comprise updated Treasury/Prudential Indicators.

## 1.3 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

### Capital Issues

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

### Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, MHCLG Investment Guidance, MHCLG MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

## **1.4 Training**

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The Council addresses this by targeted training courses for relevant members.

The training needs of PSPSL treasury management officers are periodically reviewed and is supplemented by targeted training as necessary and technical advice from our treasury management advisors.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and members.
- Require treasury management officers and members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the Council).
- Have regular communication with officers and members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

Training for members will be arranged as required and the training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained by the Treasury and Investments Manager (PSPSL). Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by Democratic Services.

## **1.5 Treasury management consultants**

PSPSL uses MUFG Corporate Markets as its external treasury management advisors for the Council.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken

with regards to all available information, including, but not solely, our treasury advisers.

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

## 2 The Capital Prudential Indicators 2026/27 – 2030/31

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

### 2.1 Capital Expenditure and financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members approve capital expenditure forecasts as part of the annual Budget report.

The capital expenditure plans mirror those within the budget report and will be amended throughout the year as spending plans alter.

The following table summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

CAPITAL PROGRAMME £'000	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Non Towns Fund	3,900	4,519	2,078	1,764	885	885
Towns Fund	14,849	5,592	0	0	0	0
UKSPF Projects	404	0	0	0	0	0
LUF Projects	10,972	1,500	0	0	0	0
BPF Projects	8,080	362	1,748	1,610	1,610	0
<b>GRAND TOTAL</b>	<b>38,205</b>	<b>11,973</b>	<b>3,826</b>	<b>3,374</b>	<b>2,495</b>	<b>885</b>
<b>FUNDED BY</b>						
External Grants	(35,389)	(4,247)	(2,533)	(2,395)	(2,395)	(785)
Capital Reserve	(738)	0	0	0	0	0
Capital Receipts	(257)	(16)	0	0	0	0
Section 106	(1,074)	0	0	0	0	0
Other Reserves	(30)	0	0	0	0	0
<b>TOTAL FUNDING</b>	<b>(37,488)</b>	<b>(4,263)</b>	<b>(2,533)</b>	<b>(2,395)</b>	<b>(2,395)</b>	<b>(785)</b>
<b>BORROWING REQUIREMENT</b>	<b>717</b>	<b>7,710</b>	<b>1,293</b>	<b>979</b>	<b>100</b>	<b>100</b>

Other long-term liabilities - the above financing need excludes leasing arrangements that already include borrowing instruments.

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, leases include a borrowing facility and so the Council is not required to separately borrow for these schemes.

As part of the formal governance process, the Council approves the cumulative CFR projections as follows:

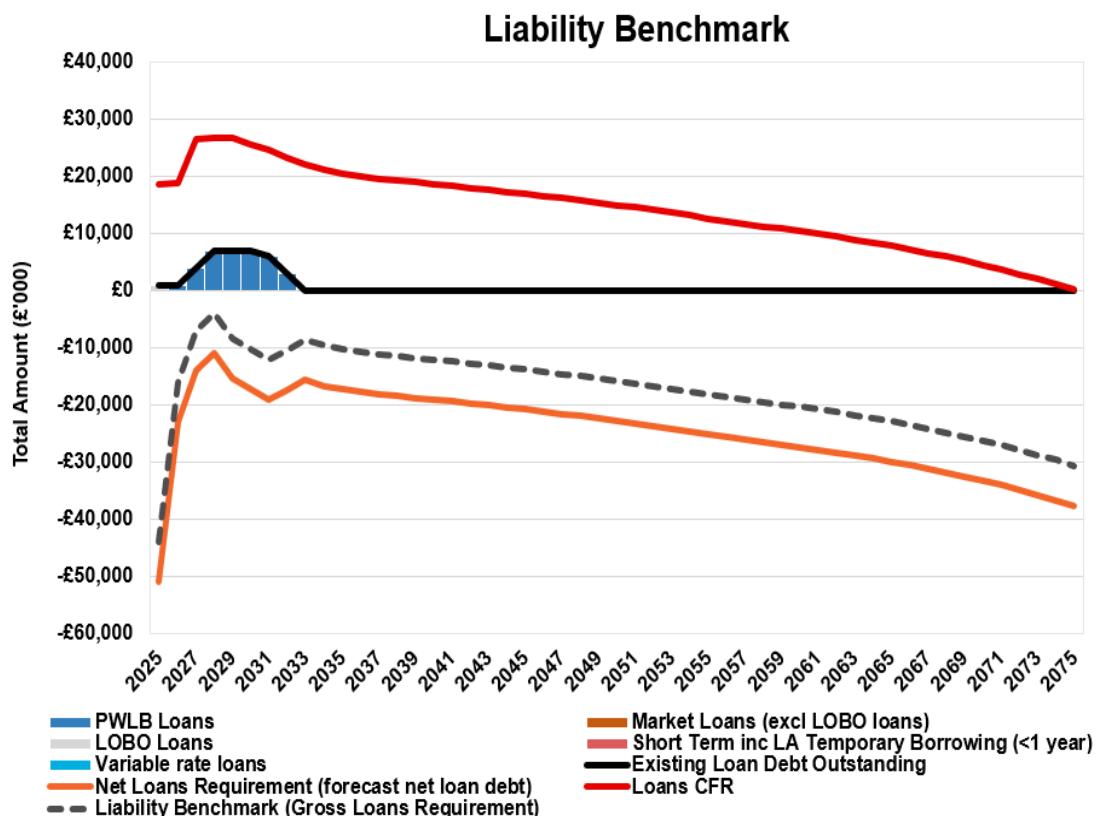
£000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
CFR – General Fund	2,651	10,166	10,661	10,659	9,660	8,657
CFR - Non-treasury investments	16,266	16,205	16,140	16,072	15,999	15,922
<b>Total CFR</b>	<b>18,917</b>	<b>26,371</b>	<b>26,801</b>	<b>26,731</b>	<b>25,659</b>	<b>24,579</b>
<b>Movement in CFR</b>	<b>340</b>	<b>7,454</b>	<b>430</b>	<b>(70)</b>	<b>(1,072)</b>	<b>(1,080)</b>
Net financing need for the year above)	717	7,710	1,293	979	100	100
Less MRP/VRP and other financing movements	(377)	(256)	(863)	(1,049)	(1,172)	(1,180)
<b>Movement in CFR</b>	<b>340</b>	<b>7,454</b>	<b>430</b>	<b>(70)</b>	<b>(1,072)</b>	<b>(1,080)</b>

## 2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- 1. Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
- 2. Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- 3. Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- 4. Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



## 2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Year End Resources £m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
General Fund Balance	2,000	2,000	2,000	2,000	2,000	2,000
BTAC Reserve	294	384	384	384	384	384
Capital Funding	5,514	5,230	4,775	4,139	3,383	2,624
Transformation	1,632	1,633	1,499	1,542	1,585	1,628
Repairs and Renewals	585	582	578	574	570	566
ICT	33	33	33	33	33	33
Housing	1,756	1,602	1,461	1,456	1,456	1,456
Controlling Migration	14	14	14	14	14	14
Insurance	197	197	197	197	197	197
Property Fund Returns Risk Mitigation	1,061	1,000	935	866	793	717
Funding Volatility	2,787	2,281	2,281	2,281	2,281	2,281
Contingency Reserve	75	54	47	47	47	47
Climate Change Reserve	154	133	110	110	110	110
Planning Reserve	383	383	383	383	383	383
S106 & Commuted Sums Reserve	1,231	1,231	1,231	1,231	1,231	1,231
Property Fund Reserve	78	78	78	78	78	78
Employer Producer Responsibility	473	467	467	467	467	467
Capital Grants Unapplied	4,203	901	912	917	921	921
Capital Receipts	16	0	0	0	0	0
<b>Total core funds</b>	<b>22,486</b>	<b>18,203</b>	<b>17,385</b>	<b>16,719</b>	<b>15,933</b>	<b>15,137</b>
Working capital*	2,000	2,000	2,000	2,000	2,000	2,000
Under borrowing	(17,917)	(22,371)	(19,801)	(19,731)	(19,659)	(18,579)
<b>Expected investments</b>	<b>6,569</b>	<b>(2,168)</b>	<b>(416)</b>	<b>(1,012)</b>	<b>(1,726)</b>	<b>(1,442)</b>

\* Working capital balances shown are estimated year-end; these may be higher mid-year.

## 2.5 Minimum revenue provision (MRP) policy statement

Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.

Regulation 27 of the 2003 Regulations sets out a duty for local authorities to make a Minimum Revenue Provision (MRP) and Regulation 28 requires full Council to approve a MRP Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.

Regulation 27 (the duty to make revenue provision) was amended in April 2024 and takes effect from 7 May 2024, following a number of consultations. Key changes address some common practices used to underpay MRP, namely:

- using proceeds from asset sales to replace the revenue charge; and
- not making MRP on debt associated with investments.

In addition, the amendments to Regulation 27 include provisions for making MRP where a local authority borrows to lend the money onto a third party as a capital loan.

In setting a prudent level of MRP local authorities must have regard" to guidance issued by the Secretary of State for Housing, Communities and Local Government. The latest version of this statutory MRP guidance, Capital finance: guidance on minimum revenue provision (5th edition), was issued by DLUHC (as it then was) in April 2024 to accompany the amendments to Capital Finance Regulations.

Paragraph 26 of the above statutory MRP Guidance explains that where a local authority proposes to deviate from statutory guidance and underpinning Codes of Practice, this has to be justified and agreed through the local authority's governance processes:

*Under statute, local authorities must have regard to these codes: "have regards to" has a specific meaning that local authorities should comply with the guidance unless, having duly considered the guidance, there is justifiable reason to depart from it. Decisions that do not "have regard to" relevant guidance may be susceptible to challenge.*

In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

The Guidance sets out four "possible" options for calculating **MRP**, as set out below.

Option	Calculation method	Applies to
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008
4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

Two main variants of Option 3 are set out in the 2024 Guidance: (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset's expected useful life. Whilst this method is increasingly becoming the most common MRP option for local authorities, paragraph 42 of the Informal Commentary on the Statutory MRP Guidance explains that this method could be used where the flow of benefits from an asset are expected to increase in later years.

The 2024 Guidance also includes specific recommendations for setting MRP in respect of finance leases, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.

With effect from 1 April 2024, MRP set aside requirements will also apply to "right of use" leased assets, following the introduction of IFRS 16.

### **Key changes from the 2024 amendments to Regulation 27**

The key changes to Regulation 27 are:

- explicit prohibition from using capital receipts in place of charging MRP to revenue,
- a clear requirement to charge MRP on investments where these meet the statutory definitions of capital expenditure set out in Regulation 25,
- a requirement to set aside MRP on all elements of the CFR.

Where loans have been advanced to third parties for a capital purpose on or after 7 May 2024, a local authority is now required to determine whether the loan is for a commercial purpose (i.e. principally advanced for financial return) or is a non-commercial loan:

- for commercial loans MRP will be set aside using an asset life approach based on the expected useful life of the underlying assets being financed;
- for non-commercial loans MRP will comprise:
  - (i) the principal element of any loan repayments received during the financial year and
  - (ii) the amount of any expected credit loss (ECL) recognised during the financial year. Any ECL recognised will not be spread over future years.

### **Minimum Revenue Provision (MRP) policy statement**

Having regard to the new 2024 Guidance on MRP issued by DLUHC and the "options" outlined in that Guidance, the Council is recommended to approve the following MRP Statement to take effect from 1 April 2026:

MRP Stream – General Fund	Estimated CFR at 31/3/26	MRP 2026/27 £000's	Policy	Explanation
Unsupported capital expenditure incurred since 2007/08	16,266	195	MRP calculated on a straight-line basis using the expected useful lives of the assets (Option 3), subject to a maximum useful asset life of 50 years	This complies with the Option 3 (Para 58(b)) of the Guidance and the requirement for maximum asset lives of 50 years.
Property Fund Investments	16,266	61	MRP charged on an annuity basis over a 50 year period. The annuity rate used will be the 50 year PWLB rate on 03/03/25 (date the 2025/26 MRP policy was approved).	Underlying assets of the Funds are property with useful life in excess of 50 years - Independent Professional opinion sought.
MRP for "right of use" lease contracts.	TBA	TBA	The MRP charge will be equal to the principal element of the annual payment (for leased assets)	This complies with paragraph 80 of the MRP Guidance
<b>TOTAL</b>	<b>18,917</b>	<b>256</b>		

Detailed policies applied to asset life identification, discount annuity rates, MRP commencement dates and the application of receipts from Property Fund liquidations are set out below:

MRP Stream – General Fund	Policy	Explanation
Asset Lives	Asset lives used for MRP calculations will be determined by the Council's RICS-registered valuer where appropriate and will be consistent with the depreciation policies set out in the Council's annual Statement of Accounts. If no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life will be taken to be a maximum of 50 years.	This complies with paragraph 65 of the MRP Guidance.

Discount rate for use when applying the annuity method for calculating MRP under Option 3	MRP will be discounted using the PWLB new loan annuity rate applicable on the date when the Council approves the MRP Policy Statement for the forthcoming financial year.	The MRP Guidance does not suggest what discount rate(s) to use, Specifying the PWLB new loan annuity rate for the year in which MRP commences this provides a clearly evidenced trail to the discount rate to be used and reflects the type of borrowing undertaken by the Council.
MRP commencement.	MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory MRP Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational.	This approach complies with para. 63 and 64 of the MRP Guidance.
Application of distribution receipts from the liquidation of any of the Property Fund Holdings	Any distributions in respect of asset sales from the liquidators of the Property Fund Holdings shall be applied as MRP in the year of receipt.	This approach complies with paragraph 42 of the MRP Guidance

Based on the information provided above, the Council's view is that by complying fully with the 2024 Statutory Guidance, it is making a prudent provision for MRP in line with the requirements of Regulation 28.

### **MRP Overpayments**

Under the MRP guidance, charges can be made in excess of the statutory MRP known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

At the end of the 2024/25 financial year the Council had made no VRP contributions. If this changes during the 2025/26 financial year it will be reported in the Annual Treasury Report for 2025/26.

### 3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

#### 3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2025 and for the position as at 31 December 2025 based on cost are shown in the following table for both borrowing and investments.

TREASURY PORTFOLIO				
	actual 31.3.25	actual 31.3.25	current 31.12.25	current 31.12.25
<b>Treasury investments</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Banks	1,014	2%	2,167	5%
Building societies - rated	0	0%	0	0%
Local authorities	26,000	50%	19,000	45%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	1,700	3%	4,200	10%
Certificates of Deposit	6,000	12%	0	0%
<b>Total managed in house</b>	<b>34,714</b>	<b>67%</b>	<b>25,367</b>	<b>60%</b>
Property Funds	17,326	33%	17,107	40%
<b>Total managed externally</b>	<b>17,326</b>	<b>33%</b>	<b>17,107</b>	<b>40%</b>
<b>Total treasury investments</b>	<b>52,040</b>	<b>100%</b>	<b>42,474</b>	<b>100%</b>
 <b>Treasury external borrowing</b>				
Local Authorities	0	0%	0	0%
PWLB	0	0%	1,000	100%
LOBOs	1,000	100%	0	0%
<b>Total external borrowing</b>	<b>1,000</b>	<b>100%</b>	<b>1,000</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>51,040</b>	<b>0</b>	<b>41,474</b>	<b>0</b>

The following table shows the Council's forward projections for borrowing. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Debt & Temporary Borrowing at 1 April (subject to change)	1,000	1,000	4,000	7,000	7,000	7,000
Expected change in Debt due to Temporary Borrowing (subject to change)	0	3,000	3,000	0	0	(1,000)
<b>Actual gross debt at 31 March</b>	<b>1,000</b>	<b>4,000</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>	<b>6,000</b>
<b>The Capital Financing Requirement</b>	<b>18,917</b>	<b>26,371</b>	<b>26,801</b>	<b>26,731</b>	<b>26,659</b>	<b>24,579</b>
<b>(Under) /over borrowing</b>	<b>(17,917)</b>	<b>(22,371)</b>	<b>(19,801)</b>	<b>(19,731)</b>	<b>(19,659)</b>	<b>(18,579)</b>

Within the range of prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary (£'000)	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Debt	10,000	30,000	30,000	30,000	30,000	30,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total</b>	<b>15,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>

**The authorised limit for external debt** - This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the 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.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- As part of the formal governance process, the Council approves the following indicators:

Authorised Limit (£'000)	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Borrowing	13,000	33,000	33,000	33,000	33,000	33,000
Other long term liabilities	3,000	5,000	5,000	5,000	5,000	5,000
<b>Total</b>	<b>18,000</b>	<b>38,000</b>	<b>38,000</b>	<b>38,000</b>	<b>38,000</b>	<b>38,000</b>

### 3.3 Prospects for interest rates

The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 basis points (bps).

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

*Additional notes by MUFG Corporate Markets on this forecast table: -*

- Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% quarter on quarter (q/q) Gross Domestic Product (GDP) for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently Consumer Price Index (CPI) is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee (MPC) to further reduce Bank Rate from 4% to 3.75% on 18 December.

- Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most “dissenters” from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.
- Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a “gradual downward path”, suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be “a closer call”, and Governor Bailey observed there is “limited space as Bank Rate approaches a neutral level”.
- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed’s monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a “given”, and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.
- Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an

HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.

- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

### Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out as follows:-

PWLB debt	Current borrowing rate as at 22.12.25 p.m.	Target borrowing rate now (end of Q4 2027)	Target borrowing rate previous (end of Q4 2027)
5 years	4.81%	4.10%	4.20%
10 years	5.39%	4.70%	4.70%
25 years	6.01%	5.30%	5.30%
50 years	5.78%	5.10%	5.10%

**Borrowing advice:** Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.50%. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	Now	Previously
2025/26 (residual)	3.80%	3.90%
2026/27	3.40%	3.60%
2027/28	3.30%	3.30%
2028/29	3.30%	3.50%
2029/30	3.50%	3.50%
Years 6 to 10	3.50%	3.50%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

#### **(End of MUFG Corporate Markets Commentary)**

#### **3.4 Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if some rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

### **3.5 Policy on borrowing in advance of need**

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.6 Debt rescheduling**

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling is to be undertaken, it will be reported to the Cabinet, at the earliest meeting following its action.

### **3.7 New financial institutions as a source of borrowing and / or types of borrowing**

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### 3.8 Approved Sources of Long and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBO's)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local / Community Municipal Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leases	●	●

## 4 Annual Investment Strategy

### 4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following:

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

The Council's funds are managed by PSPSL with reference to a detailed cash flow forecast on a daily basis. Protocols are in place to govern the movement of funds within specific limits.

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" (CDS) and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in **Appendix 5.3** under the categories of 'specified' and 'non-specified' investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £10m of the total investment portfolio, (see paragraph 4.3).
- **Lending limits**, the maximum total investments to any individual financial institution or its parent group is £5m. The maximum limit for individual money market funds is £10m. There is no maximum limit for deposits with the UK Debt Management Agency Deposit Facility (DMADF) as this is effectively the UK Government. The maximum permitted duration of investments for each institution will be determined in accordance with paragraph 4.2.
- **Transaction limits** are set for each type of investment in paragraph 4.2.
- This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
- PSPSL has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

However, this Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

## Changes in risk management policy from last year.

The only change in the above criteria is an increase in the maximum level of investments in individual money market funds from £7.5m to £10m. This is due to the higher levels of cash required to be held short term to pay rising precept payments.

### 4.2 Creditworthiness policy

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

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

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

• Yellow	5 years*
• Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
• Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
• Purple	2 years
• Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
• Orange	1 year
• Red	6 months
• Green	100 days
• No colour	not to be used

*\* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

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

All credit ratings will be monitored daily. PSPSL is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings PSPSL will be advised of information in movements in CDS spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information and information on any external support for banks to help support its decision making process.

### **Creditworthiness.**

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

### **CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its MUFG Corporate Markets - provided Passport portal.

### 4.3 Limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £10m of the total investment portfolio.
- **Country limit.** The Council has determined that it will only use approved counterparties from the United Kingdom or countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in **Appendix 5.4**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- **Other limits.** In addition:
  - no more than £5m will be placed with any non-UK country at any time;
  - limits in place above will apply to a group of companies;
  - sector limits will be monitored regularly for appropriateness

### 4.4 Investment strategy

**In-House Funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

Accordingly, while some cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

#### Investment returns expectations

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 22 December 2025 and are as follows:

<i>Average earnings in each year</i>	<i>Now</i>	<i>Previously</i>
	<i>%</i>	<i>%</i>
<b>2025/26 (residual)</b>	3.80	3.90
<b>2026/27</b>	3.40	3.60
<b>2027/28</b>	3.30	3.30
<b>2028/29</b>	3.30	3.50
<b>2029/30</b>	3.50	3.50
<b>Years 6-10</b>	3.50	3.50
<b>Years 10+</b>	3.50	3.50

Caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

**Investment treasury indicator and limit** - Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

As part of the formal governance process, the Council approves the treasury indicator and limit, as shown below:

<b>£'000</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
Principal sums invested > 365 days (excluding non-treasury investments)	10,000	10,000	10,000	10,000	10,000
Current treasury investments as at 30 November 2025 in excess of 1 year maturing in each year	0	0	0	0	0

#### 4.5 Investment risk benchmarking

The Council has not adopted any formal benchmarks in this area. Officers believe that decisions on counterparties and maximum investment levels are adequate to monitor the current and trend position, and will amend the operational strategy to manage risk as conditions change.

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of the 3 month Sterling Overnight Index Average (SONIA) rate.

#### 4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5 Appendices**

- 5.1 Prudential and treasury indicators
- 5.2 Interest rate forecasts
- 5.3 Treasury management practice 1 – credit and counterparty risk management
- 5.4 Approved countries for investments
- 5.5 Treasury management scheme of delegation
- 5.6 The treasury management role of the Section 151 Officer

## APPENDIX 5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2026/27 – 2030/31

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

Full details are provided in paragraph 2.1 and summary totals are shown below.

### 5.1.1 Capital expenditure (subject to change during the budget setting process)

CAPITAL PROGRAMME £'000	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Non Towns Fund	3,900	4,519	2,078	1,764	885	885
Towns Fund	14,849	5,592	0	0	0	0
UKSPF Projects	404	0	0	0	0	0
LUF Projects	10,972	1,500	0	0	0	0
BPF Projects (Exc Boston Leisure)	8,080	362	1,748	1,610	1,610	885
<b>Total</b>	<b>38,205</b>	<b>11,973</b>	<b>3,826</b>	<b>3,374</b>	<b>2,495</b>	<b>885</b>
Financing	(37,488)	(4,263)	(2,533)	(2,395)	(2,395)	(785)
<b>Net financing need for the year</b>	<b>717</b>	<b>7,710</b>	<b>1,293</b>	<b>979</b>	<b>100</b>	<b>100</b>

### 5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

#### a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Treasury	(7.05%)	TBA	TBA	TBA	TBA	TBA
Property Funds	(6.53%)	TBA	TBA	TBA	TBA	TBA
<b>Total</b>	<b>(13.58%)</b>	<b>TBA</b>	<b>TBA</b>	<b>TBA</b>	<b>TBA</b>	<b>TBA</b>

The estimates of financing costs include current commitments and the proposals in this budget report.

### 5.1.3 Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

<b>Maturity structure of fixed interest rate borrowing 2026/27</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

<b>Maturity structure of variable interest rate borrowing 2026/27</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

### 5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

## 5.2 APPENDIX: Interest Rate Forecast 2026 - 2029

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
<b>BANK RATE</b>	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
<b>3 month ave earnings</b>	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
<b>6 month ave earnings</b>	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
<b>12 month ave earnings</b>	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
<b>5 yr PWLB</b>	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
<b>10 yr PWLB</b>	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
<b>25 yr PWLB</b>	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
<b>50 yr PWLB</b>	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

PWLB forecasts are based on PWLB certainty rates.

### APPENDIX 5.3 - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

	Minimum 'High' Credit Criteria / Colour Band	Use
Debt Management Agency Deposit Facility	Yellow	In-house ( no maximum limit)
Term Deposits - UK Local Authorities	N/A	In-house
Term Deposits – BBC Parish Councils	N/A	In-house
Term deposits – banks and building societies	Minimum colour of green on our external treasury advisers credit rating matrix	In-house
Treasury Bills	UK sovereign rating	In-house
Certificates of Deposit issued by banks and building societies	Minimum colour of green on our external treasury advisers credit rating matrix	In-house
Bonds issued by multilateral development banks	Yellow	In-house buy and hold
Money Market Funds – CCLA (Church, Charities & Local Authority)	AAA	In-house (£10m limit for cash flow purposes)
Money Market Funds CNAV (Constant Net Asset Value)	AAA	In-house
Money Market Funds LVNAV (Low Volatility Net Asset Value)	AAA	In-house
Money Market Funds VNAV (Variable Net Asset Value)	AAA	In-house

### Term deposits with nationalised banks and banks and building societies.

	Minimum Credit Criteria	Use	Max of total investments	Max. maturity period
UK part nationalised banks	Minimum colour of green on our external treasury advisers credit rating matrix	In-house	£5m	1 year
Banks part nationalised by AAA or AA- sovereign rating countries – non UK	Minimum colour of green on our external treasury advisers credit rating matrix	In-house	£5m	1 year

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the Specified Investment criteria. A maximum of £10m treasury investments can be held in aggregate in non-specified investment.

### Maturities of ANY period

	Minimum Credit Criteria	Use	Max of non-specified investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Sovereign rating of AAA to AA- and minimum colour of green on our external treasury advisers credit rating matrix	In-house	£5m	1 year
UK Government Gilts	UK sovereign rating	In-house buy and hold	£5m	2 year
Sovereign bond issues (other than the UK govt)	AAA	In-house buy and hold	£5m	2 year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (e.g. National Rail)	UK sovereign rating	In-house buy and hold	£5m	2 year

Collateralised deposits (see note 1)	UK Sovereign rating	In-house	£5m	1 year
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>				
Property Funds: (excluding non-treasury investments)		In-house	£8m	
<p><i>The use of property funds can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Council will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.</i></p> <p><i>The Section 151 Officer and Deputy Section 151 Officer will have delegated authority to invest in property funds subject to consultation with the Portfolio Holder for Finance.</i></p>				

<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -</b>				
	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max of non-specified investments</b>	<b>Max. maturity period</b>
1. Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house	£10m	Liquid
2. Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house	£10m	Liquid
3. Bond Funds	Long-term AAA volatility rating MR1+	In-house	£10m	1 month notice period
4. Gilt Funds	Long-term AAA volatility rating MR1+	In-house	£10m	1 month notice period

*Note 1 : as collateralised deposits are backed by e.g., collateral of rated local authority LOBOs, this investment instrument is regarded as being in the MUFG Corporate Markets yellow category as it is equivalent to lending to a local authority.*

### Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max. of total investments	Max. maturity period
Term Deposits – UK local authorities	N/A	In-house	£5m	5 year
Term Deposits – BBC Parish Councils	N/A	In-house	£5m	5 year
Term deposits to Registered Social Landlords	None	In-house subject to due diligence report by MUFG	£5m	5 year
Term deposits – banks and building societies	Sovereign rating of AAA to AA- and minimum colour of orange on our external treasury advisers credit rating matrix	In-house	£5m	2 year
Certificates of deposit issued by banks and building societies	Sovereign rating of AAA to AA- and minimum colour of orange on our external treasury advisers credit rating matrix	In-house	£5m	2 year
Bonds issued by multilateral development banks	AAA	In-house	£5m	2 year

The maximum total investment to any individual financial institution or its parent group is £5m except for the instant access money market fund which has a limit of £10m and the UK Debt Management Agency Deposit Facility (UK Government) which has no maximum limit.

HSBC provides banking services to the Council and the above limits do not include the day to day balance in the Council's current account.

Whilst these are maximum limits, under normal circumstances the Section 151 Officer will ensure lower limits are maintained. The higher limits are required to allow flexibility in the movement of funds if a particular issue or circumstance arose e.g. global banking crisis.

## **Environmental, Social and Governance Considerations**

The Council continues to develop its strategy in this area.

The Council is interested in undertaking actions to reduce climate change and as an ethical investor will consider the environmental, social and governance issues.

Officers continue to work with the Council's external treasury advisors to establish how these issues can be taken into consideration when MUFG Corporate Markets formulate their Suggested Credit List which is used by the Council.

**APPENDIX 5.4 - Approved countries for investments**

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the MUFG Corporate Markets credit worthiness service.

***Based on lowest available rating (as at 23.12.25)***

**AAA**

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

**AA+**

- Canada
- U.S.A.

**AA**

- Abu Dhabi (UAE)
- Finland
- Qatar

**AA-**

- U.K.

### **APPENDIX 5.5 - Treasury management scheme of delegation**

Council	<ul style="list-style-type: none"> <li>- Receive, Review and Approval of Treasury Policy Statement – February/March cycle</li> <li>- Receive, Review and Approval of Treasury Management Strategy Statement incorporating the Annual Investment Strategy and Minimum Revenue Provision Policy – February/March cycle followed by mid year report update. Updates or revisions at other times as required</li> <li>- Receive, Review and Approval of Annual Treasury Outturn Report by 30 September after the year end</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>- Recommend to Council a Treasury Policy Statement</li> <li>- Recommend to Council a Treasury Management Strategy Statement incorporating the Annual Investment Strategy and Minimum Revenue Provision Policy – February/March cycle followed by mid year report update</li> <li>- Extraordinary Activity and Investment Management arrangements – as soon as possible after significant change occurs</li> <li>- Recommend to Council a Treasury Management Outturn Report by 30 September after the year end</li> </ul>
Audit and Governance Committee	<ul style="list-style-type: none"> <li>- Receive Treasury Management Quarterly and Mid Term reports</li> <li>- Receive Treasury Management Outturn Report</li> <li>- Receive Treasury Management Practices annually if amended</li> <li>- Scrutiny of the Treasury Management Strategy before the commencement of each financial year</li> <li>- Scrutiny of Treasury Management performance as part of the Mid Term report and quarterly reports.</li> </ul>

### **SCRUTINY AND MONITORING**

Council delegates the scrutiny and monitoring of the Treasury Management function to the Audit and Governance Committee. As a minimum they will receive quarterly reports and a Mid Term Treasury report on investment issues and performance. Training will be made available for members of the Audit and Governance Committee to ensure they have the necessary skills to undertake this role. Recommendations will be reported to Cabinet.

The Audit and Governance Committee will also have access to professional and independent advice and support as required in order to undertake this role.

## APPENDIX 5.6 - The treasury management role of the Section 151 Officer (S151) and deputy

The S151 Officer's main functions with regards to treasury are to:

- recommend clauses, treasury management policy/practices for approval, review the same regularly, and monitor compliance
- submit regular treasury management policy reports
- submit budgets and budget variations
- receive and review management information reports
- review the performance of the treasury management function
- ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensure the adequacy of internal audit, and liaise with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices (TMP) which specifically deal with how non treasury investments will be carried out and managed, to include the following:
  - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP3 and TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

As an added safeguard, the Section 151 Officer is obliged to notify the Monitoring Officer of any material change proposed to approved treasury policies and of any major breaches which have occurred.

Any significant operational or other changes will be notified and discussed with the relevant Portfolio Holder. This is currently the Portfolio Holder for Finance. Any actions resulting from this will be reported to the Audit and Governance Committee. If timescales are such that due to urgency, the formal reporting process cannot be utilised, then emergency authorisation will be sought through existing mechanisms.

The Section 151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

The Section 151 Officer may delegate power to borrow and invest to members of staff. All dealing transactions must be conducted by the Section 151 Officer, or staff authorised by the Section 151 Officer, to act as temporary cover for leave/sickness.

The Section 151 Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not, will bring the matter to the attention of Councillors as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Section 151 Officer to be satisfied, by reference to the Monitoring Officer, the Council's Legal Department and external advisors, as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

It is also the responsibility of the Section 151 Officer to ensure that the Council complies with the requirements of the Non Investment Products Code for principals and broking firms in the wholesale markets as well as the Financial Services Authority's Code of Market Conduct.

**Public Sector Partnership Services Limited is responsible for the provision of:**

- treasury management strategy statements and practices for approval
- capital strategy reports
- regular treasury management policy reports
- budget and budget variations
- management information reports
- adequate treasury management resources and skills, and effective division of responsibilities within the treasury management function, and;
- arranging the appointment of external treasury management advisors.

Where the use of particular instant access accounts, notice accounts and money market funds has been approved by the Section 151 Officer, PSPSL treasury officers have delegated authority to withdraw and deposit funds within the agreed limits contained in this strategy.



# **Treasury Management & Investment Management (Non-Treasury) Principles and Practices**

***January 2026***

## **TREASURY MANAGEMENT**

### **Key Principles of Treasury Management Practice**

Boston Borough Council (The Council) will conduct its Treasury Management function in a transparent way, giving value for money to the taxpayer while protecting public finances. In doing so it will adhere to the three key principles outlined in the CIPFA Code of Practice. These are:

1. The Council will put in place formal and comprehensive objectives, policies & practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
2. The Council's policies and practices will make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly within their organisation. The Council's appetite for risk forms part of its annual strategy, including any use of financial instruments for the prudent management of those risks, and will ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
3. The Council recognises that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of its business and service objectives; and that within the context of effective risk management, its treasury management policies and practices will reflect this.

## **Treasury Management Practices**

The Council has adopted the 12 Treasury Management Practices contained in the CIPFA Code of Practice for Treasury Management.

- TMP1 - Risk management
- TMP2 - Performance measurement
- TMP3 - Decision making and analysis
- TMP4 - Approved instruments, methods and techniques
- TMP5 - Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6 - Reporting requirements and management information arrangements
- TMP7 - Budgeting, accounting and audit arrangements
- TMP8 - Cash and cash flow management
- TMP9 - Money laundering
- TMP10 - Training and qualifications
- TMP11 - Use of external service providers
- TMP12 - Corporate governance

## **TMP1 - RISK MANAGEMENT**

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Section 151 Officer (S151) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

### **1.1 Credit & Counterparty Risk Management**

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and will limit its treasury management investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques* and listed in the schedule to this document.

The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

### **1.2 Liquidity Risk Management**

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

Other than for cash flow liquidity purposes the Council will only borrow where there is a clear business case for doing so and will only do so for the current capital programme, to refinance internal borrowing of past capital expenditure, to finance future debt maturities or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

### **1.3 Interest Rate Risk Management**

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest

rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy.

#### **1.4 Exchange Rate Risk Management**

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

#### **1.5 Inflation Risk Management**

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

#### **1.6 Refinancing Risk Management**

This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

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

#### **1.7 Legal and Regulatory Risk Management**

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *Credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Council, particularly with regard to duty of care and fees charged.

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

#### **1.8 Operational Risk, including fraud, error, and corruption**

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable

systems and procedures, and will maintain effective contingency management arrangements, to these ends.

### **1.9 Price Risk Management**

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

### **1.10 Environmental, Social and Governance (ESG)**

The Council is interested in undertaking actions to reduce climate change and as an ethical investor will consider the environmental, social and governance issues.

Officers continue to work with the Council's external treasury advisors to establish how these issues can be taken into consideration when MUFG Corporate Markets formulate their Suggested Credit List which is used by the Council.

## **TMP 2 PERFORMANCE MEASUREMENT**

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

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

The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

## **TMP 3 DECISION-MAKING AND ANALYSIS**

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

## **TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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

Where it intends to use derivative instruments for the management of risks, these will be limited to those set out in its Annual Treasury Strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MIFID II and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

## **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

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

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

If it intends, as a result of lack of resources or other circumstances, to depart from these principles, the S151 Officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The S151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The S151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the S151 Officer in respect of treasury management are set out in the schedule to this document. The S151 Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

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

As a minimum:

- the full Council will receive:
  - a. an annual report on the strategy and plan to be pursued in the coming year
  - b. a mid-year review
  - c. an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.
- The Cabinet to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.
- The Audit & Governance Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.
- Local authorities should report the prudential, treasury management and any other indicators as detailed in CIPFA Treasury Management guidance notes.

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

## **TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

The S151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The S151 Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

## **TMP 8 CASH AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the S151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

## **TMP 9 MONEY LAUNDERING**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties, reporting suspicions and ensuring that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

## **TMP 10 STAFF TRAINING AND QUALIFICATIONS**

This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The S151 Officer will recommend and implement the necessary arrangements.

The S151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements, including a knowledge and skills schedule, are detailed in the schedule to this document.

## **TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service

providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the S151 Officer, and details of the current arrangements are set out in the schedule to this document.

## **TMP 12 CORPORATE GOVERNANCE**

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

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management, and the S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

## **Investment Management (Non-Treasury)**

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

This Council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council categorises their non-treasury investments as;

**Service Investments** – Investments which are primarily part of service delivery, rather than for income generation or treasury management.

**Commercial Investments** – Investments primarily for financial return.

Schedule 2 to this document sets out the investment objectives, investment criteria, risk-management arrangements, decision-making and reporting arrangements, performance measures and management, and arrangements for training and qualifications.

## **Investments Management (Non-Treasury) Practices**

The Investment Management Practices are mainly aligned to the Treasury Management Practices as listed below and detailed above.

- IMP1 - Investment Objectives
- IMP2 - Investment Criteria
- IMP3 - (TMP1) Risk management
- IMP4 - (TMP2) Performance measurement
- IMP5 - (TMP3) Decision Making & Analysis
- IMP6 - (TMP 5) Organisation, clarity and segregation of responsibilities, and dealing arrangements
- IMP7 - (TMP6) Reporting requirements and management information arrangements
- IMP8 - (TMP10) Training and qualifications

## Schedule 1

### Application of Treasury Management Practices

#### TMP1 RISK MANAGEMENT

The Council acknowledges that there are nine principle risks involved with the operation of the Council's Treasury Management Function.

##### Credit and Counterparty Risk

The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

*Criteria to be used for creating/managing approved counterparty lists/limits*

- The Section 151 Officer (S151) will formulate a suitable criterion for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counter-party limits.
- Treasury management staff will add or delete counterparties to / from the approved counter-party list in line with the policy on criteria for selection of counterparties.
- The Council will use credit criteria to select creditworthy counterparties for placing investments with.
- The Council uses credit ratings from the following credit rating agencies supplied via its Treasury Management advisers, MUFG Corporate Markets:
  - i) Fitch
  - ii) Standard & Poor's
  - iii) Moody's
- Institutions approved for investment purposes for use by the Council are set out in the Annual Treasury Management Strategy.

*Approved methodology for changing limits and adding/removing counterparties*

Credit ratings for individual counterparties can change at any time. The S151 Officer is responsible for applying the stated credit rating criteria outlined above for selecting approved counterparties and will add or delete counterparties as appropriate to/from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated daily to the Treasury Management staff.

The S151 Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria.

## **Liquidity Risk**

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

The Council mitigates this risk by having.

- **Short-term Borrowing** - Any borrowing requirements will be highlighted in the cash flow projections prepared for the annual Treasury Management Strategy. Borrowing will then either be sourced from the money markets as necessary.
- **Standby facilities** - Should the HSBC online banking system fail; the Council may request large electronic transfers to be made by the Council's bank.

## **Interest Rate Risk**

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

Within the annual treasury and investment strategies the Council will stipulate:

- Details of approved interest exposure limits.
- Trigger points and other guidelines for managing changes to interest rate levels.
- Minimum / maximum proportions of variable rate debt / interest.
- Minimum / maximum proportions of fixed rate debt / interest.
- Policies concerning the use of financial derivatives and other instruments for interest rate management.

Adherence to the above limits and any deviations from them will be reported to Council in the Annual Treasury Report.

## **Exchange Rate Risk**

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Council will carry out transactions in currencies other than 'pound sterling' from time to time. The S151 Officer should be conscious of the effect exchange rate fluctuations, particularly in times of economic uncertainty, have on budgetary expenditure and control.

## **Inflation Risk**

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

The Council recognises that there is a risk that inflation will be significantly different from that used to determine the level of Capital and Revenue budgets. Inflation both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

## **Refinancing Risk**

The risk that maturing borrowings, capital schemes, projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time. The treasury team will carry out:

- Continuous appraisal of debt rescheduling.

Debt rescheduling opportunities are always being sought. The reasons for considering a rescheduling of debt will include: -

- a) the generation of cash savings at minimum risk.
- b) to reduce the average interest rate.
- c) to enhance the balance of the long-term portfolio (adjust the maturity profile and/or the balance of volatility).

The Council's treasury advisors are consulted and will advise the Council when such opportunities arise.

- Prepare medium term cash flow forecasts.

Annual cash-flows and 3 yearly budgets are prepared with reference to proposed capital projects and their impact on cash-flow and subsequent investment income.

- Policy concerning limits on revenue consequences of capital financing.

The revenue budget for loan charges is based on the capital plan and expenditure consents. The main source of borrowing for the Council is the PWLB (Public Works Loan Board). The maximum amount that can be borrowed externally is one if the Council's Prudential Indicators and is reported annually as part of the Treasury Management Strategy Statement. The limits on revenue consequences are therefore controlled by the consent for which budget resources have been provided.

## **Legal and Regulatory Risk**

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly. The Council must:

### 1. Comply with relevant statutes and regulations including:

- The requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principles and broking firms in the wholesale markets.
- The balanced budget requirement per the Local Government Finance Act 1992 Section 33. S32 also requires a local authority to calculate its budget requirement for each financial year including the revenue costs which flow from capital financing decisions.
- Only use investment instruments that are in accordance with The Local Organisations (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments.
- As required by section 45 of the Local Government and Housing Act, 1989, the Council must approve before the beginning of each financial year the overall borrowing limit, the amount of the overall borrowing limit which may be outstanding by way of short-term borrowing and the maximum proportion of interest on borrowing which is subject to variable rate interest.

### 2. Comply with procedures for evidencing the organisations powers/authorities to counterparties.

The Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy statement, stating the overriding principles and objectives of its treasury management activities and, as an integral part of that Statement.
- Treasury Management practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

### 3. Require information from counterparties concerning their powers/authorities

Lending shall only be made to counterparties on the authorised list. This list has been compiled from advice from the Council's Treasury Advisors, who have fully researched the background and credit of counterparties using ratings of Fitch, Moody's Investor Services and Standard & Poors.

### 4. Review and document the organisations political risks and management of the same.

The S151 Officer shall take the appropriate action with the Council, the Chief Executive and the Leader of the Council to respond and manage appropriately political risk such as change of majority group, leadership etc.

## **Fraud, Error and Corruption, and Contingency Management**

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk. The treasury team will keep;

1. Details of systems and procedures to be followed, including internet services

- The Council only uses recognised brokers.
- The internet is not used for borrowing and investing, except through approved internet broker dealing sites.
- There are strict controls in place to ensure only valid payments are made. Investments and borrowings require authorisation from the S151 Officer or their designated substitute.

2. Emergency and contingency planning arrangements.

3. Keep and regularly review appropriate insurance cover

The Council has insurance cover for up to £250,000 of non-negotiable money or for up to £40,000 of cash, when lost in transit in the custody or control of a security company.

All employees of the Council are covered by a fidelity guarantee insurance policy up to £5 million.

## **Price Risk**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

To mitigate market fluctuations the Treasury Team will monitor interest rates and rate projections from its official treasury advisors and take action where appropriate and incorporate these into its budgetary forecasts and planning. (see also inflation risk above).

In house investments are only in money market investments within approved limits.

## **TMP 2 PERFORMANCE MEASUREMENT**

Performance measurement is a process designed to calculate the effectiveness of a portfolios or manager's investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.

The benefits and applications of performance measurement in the public services include:

- using past experience beneficially to future treasury management policies and practices.
- by developing an appreciation of the factors influencing performance, improving the future processes of treasury decision making.
- allowing organisations to assess the potential for adding value through changes to the existing ways in which a portfolio is managed.
- demonstrating an awareness of the need to review regularly the value attached to the treasury management function and enhancing accountability.
- enhancing the information available to organisations when seeking to review an existing manager's performance or when selecting a new manager.
- permitting an informed judgement and decision about the merits or otherwise of using new treasury management instruments or techniques.

The Council will adopt the following methods of measuring performance:

- Performance measured against Annual Treasury Strategy Statement targets.
- Compliance to CIPFA Code of Practice for Treasury Management.
- Expenses contained within approved budget.
- Review of benchmarking club data.
- Review of performance indicators.

## **TMP3 DECISION MAKING & ANALYSIS**

It is vital that the treasury management decisions of organisations in the public services should be subjected to prior scrutiny. The treasury management strategy is approved annually by Council. This should be supplemented by the provision of monitoring information and regular review by Audit & Governance members/ councillors in both executive and scrutiny functions. The Council will put into place a process designed to give stakeholders confidence in its decision making.

The Council will use the following tools to help evaluate decisions being considered:

- Cash flow analysis.
- Maturity analysis.
- Ledger reconciliations.
- Review of borrowing requirement.
- Monitoring of projected loan charges, interest and expenses costs.
- Review of opportunities for debt rescheduling.
- Collation of monthly performance information.

In respect of every decision made the Council will:

- Above all be clear about the nature and extent of the risks to which the Council may become exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver the Council's objectives and protect the organisation's interests, and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

In respect of borrowing and funding decisions, the Council will:

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

In respect of investment decisions, the Council will:

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

All decisions made in relation to Treasury Management will be recorded. Deal documentation and all paperwork supporting the decision to select a certain deal is retained and filed in the Financial Services Unit. This documentation will show evidence of authorisation and evidence of the transactions.

## **TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

The Council's Treasury Management function has clearly defined boundaries and regulations under which it operates. These govern the activities and instruments which are to be undertaken and utilised.

The approved activities that the Council's Treasury Management Function can undertake are;

- Borrowing.
- Lending.
- Debt repayment and rescheduling.

- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities.
- Managing cash flow.
- Banking activities.
- Leasing.
- Managing the underlying exchange rate risk associated with the Council's business activities.

In accordance with The Local Organisations (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the instruments approved for investment and commonly used by local authorities are:

- Deposits with banks, building societies, local authorities, Public Corporation (and certain other bodies).
- AAA rated bonds deposit facility.
- AAA Rated Money Market Funds & Property Funds (as listed in the counterparty schedule).
- Local Companies wholly owned by the Council.
- Debt Management Account (run by DMO/PWLB).
- Listed Securities (organisations listed in the counterparty schedule only).

The Council will only make deposits with those bodies that fulfil the criteria laid down in the approved Annual Treasury Management Strategy.

The Treasury Team can place investments by either direct investment of funds on the money market, or via a broker.

Approved methods and sources of raising capital finance - Finance will only be raised in accordance with the Local Government and Housing Act, 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●

Local Temporary	•	•
Local / Community Municipal Bonds	•	
Local Authority Bills	•	•
Overdraft		•
Negotiable Bonds	•	•
Internal (capital receipts & revenue balances)	•	•
Commercial Paper	•	
Medium Term Notes	•	
Leases	•	•

The S151 Officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

## **TMP 5 ORGANISATION, CLARITY & SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS**

### **Limits to Responsibilities/Discretion**

- The Full Council will approve the Treasury Management Strategy (including the Investment Management Strategy) and all prudential and treasury indicators.
- The Full Council will approve the Mid-Year and Annual Treasury Management Report.
- The Audit & Governance Committee will receive and review reports on treasury management policies, practices and activities and the annual Treasury Management Strategy Statement (which is then approved by full council).
- The S151 Officer will be responsible for amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- The Full Council will consider and approve Treasury Management Budgets as part of the Council's budget setting process.
- The S151 Officer will approve the segregation of responsibilities.
- The S151 Officer will receive and review external audit reports and put recommendations to Cabinet.

### **Principles and Practices Concerning Segregation of Duties**

Deals in respect of short-term borrowings and temporary investments are conducted by telephone or email either directly with money market dealers or via brokers.

Official authorisation of the transaction is done by the S151 Officer or their deputy.

The officer who inputs into the HSBC online banking system is unable to then authorise the transaction.

The S151 Officer authorises all new long-term borrowing.

## **STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST**

### **Section 151 Officer**

The S151 Officer will:

- Implement and monitor the Treasury Management Policy, revising and resubmitting the Policy for consideration to the Cabinet, and for approval to the full Council, periodically if changes are required.
- Draft and submit a Treasury Management Strategy to Audit & Governance Committee in advance of each financial year prior to submission to Council for approval as part of the budget setting report.
- Draft and submit an annual report on treasury management activity to Audit & Governance Committee prior to submission to Council, by the deadline prescribed by statute.
- Submit Treasury Management Policy reports.
- Implement and monitor the strategy, reporting to Audit & Governance and the Cabinet any material divergence from budgets or necessary revisions as and when required.
- Receive and review management information reports.
- Review the performance of the Treasury Management function and promote best value reviews.
- Ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensure the adequacy of internal audit and liaising with external audit.
- Recommend the appointment of external service providers in accordance with the Council's Standing Orders.

The S151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

The S151 Officer may delegate his power to borrow and invest to members of his staff or the PSPSL Finance Team. The Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL or Treasury & Investments Manager (x2) PSPSL must conduct all dealing transactions. The S151 Officer may authorise other officers to act as temporary cover for leave / sickness. Where HSBC's on-line banking system is used to place investments or make other payments, then only the officers so designated by the S151 Officer can authorise these transactions. These transactions must be authorised by one of the following officers:

- Head of Finance Delivery (Tech & Corp) PSPSL
- Deputy Chief Finance Officer (Delivery) PSPSL
- Treasury & Investments Manager (x2) PSPSL
- Finance Analyst Treasury (x2) PSPSL

The S151 Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

It is also the responsibility of the S151 Officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principles and broking firms in the wholesale markets.

**Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL, Treasury & Investments Manager (x2) PSPSL,**

The responsibilities of these posts will be: -

- Execution of transactions.
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers.
- Monitoring performance on a day-to-day basis.
- Submitting management information reports to the S151 Officer.
- Identifying and recommending opportunities for improved practices.

**Chief Executive**

The responsibilities of this post will be: -

- Ensuring that the S151 Officer reports regularly to the Audit & Governance Committee on treasury policy, activity and performance.

**Monitoring Officer**

The responsibilities of this post will be: -

- Ensuring compliance by the S151 Officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the S151 Officer when advice is sought.

**Internal Audit (currently carried out by external providers Lincolnshire County Council)**

The responsibilities of Internal Audit will be: -

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practice.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

**ABSENCE COVER ARRANGEMENTS**

Within the segregation of duties there is a pool of officers able to cover for unforeseen absences as much as possible. Alternative arrangements to cover for annual leave and other known days of unavailability are agreed in advance.

**DEALING LIMITS**

- The borrowing limits are set in the Annual Treasury Management Strategy.
- PWLB loans are governed by the Council's Prudential Indicator Limits.
- Investment limits are set out in the Annual Treasury Management Strategy.

**LIST OF APPROVED BROKERS**

The Council currently uses the following brokers for short term investments and occasional short term borrowing:

- King & Shaxson
- ICAP
- Imperial Treasury Services
- Tradition UK
- BGC Sterling Treasury
- MUFG Corporate Markets (Agency Treasury Service)

**POLICY ON BROKERS' SERVICES**

It is the broker's policy to obtain the best deal possible available on the market for the Council.

**POLICY ON TAPING OF CONVERSATIONS**

It is not Council policy to tape brokers or dealers' conversations.

**DIRECT DEALING PRACTICES**

The officers carry out direct dealing with some of the financial institutions on the Council's approved counterparty list.

## **SETTLEMENT TRANSMISSION PROCEDURES**

Settlements are undertaken using the Council's on-line banking system, HSBCnet. Details of all transactions are held in the Financial Services Unit.

## **DOCUMENTATION REQUIREMENTS**

Full details of procedures are documented in the Treasury Management procedure notes.

## **ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS**

The Council receives S106 monies from developers. The Council maintains a separate cost centre for these funds and budget holders ensure funds are spent in accordance with the S106 agreements. Service accountants and budget holders monitor the income and expenditure on this code.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

The Council will report periodically throughout the year to the Audit & Governance Committee. The reports will be designed to give those with ultimate responsibility for the treasury management function full appreciation of the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

### **1) Annual reporting requirements before the start of the year**

- review of the organisation's approved clauses, treasury management policy statement and practices.
- strategy report on proposed treasury management activities for the year.

### **2) Quarterly Reviews**

- activities undertaken.
- variations (if any) from agreed policies/practices.
- interim performance report.
- regular monitoring.
- monitoring of treasury management indicators for local authorities.

### **3) Annual reporting requirements after the year-end**

- transactions executed and their revenue (current) effects.
- report on risk implications of decisions taken and transactions executed.
- compliance report on agreed policies/practices, and on statutory/regulatory requirements.
- performance report.
- report on compliance with CIPFA Code recommendations.
- monitoring of treasury management indicators for local authorities.

## **TMP 7 BUDGETING ACCOUNTING AND AUDIT ARRANGEMENTS**

The Financial Services Team will prepare an annual budget taking into account and clearly identifying the following;

- staffing numbers and related costs.
- premises and other administrative costs.
- interest and other investment income.
- debt and financing costs.
- bank and overdraft charges.
- broker fees, commissions and other transaction costs.
- external advisors and consultants' charges.

The annual treasury management budget should be available for both internal and external auditors to confirm that correct accounting procedures and codes of practice have been adopted and adhered to.

Any breaches in the accounting recommendations and/or treasury policies & strategies should be brought to the attention of the Audit & Governance Committee.

## **TMP 8 CASH AND CASH FLOW MANAGEMENT**

The Council has in place robust procedures for cash flow management preparing forecasts and actuals, the arrangements for which are:

### **1) Arrangements for preparing and submitting cash flow statements**

Cash flow projections are prepared annually, monthly and daily. The cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

### **2) Content and frequency of Cash flow budgets**

A cash-flow spreadsheet is produced in advance of each financial year. It shows the estimated cash position of the Council for the financial year and is updated daily with actuals obtained from the Council's bank statements, as the year progresses. The cash-flow summarises all income being deposited in the Council's bank accounts and all payments from these accounts for each working day of the year.

### **3) Listing of sources of information**

The main sources of information used to prepare and update the daily cash-flow are as follows:

- Direct Debit collection files for Council Tax, Business Rates and Accounts Receivable.
- Repaid Investment Loans.
- Grants Received from all Government Bodies etc.
- Monthly VAT repayments.
- Estimates for Car Park Income and Other Income.
- Precept payments to Lincolnshire County Council, Police & Crime Commissioner for Lincolnshire, Drainage Boards, and payments into the Lincolnshire Business Rates Pool if elected in.
- Revenue Support Grant and Business Rates Retention Payments to Government.
- Investment loans issued.
- Scheduled Bank Automated Clearing System (BACS) files for payment of Housing Benefit, Salaries and Accounts Payable.
- Estimates for capital programme expenditure for the financial year.

### **4) Bank statement procedures**

Currently bank statements are downloaded daily from the HSBC online banking facility. The authority's income is processed through the Pay360 cash receipting system.

Bank reconciliations are carried out by the Senior Finance Assistant, Finance Assistant or Finance Analyst Treasury with the overall responsibility for the system control reconciliations being undertaken by the Treasury & Investments Manager. Copies of the signed off reconciliations are held in Sharepoint.

### **5) Payment Scheduling and agreed terms of trade with creditors**

The Council's policy is to pay creditors within 30 days of the invoice date or other terms agreed with the creditor. Certified payments to sub-contractors must be paid within 14 days. The proportion of creditors paid within the 30-day target is measured by one of the Council's Key Performance Indicators.

### **6) Arrangements for monitoring debtors and creditor levels**

The officers in charge of debtors are actively reducing debt levels and managers should review outstanding debts.

All invoices are paid by the due date, unless the invoice is in dispute. Every endeavour is made to ensure that discounts for early repayment are taken.

The Accounts Payable Team is able to determine the value of creditors ready for payment at any point in time accurately.

## **7) Procedures for banking funds**

Kings Armoured Security Services Limited are used for collecting and transporting cash and cheques to the Council's bankers from the following locations:

- Municipal Buildings, West Street, Boston.
- All car parks.
- Public Conveniences.

Council members of staff pay income from The Guildhall, into the Municipal Buildings, West Street, Boston.

## **TMP 9 MONEY LAUNDERING**

The Council has robust and diligent procedures and protocols for identifying the origins of funds and prevent contravention of the money laundering laws.

### **1) Procedures for establishing identity and authenticity of lenders**

The Council does not accept loans from individuals. All loans are obtained from the PWLB, other Local Authorities or from authorised institutions under the Banking Act 1987: (the names of these institutions appeared on the Bank of England quarterly list of authorised institutions until 1.12.2001 when the Financial Services Authority (FSA) took over the responsibility for maintaining a register of authorised institutions. This register can be accessed through their website on [www.fsa.gov.uk](http://www.fsa.gov.uk) ).

### **2) Methodology for identifying sources of a deposit**

In the course of its Treasury activities, the council will only lend money to or invest with those counterparties that are on its approved lending list, which is approved annually as part of the Treasury Management Strategy.

## **TMP 10 TRAINING & QUALIFICATIONS**

Officers involved in Treasury activities shall undertake regular updates and courses which are relevant to their duties.

- The Council's Treasury Management advisers offer free training courses (included within annual fee to PSPSL). Staff involved in Treasury Management activities will attend these courses as appropriate.
- Other relevant courses either free or appropriately priced should be considered when available.
- Training and training updates will be provided as appropriate on Treasury Management processes.
- Where the S151 Officer is a member of CIPFA, there is a professional need for them to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management must also comply with the Code of Practice.

## **TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**

The Council and PSPSL have contractual arrangements with a number of external service providers in order to perform the treasury management function in an effective manner.

### **1) Treasury Advice and Consultancy Services**

The Chief Finance Officer (PSPSL) in liaison with the S151 Officer will appoint appropriate consultants and advisors to advise the Council on treasury matters.

The current advisors to the Council are;

- MUFG Pension & Market Treasury Limited (previously Link Asset Services) of 65 Gresham Street, London EC2V 7NQ.

Any contract taken out for treasury advice shall be re-tendered/quoted for at least every five years in order to guarantee value for money for the taxpayer while achieving continuity of advice over a sustained period.

### **2) The Council's banking services are carried out by;**

- HSBC UK plc, East Midlands Corporate Banking, Second Floor, Donington Court, Pegasus Business Park, herald Way, Castle Donington. DE74 2BU

The banking contract should be reviewed at least every five years in order to make sure the Council and taxpayers retain value for money. External advisors may be used to assist with this where appropriate.

## **TMP 12 CORPORATE GOVERNANCE**

In order to demonstrate its commitment to the Code of Practice and transparency by making available on request the following documents.

- The Council's Annual Statement of Accounts for the previous six financial years.
- The Council's Annual Governance Statement.
- The Treasury Management Policy.
- The Treasury Management Strategy.
- The Investment Strategy.
- Medium Term Financial Strategy.
- The Capital Strategy and Asset Management Plan.

The Council will also consult annually during the budget setting process with stakeholders including local business rate payers. This should be done before setting the annual budget and Council Tax.

## **Schedule 2**

### **Application of Investment Management Practices**

#### **IMP1 INVESTMENT OBJECTIVES**

The Investment policy has two underlying objectives:

- Security – protecting the capital sum invested from loss; and
- Liquidity – ensuring the funds invested are available for expenditure when needed.

The generation of yield is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, the Council will consider what yield can be obtained consistent with these priorities.

In relation to non-property investment the following classifications apply;

#### **Service Investments**

To utilise delivery models which support our core objectives, and which may deliver a return for the Council.

#### **Commercial Investments**

Commercial investments are those investments which are purely for income generation.

The Council has investments in Commercial Property Funds which are long-term investments which generate a return which supports the revenue budget. The value of the capital invested can go up and down in value.

#### **IMP2 INVESTMENT CRITERIA**

The main criteria for non-treasury investments are.

- Total financial exposure to these types of loans/acquisitions is proportionate.
- Returns are kept under review.

#### **IMP 3 RISK MANAGEMENT**

The Council acknowledges that investments in financial assets comes at a risk.

For Non-Treasury Investments these risks are managed as follows:

## **Credit and Counterparty Risk**

The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

- The S151 Officer will formulate a suitable criterion for assessing and monitoring the credit risk of investment counterparties.
- The Council will adopt the credit loss model for recognising the value of financial assets (loans).

The S151 Officer will also adjust lending limits and periods when there is a change in the financial status, credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria.

There are appropriate credit control arrangements to recover overdue repayments in place; and

The Council has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within their self-assessed limit.

Annual reviews of investments are undertaken.

## **Interest Rate Risk**

Loans held as Long-Term Debtors are to be issued at a fixed rate of interest and term.

Commercial Investments (Property Funds) have a variable interest rate. No new investment are to be made in Property Funds due to changes in access to PWLB loans and changes to Minimum Revenue Provision guidance.

## **Legal and Regulatory Risk**

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly. The Council must:

1. Comply with relevant statutes and regulations including:
  - The Localism Act 2011 grants Local Authorities a general power of competency allowing them to do anything that individuals generally may do, which includes lending money and investing in property.
  - As required by section 45 of the Local Government and Housing Act, 1989, the Council must approve before the beginning of each financial year the overall borrowing limit, the amount of the overall borrowing limit which may be outstanding by way of short term borrowing and the

maximum proportion of interest on borrowing which is subject to variable rate interest.

- Comply with the Local Government Act 2003, and CIPFA Prudential Code.

## **IMP4 PERFORMANCE MEASUREMENT**

Performance measurement is a process designed to calculate the effectiveness of a portfolios or manager's investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.

The benefits and applications of performance measurement in the public services include:

- using past experience beneficially to future policies and practices.
- by developing an appreciation of the factors influencing performance, improving the future processes of decision making.
- allowing organisations to assess the potential for adding value through changes to the existing ways in which an investment is managed.

The Council will adopt the following methods of measuring performance

- Performance measured against Annual Treasury Strategy Statement targets.
- Compliance to CIPFA Code of Practice for Treasury Management.
- Expenses contained within approved budget.
- Review of performance indicators.

## **IMP5 DECISION MAKING & ANALYSIS**

It is vital that investment decisions of organisations in the public services should be subjected to prior scrutiny. The Investment Strategy is approved annually by full council. This is supplemented by the provision of monitoring information and regular review by both the Audit & Governance Committee and Cabinet in both executive and scrutiny functions. The Council will put into place a process designed to give stakeholders confidence in its decision making.

The Council will use the following tools to help evaluate decisions being considered:

- Cash flow analysis.
- Maturity analysis.
- Ledger reconciliations.
- Review of borrowing requirement.
- Monitoring of projected loan charges, interest and expenses costs.
- Collation of monthly performance information.

In respect of every decision made the Council will:

- Above all be clear about the nature and extent of the risks to which the Council may become exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver the Council's objectives and protect the organisation's interests, and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

In respect of investment decisions, the Council will:

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

All decisions made in relation to Investment Management will be recorded with all documentation retained and filed in the Financial Services Unit. This documentation will show evidence of authorisation and evidence of the transactions.

## **IMP6 ORGANISATION, CLARITY & SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS.**

### **Limits to Responsibilities/Discretion for the Cabinet**

- The Full Council will approve the Treasury Management Strategy (including the Investment Management Strategy) and all prudential and treasury indicators.
- The Full Council will approve the Mid-Year and Annual Treasury Management Report.
- The Audit & Governance Committee will receive and review reports on treasury and investment management policies, practices and activities and the annual Treasury Management Strategy Statement (which is then approved by full council).
- The S151 Officer will be responsible for amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury and Investment Management Practices.
- The Full Council will consider and approve Treasury Management Budgets as part of the Council's budget setting process.
- The S151 Officer will approve the segregation of responsibilities.
- The S151 Officer will receive and review external audit reports and put recommendations to the Cabinet.

**Principles and Practices Concerning Segregation of Duties**

The Cabinet will approve any investment in line with the Capital Programme.

Official authorisation of the transaction is done by the S151 Officer or his deputy.

**STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST (all duties stated as Treasury include non-treasury investments)****Section 151 Officer**

The S151 Officer will:

- Implement and monitor the Treasury Management Policy, revising and resubmitting the Policy for consideration to the Audit & Governance Committee and Cabinet, for approval by full Council, periodically if changes are required.
- Draft and submit a Treasury Management Strategy to Audit & Governance Committee in advance of each financial year prior to submission to Council for approval as part of the budget setting report.
- Draft and submit an annual report on treasury management activity to Audit & Governance Committee prior to submission to Council, by the deadline prescribed by statute.
- Submit Treasury Management Policy reports.
- Implement and monitor the strategy, reporting to Audit & Governance and the Cabinet any material divergence from budgets or necessary revisions as and when required.
- Receive and review management information reports.
- Review the performance of the Treasury Management function and promote best value reviews.
- Ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensure the adequacy of internal audit and liaising with external audit.
- Recommend the appointment of external service providers in accordance with the Council's Standing Orders.

The S151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

The S151 Officer may delegate his power to borrow and invest to members of his staff or the PSPSL Finance Team. The Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL or Treasury & Investments Manager (x2) PSPSL must conduct all dealing transactions. The S151 Officer may authorise other officers to act as temporary cover for leave / sickness. Where HSBC on-line banking system is used to place investments or make other payments, then only the officers so designated by the S151 Officer can authorise these transactions. These transactions must be authorised by one of the following officers:

- Head of Finance Delivery (Tech & Corp) PSPSL
- Deputy Chief Finance Officer (Delivery) PSPSL
- Treasury & Investments Manager (x2) PSPSL
- Finance Analyst Treasury (x2) PSPSL

The S151 Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

It is also the responsibility of the S151 Officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principles and broking firms in the wholesale markets.

**Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL, Treasury & Investments Manager (x2) PSPSL.**

The responsibilities of these posts will be: -

- Execution of transactions.
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers.
- Monitoring performance on a day-to-day basis.
- Submitting management information reports to the S151 Officer.
- Identifying and recommending opportunities for improved practices.

**Chief Executive**

The responsibilities of this post will be: -

- Ensuring that the S151 Officer reports regularly to the Audit & Governance Committee on treasury policy, activity and performance.

**Monitoring Officer**

The responsibilities of this post will be: -

- Ensuring compliance by the S151 Officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the S151 Officer when advice is sought.

**Internal Audit (currently carried out by external providers Lincolnshire County Council)**

The responsibilities of Internal Audit will be: -

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practice.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

**ABSENCE COVER ARRANGEMENTS**

Within the segregation of duties there is a pool of officers able to cover for unforeseen absences as much as possible. Alternative arrangements to cover for annual leave and other known days of unavailability are agreed in advance.

**DEALING LIMITS**

- The borrowing limits are set in the annual Treasury Management Strategy.
- PWLB loans are governed by the Councils Prudential Indicator Limits.
- Investment limits are set out in the Annual Treasury Management Strategy.

**IMP7 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

The Council will report periodically throughout the year to the Audit & Governance Committee. The reports will be designed to give those with ultimate responsibility for the treasury management function full appreciation of the implications of treasury and investment management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

**1) Annual reporting requirements before the start of the year**

- review of the organisation's approved clauses, treasury management policy statement and practices.
- strategy report on proposed treasury and investment management activities for the year.

**2) Quarterly Reviews**

- activities undertaken.
- variations (if any) from agreed policies/practices.
- interim performance report.
- regular monitoring.
- monitoring of treasury management indicators for local authorities.

**3) Annual reporting requirements after the year-end**

- transactions executed and their revenue (current) effects.
- report on risk implications of decisions taken and transactions executed.

- compliance report on agreed policies/practices, and on statutory/regulatory requirements.
- performance report.
- report on compliance with CIPFA Code recommendations.
- monitoring of treasury management indicators for local authorities.

## **IMP8 TRAINING & QUALIFICATIONS**

Officers involved in Treasury and investing activities shall undertake regular updates and courses which are relevant to their duties.

- The Council's Treasury Management advisers offer free training courses (included within annual fee to the PSPSL). Staff involved in Treasury Management activities will attend these courses as appropriate.
- Other relevant courses either free or appropriately priced should be considered when available.
- Training and training updates will be provided as appropriate on the Treasury Management processes.
- Where the S151 Officer is a member of CIPFA, there is a professional need for them to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury and investment management must also comply with the Code of Practice.

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# Agenda Item 4



**Report To:** Audit and Governance Committee

**Date:** 19<sup>th</sup> January 2026

**Subject:** Audit of Building Control Service by the Building Safety Regulator

**Purpose:** To provide Members with an update on the audit of the Building Control Service by the Building Safety Regulator

**Key Decision:** No

**Portfolio Holder:** Councillor John Baxter, Portfolio Holder for Housing

**Report Of:** Christian Allen, Assistant Director – Regulatory

**Report Author:** Pauline Lyon, Group Manager – Building Control

**Ward(s) Affected:** None

**Exempt Report:** No

## Summary

This is a report to share the outcome of the recent Building Control audit by the Building Safety Regulator and to provide assurance to Members of the work being done to ensure the service meets the Building Safety Regulator Operational Standards.

## Recommendations

Members of the Audit and Governance Committee note the report and the work underway to meet the requirements of the Building Safety Regulator audit outcome.

## Reasons for Recommendations

To provide assurance to members of the work being done to ensure the Council are complying with the Building Safety Regulator Operational Standards.

## Other Options Considered

None

### 1. Background

- 1.1 The Building Safety Regulator (BSR) undertakes inspections to ensure that Building Control Bodies (BCBs) i.e., Local Authorities (LA's) and Registered Building Control Approver's ('RBCAs') are complying with the Building Act 1984 and associated legislation. All BCBs are subject to ongoing monitoring and at least one inspection over a five-year period.
- 1.2 The objective of an inspection is to verify that BCBs are complying with the Operational Standard Rules (OSRs), as well as identifying opportunities for improvement within the Building Control profession. Where non-compliances are identified the BSR as the regulatory authority have a series of escalating sanctions and enforcement measures to maintain standards and deal with poor performance, when identified.

### 2. Report

- 2.1 The BSR undertakes routine audit inspections of BCBs every five years. In addition, they can initiate an investigation at any time if they believe BCBs have contravened the OSRs or committed a criminal offence. As part of the establishment of the BSR, each BCB is subject to an initial inspection within 12 months.
- 2.2 The first Inspection of BBC commenced in December 2024 and concluded in October 2025. The inspection was a comprehensive and detailed process, involving a series of constructive meetings, extensive document sharing and in-depth discussions with the Inspector to clearly demonstrate established processes and practices.
- 2.3 The scope of the inspection included (this is not an exhaustive list):
  - Evaluation of governance, risk management and control arrangements to confirm if the building control statutory obligations are being met and are aligned with the Operational Standards Rules (OSRs). This included reviewing assurance activities in place recognising that the LA remains accountable for effective and efficient delivery of its statutory building control functions
  - Assessment of compliance with building control systems, policies and processes as set out in our Quality Management System (QMS).
  - Consideration of how building control functions/activities align to 'The strategic context for the regulated framework'.
  - Confirmation that there are;
    - sufficient, experienced and qualified staff with competencies appropriate to the type of building control work undertaken.
    - workforce and succession plans in place to enable ongoing effective and efficient discharge of our statutory BC functions and activities; and
    - robust arrangements exist for continuing professional development and training to maintain competence.
  - Evaluation of the robustness of the building control inspection regime through sample and testing a variety of application types.

2.4 In preparation for the implementation of the Building Safety Act post Grenfell Enquiry, a comprehensive programme of work was undertaken to ensure readiness, compliance and service continuity.

2.5 Key actions included:

- All inspectors were fully supported with any additional training necessary to demonstrate competence for registration.
- Inspectors were actively supported throughout the registration process, resulting in all staff being successfully registered ahead of the statutory deadline, an outcome not achieved universally across the sector.
- Job evaluations were completed at each Council to reflect the changes arising from the new regulatory framework. Importantly, no inspectors left the service as a result of the registration process, which is also not an outcome seen elsewhere in the profession.
- All operational processes were reviewed, aligned and formally introduced to ensure consistency and compliance.
- Governance arrangements were reviewed and strengthened to ensure ongoing compliance with regulatory requirements.
- New procedures were introduced, including the systematic collection and management of Operational Standards Rules (OSRs) data.
- All service documentation was reviewed and updated to reflect current requirements.
- A robust succession planning approach was implemented, including the recruitment of three trainees two years ago. Two are now registered inspectors, with the third due to complete their registration imminently.

2.6 The outcome of the inspection identified only three areas for improvement, all of which relate to the strengthening of arrangements to ensure continuous oversight across all project risk types.

2.7 The building control team, supported by the Leadership Team has already taken proactive steps to implement improvement actions, including:

- Legacy applications are being systematically reviewed, with increased focus on high-risk projects and the introduction of regular monitoring arrangements across all project risk types.
- In addition, a corporate ICT Alignment Programme is underway across the Partnership. This includes the introduction of an upgraded ICT platform that will further strengthen the alignment of the Building Control system with evolving operational and regulatory requirements.

2.8 The BSR has acknowledged the wider national context within which local authority building control services operate, including the well-documented shortage of registered Building Inspectors, particularly within local authorities. It is also recognised that, over several years, resources within Local Authority Building Control (LABC) teams have been impacted by broader financial pressures affecting local government nationally.

2.9 In response to these challenges, MHCLG is currently consulting on proposals to reform the fees and charges regime for local authority building control services. These reforms would enable authorities to recover costs for a wider range of

activities, with the anticipated outcome of more resilient, sustainable and well-resourced local building control services.

### **3. Conclusion**

- 3.1. The audit outcome provides assurance that the Building Control Service is demonstrating very high levels of compliance with the Operational Standard Rules (OSRs) prescribed by the BSR.
- 3.2. The BSR recognises that a lot of work has gone into aligning building control processes and procedures across the SELCP with the OSRs.

### **Implications**

#### **South and East Lincolnshire Councils Partnership**

Due to the aligned policies and procedures at BBC and ELDC, the BSR agreed to extend their scheduled audit at SHDC by 12 months.

#### **Corporate Priorities**

Delivery of high-quality services and maximising use of technology to support residents.

#### **Staffing**

The service is progressing the improvement actions using service's existing resources. Officers remain in on-going constructive dialogue with the BSR auditor to ensure that the measures being implemented align with regulatory expectations.

#### **Workforce Capacity Implications**

As above

#### **Constitutional and Legal Implications**

The Building Safety Regulator is the regulator for Building Control. Local Authorities (LA's) and Registered Building Control Approver's ('RBCAs') must comply with the Building Act 1984 and associated legislation.

#### **Data Protection**

None

#### **Financial**

None

#### **Risk Management**

N/A

## **Stakeholder / Consultation / Timescales**

The portfolio holder has been informed of the outcome of the audit and will be kept apprised of progress with improvement actions.

## **Reputation**

Reputational risk is mitigated through the timely and effective delivery of the identified improvement actions.

## **Contracts**

None

## **Crime and Disorder**

None

## **Equality and Diversity / Human Rights / Safeguarding**

None

## **Health and Wellbeing**

None

## **Climate Change and Environment Impact Assessment**

None

## **Acronyms**

Building Safety Regulator (BSR)  
Operational Standard Rules (OSRs)  
Building Control Bodies (BCBs)  
Registered Building Control Approvers (RBCAs)  
Local Authority Building Control (LABC)  
Quality Management Systems (QMS)

## **Appendices**

N/A

## **Background Papers**

No background papers

## **Chronological History of this Report**

A report on this item has not been previously considered by a Council body

## **Report Approval**

Report author: Pauline Lyon, Group Manager – Building Control  
[Pauline.lyon@sholland.gov.uk](mailto:Pauline.lyon@sholland.gov.uk)

Signed off by: Christian Allen, Assistant Director – Regulatory  
[christian.allen@boston.gov.uk](mailto:christian.allen@boston.gov.uk)

Approved for publication: Jason King, Director of Communities  
[JasonKing@sholland.gov.uk](mailto:JasonKing@sholland.gov.uk)

# Agenda Item 5



<b>Report To:</b>	Audit and Governance Committee
<b>Date:</b>	19 <sup>th</sup> January 2026
<b>Subject:</b>	Audit and Governance Committee Annual Report 2024/2025
<b>Purpose:</b>	To review the annual report on the previous years' work of the Committee as required by the Terms of Reference
<b>Key Decision:</b>	N/A
<b>Portfolio Holder:</b>	N/A
<b>Report Of:</b>	John Medler, Assistant Director – Governance & Monitoring Officer
<b>Report Author:</b>	Amanda Dickinson, Democratic Services Team Leader
<b>Ward(s) Affected:</b>	N/A
<b>Exempt Report:</b>	No

## Summary

The Audit & Governance Committee is required, by its Terms of Reference, to report annually to Council on their work programme activities undertaken during the previous municipal year. Prior to the annual report (Appendix 1) being received by Council it is presented to the Committee for approval.

The Audit and Governance Committee Annual Report 2024/2025 includes an overview of; the purpose of the Committee, the Membership of the 2024/2025 Municipal Year, meetings and summary of work, internal audit, external audit, governance, treasury and accounts, risk management and training and development.

## Recommendations

That the Audit and Governance Committee approves the Committee's Annual Report 2024/25 for presentation to the Full Council.

## **Reasons for Recommendations**

To enable the work of the Audit and Governance Committee to be reported to Full Council.

## **Other Options Considered**

Not to approve or amend the Audit and Governance Committee Annual Report 2024/2025.

### **1. Background**

1.1 The Committee is required, through its Terms of Reference, to consider a report which outlines the work undertaken by the Audit and Governance Committee in the previous year.

### **2. Report**

2.1 The report gives an overview of the activities undertaken during the 2024/2025 municipal year by the Audit and Governance Committee.

2.2 The report does not serve to reproduce the reasons for scrutiny of items nor the outcome of discussion. The report can, however, serve as a signpost for interested parties to obtain further information from the Boston Borough Council website where agendas and minutes are published.

### **3. Conclusion**

3.1. In presenting the information in the attached report, the work undertaken by Boston Borough Council's Audit and Governance Committee during 2024/2025 is clearly defined.

### **Implications**

#### **South and East Lincolnshire Councils Partnership**

None.

#### **Corporate Priorities**

None.

#### **Staffing**

None.

## **Workforce Capacity Implications**

None.

## **Constitutional and Legal Implications**

None.

## **Data Protection**

None.

## **Financial**

None.

## **Risk Management**

None.

## **Stakeholder / Consultation / Timescales**

None.

## **Reputation**

None.

## **Contracts**

None.

## **Crime and Disorder**

None.

## **Equality and Diversity / Human Rights / Safeguarding**

None.

## **Health and Wellbeing**

None.

## **Climate Change and Environmental Implications**

None.

## **Acronyms**

None.

## Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1 Audit and Governance Committee Annual Report 2024/2025

## Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

## Chronological History of this Report

A report on this item has not been previously considered by a Council body.

## Report Approval

Report author: Amanda Dickinson, Democratic Services Team Leader  
[amanda.dickinson@boston.gov.uk](mailto:amanda.dickinson@boston.gov.uk)

Signed off by: John Medler, Assistant Director – Governance & Monitoring Officer  
[john.medler@e-lindsey.gov.uk](mailto:john.medler@e-lindsey.gov.uk)

Approved for publication: Councillor Barrie Pierpoint, Chairman of the Audit and Governance Committee  
[barrie.pierpoint@boston.gov.uk](mailto:barrie.pierpoint@boston.gov.uk)



# Audit & Governance Committee

## Annual Report

### 2024/2025



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## The Role and Function of the Audit & Governance Committee

Our Audit & Governance Committee is a key component of Boston's Corporate Governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It is formally recognised as the body charged with governance and, with independence from Scrutiny Committees, it reports directly to Full Council.

The purpose of our Audit and Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Boston's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

This is achieved through key regular items received by the committee in relation (but not limited) to:

- Internal and external audit
- Key finance items
- Governance reviews
- Strategic risk management reporting



## Introduction from the Chairman of the Audit & Governance Committee

As Chair of the Audit and Governance Committee I am pleased to report that over the past year, the Committee have continued to work to a very high standard to ensure they monitor the Borough's corporate governance and its internal and external auditing processes.

This Committee continually ensures effective controls are in place, overseeing and challenging all risk management, ensuring strong financial treasury management along with full transparency within all areas of its operations

Part of our role we provide independent assurance and ensure that rigid controls are in place within the Council, to mitigate risks where necessary and apply appropriate scrutiny regarding the completion of all recommendations and ensuring that all departments are operating to their very best ability and output.

Where audit issues have been identified, the Committee has been pleased with the focus given to those areas which have been addressed promptly. We are striving for complex reports wherever possible to be simplified with executive summaries to demystify what are complex matters, and to assist in this further we have asked for them to be clearly focussed around areas for consideration.

Working with Officers for the Committee's ongoing development, we have produced a self-assessment 12 month Action Plan which covers many topics such as the Terms and Reference of the A&G Committee, an Annual Plan of our effectiveness as a Committee, highlighting continuous training requirements, the monitoring of our progress and many other important aspects, ensuring we are a very effective ongoing A&G Committee.

Treasury management is a very high priority for this Committee, ensuring it is working effectively within safe agreed parameters. The scrutiny of the Annual Treasury Management and approval of the Financial Statements are just some of the important areas undertaken.

As Chair, I continue to liaise with other Chairs of A&G Committees within the Partnership to compare all our Committee's work, share best practice, and find ways to align our audit and financial workings together to seek the very best outcomes for Boston Borough.

I look forward to working with Committee Members and supporting their continued development in experience, bringing a balanced, independent, and objective approach to the business of the Committee and challenging all areas of financial management where necessary.

Continuous training sessions are key to providing increased knowledge and expertise within the Committee across a wide range of technical areas and topic-based matters where necessary.

The Audit and Governance Committee will continue to strive for excellence from all departments, using Key Performance Indicators from the Risk Register, and Internal and External Audit reports to monitor this.

We are very pleased to welcome two new independent lay members Gideon Hall and Adam Cartwright who have been co-opted onto the membership of the A&G Committee. Gideon and Adam both bring a wealth of financial management, business experience, specialist expertise, knowledge, transparency and an outsider's view which have proven very valuable and beneficial.

Finally, I would like to thank all our A&G Committee Members for their valuable contribution during the past year and also thank you to all the Council Officers, Internal and External Auditors, and the financial management from PSPS who have all provided support, information, advice, guidance and a first-class professional service, enabling Committee Members to operate at a very effective level.



Thank you most sincerely, and on behalf of the Committee we look forward to working with you all over the next 12 months for the best interest of the Borough Council and its stakeholders.

**Councillor Barrie Pierpoint**  
**Chairman of the Audit & Governance Committee 2024/25**

## Audit & Governance Committee Membership 2024/2025

Membership of the Audit & Governance Committee comprised 11 Non-Cabinet members and 2 Non – Elected representatives (Non-Councillor).

During the 2024/2025 municipal year, the committee was made up of the following elected members:

- ▶ Cllr Barrie Pierpoint (Chairman)
- ▶ Cllr Anton Dani (Vice Chairman)
- ▶ Cllr Jyothi Arayambath
- ▶ Cllr Richard Austin BEM
- ▶ Cllr James Cantwell
- ▶ Cllr Mike Gilbert
- ▶ Cllr Paul Gleeson
- ▶ Cllr David Middleton
- ▶ Cllr Chris Mountain
- ▶ Cllr Lina Savickiene
- ▶ Cllr David Scoot
- ▶ Adam Cartwright (Co-opted Independent Member - appointed 14th October 2024)
- ▶ Gideon Hall (Co-opted Independent Member - appointed 14th October 2024)



## Audit and Governance Committee Meetings and Summary of Work

During 2024/2025, the Audit & Governance Committee met five times. The table below shows the meeting dates and gives a brief summary of work activities. Full agendas and minutes for each meeting can be accessed by clicking on the dates.

Date	Items and Reports Considered
<a href="#">8 July 2024</a>	<ul style="list-style-type: none"><li>• Draft External Audit Plan and Strategy Report</li><li>• Internal Audit Annual Report and Opinion 2023/24</li><li>• Q4 Risk Report 2023/24</li><li>• Annual Governance Statement - Action Plan Update</li><li>• Audit and Governance Committee Self-Assessment Action Plan</li><li>• Annual Treasury Report 2023/24</li><li>• Unaudited Financial Statement 2023/24 including Narrative Report and Annual Governance Statement</li><li>• Combined Assurance Status Report 2023/24</li></ul>
<a href="#">14 October 2024</a>	<ul style="list-style-type: none"><li>• Final External Audit Plan &amp; Strategy for the year ending 31st March 2024</li><li>• External Audit Progress Report 2023/24</li><li>• Annual Governance Statement 2023/24 and Financial Statements 2023/24</li><li>• Q1 Risk Report 2024/25</li><li>• Q1 Treasury Reprt 2024/25</li><li>• Audit and Governance Annual Report 2023/24</li><li>• Appointment of Co-opted Members</li></ul>
<a href="#">18 November 2024</a>	<ul style="list-style-type: none"><li>• Treasury Management Mid-Year Report 2024/25</li><li>• Information Governance Annual Update</li></ul>
<a href="#">27 January 2025</a>	<ul style="list-style-type: none"><li>• Final External Audit Completion Report 2023/24 (ISA 260)</li><li>• Draft External Audit Report</li><li>• Internal Audit Progress Report</li><li>• Q2 Risk Report 2024/25</li><li>• Update on changes to Statutory Guidance "Capital Finance: Guidance on Minimum Revenue Provision Policy"</li><li>• Budget Overview 2025/26 - 2029/30</li></ul>
<a href="#">22 April 2025</a>	<ul style="list-style-type: none"><li>• External Audit Plan &amp; Strategy for the year ending 31 March 2025</li><li>• Financial Statements 2024/25 - Accounting Policies</li><li>• Q3 Treasury Report 2024/25</li><li>• Q3 Risk Report 2024/25</li><li>• Internal Audit Progress Report 2024/25</li><li>• Combined Assurance Status Report 2024/25</li><li>• Internal Audit Plan 2025/26</li><li>• Regulation of Investigatory Powers Act (RIPA) 2000 Update</li></ul>

## Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015 to '*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 and guidance*'.

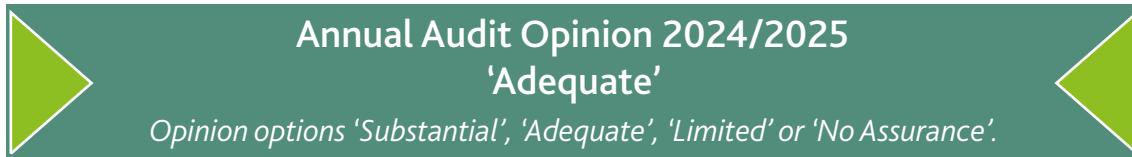
For 2024/2025, the Internal Audit function continued to be provided by Internal Audit, Lincolnshire County Council (previously known as Assurance Lincolnshire).



### Head of Internal Audit Opinion

The Head of Internal Audit is responsible for the delivery of an annual audit opinion which is based on the internal audit work undertaken during the year and is used by the Council to inform its Annual Governance Statement.

The 'Boston Borough Council Internal Audit Annual Report and Opinion 2024/2025', presented to the Committee at its [7 July 2025](#) meeting, provided a summary of the eleven assurance reviews undertaken during 2024/2025 as well as the overall audit opinion the period.



In forming the opinion, the Head of Internal Audit considered the frameworks of governance, risk management and management controls to be adequate and that audit testing had demonstrated controls to be working in practice.

Where weaknesses had been identified through internal audit review, the audit team had worked with management to agree appropriate corrective actions within an appropriate timescale for improvement.

## External Audit

From April 2023, the External Audit function was provided by KPMG. The activity status of the external audit of BBC's financial statements is as follows:

### 2023/2024

Representatives from KPMG attended committee meetings during the year and an External Audit Plan & Strategy Report for 2023/24 was presented at the [14th October 2024](#) Audit & Governance Committee meeting. On [27th January 2025](#) the Committee received the Final External Audit Completion Report for 2023/24 and a draft External Audit Annual Report which upon finalisation confirmed an unqualified opinion on the Council's accounts. This means that the Auditor believes the accounts gave a true and fair view of the financial performance and position of the Council. The External Auditor also concluded that the Council had appropriate arrangements in place to secure value for money (i.e. economy, efficiency and effectiveness in the use of its resources).

### 2024/2025

The Engagement Manager attended a committee meeting on [22nd April 2025](#) and presented a report which set out the external auditor's risk assessment, audit plan and strategy for the financial year 2024/25, including the value for money commentary.

*Click on dates to view detail*

## Governance

The following items were considered by the Committee in relation to its governance function:

► **Regulation of Investigatory Powers Act (RIPA) 2000 Update**

Members were presented with an update and provided feedback relating to RIPA regulatory activity within the last 12 months.

► **Information Governance Annual Update**

Members were informed about the council's activities and compliance with Data Protection, Environmental Information Regulation and Freedom of Information requirements.

► **Combined Assurance Status Reports 2023/24 and 2024/25**

The Assistant Director, Governance & Monitoring Officer presented the Combined Assurance Status report 2023/24, attached at Appendix A within the report, which provided a record of assurance against the Council's critical services, key risks, partnerships and projects. It supported the Council's commitment to achieving good corporate governance.

► **Governance and Audit Committee Self-Assessment Action Plan**

In addition, members evaluated the impact and effectiveness of the committee to support effective audit and governance arrangements. A resulting action plan was put forward for 2024/2025.

► **Annual Governance Statement Action Plan update**

The Deputy Chief Executive – Corporate Development & S151 provided the Committee with an action plan update in respect of the Annual Governance Statement.

► **Co-opted Independent Member representation on the Governance and Audit Committee**

The Assistant Director – Governance & Monitoring Officer presented a report which sought the Committee's approval, following a recent recruitment process, to co-opt two new Independent Members to the Audit and Governance Committee.

## Risk Management

The Audit and Governance Committee monitors and approves policies for the effective development and operation of risk management and corporate governance in the Council. During 2024/2025, the Audit and Governance Committee received four reports from the Group Manager – Insights and Transformation which provided an overview of the key risks that the Council was exposed to, the action taking place to mitigate those risks, and an up-to-date assessment of their likelihood and impact.



## Treasury and Accounts

The Council is required to produce an Annual Treasury Management Review after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The code suggests that members be informed of Treasury Management activities at least twice per year.

The following reports relating to finance and treasury management were considered by the committee:

- Annual Treasury Report 2023/24
- Q1 Treasury Report 2024/25
- Unaudited Financial Statements 2023/24 including Narrative Report and Annual Governance Statement
- Annual Governance Statement and Action Plan
- Treasury Management Mid-Year Report 2024/25
- Update on changes to Statutory Guidance: Capital Finance: Guidance on Minimum Revenue Position
- Financial Statements 2024/25 - Accounting Policies
- Q3 Treasury Report 2024/25
- Budget Overview 2025/26 - 2029/30



## Training and Development

During 2024/2025, the Audit & Governance Committee received training on.

- Induction Training for Independent Members
- Treasury Training
- Self Assessment and Action Plan Training

## Further Information

For detailed information of work covered by the Audit and Governance Committee, please visit the Council and Democracy area of the Council's website:

<https://democracy.boston.gov.uk/mgCommitteeDetails.aspx?ID=128>

## Contact



Boston Borough Council, Municipal Buildings, West Street, Boston PE21 8QR



01205 314591



demservices@boston.gov.uk



www.boston.gov.uk

# Audit and Governance Committee Work Programme 2025–26

Meeting Date	Agenda Items	Report Author
7 July 2025	<ul style="list-style-type: none"> <li>• Towns Board Capital Projects (Verbal Presentation)</li> <li>• Internal Audit Annual Report and Opinion 2024/25</li> <li>• Q4 Risk Report 2024/2025</li> <li>• Annual Treasury Report 2024/25</li> <li>• Annual Governance Statement 2024/25</li> <li>• Unaudited Financial Statements including Annual Governance Statement 2024/2025</li> <li>• Budget Process 2026/27</li> <li>• Committee Work Programme</li> <li>• Review of the Council's Property Fund Investments (Exempt)</li> <li>• Governance and Audit Committee Self-Assessment Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>– Director of Economic Development</li> <li>– Internal Audit Manager, LCC</li> <li>– Group Manager – Insights and Transformation</li> <li>– Treasury and Investment Manager, PSPS</li> <li>– Group Manager- Insights and Transformation</li> <li>– Deputy Chief Finance Officer, PSPS</li> <li>– Interim Director of Finance (S151)</li> <li>– Democratic Services Officer</li> <li>– Treasury and Investment Manager, PSPS</li> <li>– Scrutiny and Policy Officer</li> </ul>
13 October 2025	<ul style="list-style-type: none"> <li>• External Auditors Progress Report 2024/2025 (Verbal Update)</li> <li>• Internal Audit Progress Report 2024/2025</li> <li>• Internal Audit Charter</li> <li>• Q1 Risk Report 2025/2026</li> <li>• Q1 Treasury Report 2025/2026</li> <li>• Committee Work Programme</li> </ul>	<ul style="list-style-type: none"> <li>– External Audit Manager, KPMG</li> <li>– Internal Audit Manager, LCC</li> <li>– Internal Audit Manager, LCC</li> <li>– Group Manager – Insights and Transformation</li> <li>– Treasury and Investment Manager, PSPS</li> <li>– Democratic Services Officer</li> </ul>
17 November 2025	<ul style="list-style-type: none"> <li>• External Audit Completion Report 2024/2025 (ISA 260)</li> <li>• External Auditor's Annual Report 2024/25</li> <li>• Financial Statements 2024/2025</li> <li>• Annual Governance Statement – Action Plan update (6monthly)</li> <li>• Q2 25/26 Risk Report</li> <li>• 2025/26 Mid-Term Treasury Report</li> <li>• Counter Fraud, Bribery and Corruption Policy</li> </ul>	<ul style="list-style-type: none"> <li>– External Audit Manager, KPMG</li> <li>– External Audit Manager, KPMG</li> <li>– Head of Finance Delivery - Technical and Corporate, PSPS</li> <li>– Group Manager – Insights and Transformation</li> <li>– Group Manager – Insights and Transformation</li> <li>– Treasury and Investment Manager, PSPS</li> <li>– Policy &amp; Scrutiny Officer</li> </ul>

# Audit and Governance Committee Work Programme 2025–26

Meeting Date	Agenda Items	Report Author
	<ul style="list-style-type: none"> <li>• Proposed Amendments to the Council's Contract Procedure Rules</li> <li>• Information Governance Annual Update 2024/25</li> <li>• Committee Work Programme</li> </ul>	<ul style="list-style-type: none"> <li>– Head of Procurement PSPS</li> <li>– Information Manager and Data Protection Officer</li> <li>– Democratic Services Officer</li> </ul>
19 January 2026	<ul style="list-style-type: none"> <li>• Audit &amp; Governance Committee Personal Skills Audit</li> <li>• Internal Audit Progress Report</li> <li>• Draft Treasury Management Policy Statement; Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2026/27; and Treasury Management &amp; Investment Management (Non-Treasury) Principles and Practices</li> <li>• Audit of Building Control Service by Building Safety Regulator</li> <li>• Audit and Governance Annual Report 2024/2025</li> <li>• Committee Work Programme</li> </ul>	<ul style="list-style-type: none"> <li>– Scrutiny &amp; Policy Officer</li> <li>– Internal Audit Manager, LCC</li> <li>– Head of Finance Delivery - Technical and Corporate, PSPS / Treasury &amp; Investment Manager PSPS</li> <li>– AD Regulatory</li> <li>– Democratic Services Officer</li> <li>– Democratic Services Officer</li> </ul>
21 April 2026	<ul style="list-style-type: none"> <li>• External Audit Strategy and Planning Report 2025/26</li> <li>• Financial Statements – Accounting Policies 2025/2026</li> <li>• Q3 Treasury Report 2025/26</li> <li>• Q3 Risk Report 2025/2026</li> <li>• Internal Audit Progress Report</li> <li>• Combined Assurance Status Report 25/26</li> <li>• Draft Internal Audit Plan 2026/27</li> <li>• Update in respect of RIPA 2000</li> <li>• Committee Work Programme</li> </ul>	<ul style="list-style-type: none"> <li>– External Audit Manager, KPMG</li> <li>– Head of Finance Delivery - Technical and Corporate, PSPS</li> <li>– Treasury and Investment Manager, PSPS</li> <li>– Group Manager – Insights and Transformation</li> <li>– Internal Audit Manager</li> <li>– Monitoring Officer</li> <li>– Internal Audit Manager, LCC</li> <li>– Assistant Director – Regulatory</li> <li>– Democratic Services Officer</li> </ul>

# Audit and Governance Committee Work Programme 2025–26

Meeting Date	Agenda Items	Report Author
<b>Chairman:</b> Councillor Barrie Pierpoint <b>Clerk:</b> Democratic Services Officer		<b>Vice Chairman:</b> Councillor James Cantwell

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