

REVISED AGENDA



- Committee - **GOVERNANCE AND AUDIT COMMITTEE**
- Date & Time - Thursday, 29 January 2026 at 6.30 pm
- Venue - Meeting Room 1, Council Offices, Priory Road, Spalding

Membership of the Governance and Audit Committee:

Councillors: A C Beal (Chairman), C J T H Brewis, M Geaney (Vice-Chairman), A Harrison, S Hutchinson, S-A Slade and T Sneath

Independent Co-opted Persons: A Cartwright and Hall

Quorum 3.

Persons attending the meeting are requested to turn off mobile telephones

Democratic Services
Council Offices, Priory Road
Spalding, Lincs PE11 2XE

Date: 28 January 2026

Please ask for Democratic Services: Telephone 01775 764693
e-mail: demservices@sholland.gov.uk

AGENDA

1. Apologies for absence.
2. Declaration of Interests -
(Where a member has a Disclosable Pecuniary Interest the Councillor must declare the interest to the meeting and leave the room without participating in any discussion or making a statement on the item, except where a member is permitted to remain as a result of a grant of dispensation).
3. Minutes - (Pages 5 - 22)
To sign as a correct record the minutes of the Governance and Audit Committee meeting held on 13 November 2025 (enclosed).
4. Actions - (Pages 23 - 26)
An update on actions that arose at the 13 November 2025 Governance and Audit Committee meeting and the tracking of outstanding actions (enclosed).
5. External Audit Year End Report 2024/2025 - (Pages 27 - 88)
To consider the report of KPMG (enclosed).
6. 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 89 - 174)
To provide pre-decision scrutiny to the treasury documents being proposed (report of the Director of Finance (S151) enclosed).
7. Internal Audit Progress Report - January 2026 - (Pages 175 - 190)
To provide the Committee with a summary of internal audit activity as at January 2026 (report of the Head of Internal Audit – Lincolnshire County Council enclosed).
8. Q2 Risk Report 25/26 - (Pages 191 - 214)
To provide an update on risk at the end of September 2025 (report of the Assistant Director – Governance enclosed)
9. Whistleblowing Policy - (Pages 215 - 228)
To update the Whistleblowing Policy for the Council and align the document so the Policy is the same across the S&ELCP (report of the Assistant Director, Governance enclosed).
10. Governance & Audit Personal Skills Audit - (Pages 229 - 242)
To evaluate the knowledge and skills of the Governance and Audit Committee members (report of the Scrutiny and Policy Officer enclosed).
11. Governance and Audit Committee Work Programme - (Pages 243 - 252)
To set out the Work Programme of the Governance and Audit

Committee (report of the Democratic Services Manager enclosed).

12. Any other items which the Chairman decides are urgent. -

NOTE: No other business is permitted unless by reason of special circumstances, which shall be specified in the minutes, the Chairman is of the opinion that the item(s) should be considered as a matter of urgency.

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Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 13 November 2025 at 6.30 pm.

PRESENT

M Geaney (Vice-Chairman, in the Chair)

C J T H Brewis

A Harrison

T Sneath

Apologies for absence were received from or on behalf of Councillors A C Beal and S-A Slade Gideon Charles Hall

In Attendance: The Assistant Director - Governance (Monitoring Officer), the Assistant Director - Finance (Section 151 Officer), the Director (KPMG), the Manager (KPMG), the Internal Audit Manager (Lincolnshire County Council) *virtual*, the Head of Finance Delivery – Technical and Corporate (PSPS), the Group Information Manager and Deputy Data Protection Officer, the Interim Treasury Manager (PSPS), the Head of Procurement and Contracts (PSPS) and the Democratic Services Officer.

	<u>Action By</u>
<p>25. DECLARATION OF INTERESTS</p> <p>Cllr Brewis declared he was a Director of PSPS</p>	
<p>26. MINUTES</p> <p>Consideration was given to the minutes of the Governance and Audit meeting held on 11 September 2025.</p> <p>Agreed:</p> <p>That the minutes be signed by the Chairman as a correct record.</p>	
<p>27. ACTIONS</p> <p>Consideration was given to the responses to actions that arose from the 11 September 2025 Governance and Audit Committee meeting.</p> <ul style="list-style-type: none">• Members referred to action 11 25/26, and queried progress on the skills audit. Members expressed the importance of identifying any gaps in skills and agreed that the audit would provide valuable insight<ul style="list-style-type: none">○ The Democratic Services Officer confirmed that the skills audit had been rescheduled and would be circulated during Quarter 3.	

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- Members referred to the response at action 17 25/26 and sought assurance that the waste collection service was working correctly. Issues had been noted in rural areas.
 - Assurance would be sought and a response reported back to the Committee.
- Members queried the allocation of £1.23 million funding and whether there were restrictions on its use.
- The Director of Finance (Section 151 Officer) responded that the funding was ring-fenced for recycling services, was already accounted for, and would be incorporated into the wider budget process. There were no concerns regarding its availability or compliance with requirements.
- Members considered unnecessary the automatic email responses from PSPS systems to meeting invitations and wished for this to be relayed.
- Members queried the timing of the Internal Audit report relating to insurance services.
 - The Internal Audit Manager confirmed that a follow-up review was underway and would be reported to the Committee in January 2026.

Agreed:

That the responses to actions be noted.

28. COUNTER FRAUD, BRIBERY & ANTI-CORRUPTION POLICY

Consideration was given to the report of the Director of Finance (Section 151 Officer) to update the Counter Fraud, Bribery and Corruption Policy for the Council and align the policy across the Partnership.

The report was introduced by the Director of Finance (Section 151 Officer) who confirmed that the document provided a comprehensive position, reflected the Council's duty to prevent fraud and corruption and aligned the policy across the Partnership.

Members considered the report and made the following comments:

- Members welcomed the inclusion of delegated authority for minor amendments, noting the importance of enabling swift

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updates in response to legislative changes.

- Members queried the wording under Aims, suggesting that the 'we aim to' statement be strengthened to emphasise zero tolerance and a commitment to reducing fraud and losses to the minimum.
 - The Director of Finance (Section 151 Officer) agreed to review the wording to ensure robustness.
- Members referred to the Council's powers to prosecute fraud cases and queried whether such powers were utilised or if matters would always be referred to the police.
 - The Director of Finance (Section 151 Officer) responded that action would depend on the circumstances; some cases would be police matters, while others might be addressed through HR processes.
- Members requested that colour contrast in the policy document be improved for readability.
 - The Director of Finance (Section 151 Officer) agreed to consider this in future versions.
- Members queried whether managers were responding timely to approval requests raised through the procurement card system.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) responded that an escalation process was in place to ensure compliance with transaction coding and approvals. Recent escalation emails indicated that the process was working effectively, although some managers had required reminders to approve transactions promptly.

Agreed:

1. That the Counter Fraud, Bribery and Corruption Policy be approved; and
2. That delegation to the S151 Officer to review and make minor amendments to the Policy to reflect changes in legislation, statutory guidance or contact detail, be approved.

**29. DRAFT EXTERNAL AUDITOR'S YEAR END AUDIT
PROGRESS REPORT FOR SOUTH HOLLAND DISTRICT
COUNCIL 2024/25**

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Consideration was given to the External Auditor's Year End Audit Progress Report for South Holland District Council 2024/25 provided by KPMG.

The Director (KPMG) and the Manager (KPMG) attended for this item and provided members with the following report summary:

- That the audit was substantially complete, and that the Council was in a positive position compared to the prior year. A modified opinion would be issued pertaining to the opening balances of the prior year disclaimed audit opinion. No issues had been identified in the 2024/25 audit which would result in a modification to the audit opinion;
- That the disclaimer in the previous year's opinion was being addressed through additional assurance work, with the aim of removing it by the 2025/26 audit at the latest, subject to risk assessment and capacity;
- The audit opinion would be issued well before the backstop date of February 2026 and that no material issues had been identified that would impact the audit opinion;
- The following significant risks had been considered:
 - Valuation of land and buildings: testing of land and building valuations showed improvement from the prior year, although eight of forty assets lacked formal floor plans, representing £1.1m in value. While not material, this was flagged for management action. The risk relating to investment property valuation had been removed following a review of methodology and assumptions;
 - Management override of controls; and
 - Valuation of pension obligations: pension liability assumptions were assessed as balanced and within acceptable ranges;
- Seven non-significant control deficiencies were identified with progress made on prior-year recommendations; and
- The report included three uncorrected misstatements, none of which were material, and one corrected misstatement relating to gains and losses presentation. Various disclosure amendments had also been made.

Members considered the report and made the following comments:

- Members welcomed the improved position and commended officers for progress since the previous year.
- Members referred to page 13 of the report and sought clarification on the pension deficit trend and whether the triennial valuation indicated improvement.

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- The Head of Finance Delivery – Technical and Corporate (PSPS) confirmed that the draft valuation results showed a favourable position, with a reduction in employer contribution rates anticipated.
- Members referred to the recommendation on the efficiency programme on page 24 of the report which was noted as ‘not implemented’, and queried the proposed actions to address this.
 - The Audit Manager (LCC) responded that:
 - The area would be revisited in Quarter 4 2025/26 and that a new audit was scheduled for that period; and
 - With reference to the controls, the following explanation was given:
 - First line controls: Management assurance;
 - Second line controls: External or peer reviews and governance oversight;
 - Third line controls: Internal or external audit functions.
- Members referred to page 31 of the report in respect of corrected audit misstatements and sought clarification on the adjustments made.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) responded that:
 - That the issue noted related to gains and losses being shown as a total rather than broken down per asset. This had been corrected following analysis of individual assets. The error was presentational and did not affect the ledger, but adjustments were made to ensure accurate disclosure;
 - Other corrected misstatements included:
 - Related party disclosures: additional information had been added and corrections made;
 - Remuneration report: a single incident error had been identified and corrected;
 - Housing stock: minor discrepancies had been corrected;
 - Cash flow statement and Group cash flow: a presentational error for each had been corrected.
- Members referred to page 33 of the report regarding the management response on payments to suppliers and queried

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how often payments were authorised without a corresponding purchase order.

- The Head of Finance Delivery – Technical and Corporate (PSPS) confirmed that:
 - The Council had implemented a ‘No Purchase Order, No Pay’ policy. Although figures were not available at the meeting, it was reported that there had been a significant increase in the number of purchase orders raised since the initiative was launched. Where invoices were received without a purchase order, the team had returned them to suppliers and requested that a valid purchase order be quoted before payment was processed.
- Members referred to page 35 of the report and queried the outstanding related party declarations.
 - The Assistant Director – Governance responded that three councillor forms remained outstanding and had been escalated to Group Leaders;
 - The Director (KPMG) added that alternative checks had been undertaken for one officer who had left the organisation.
- Members referred to page 38 of the draft report in respect of ‘Control Deficiencies’ and noted this included a recommendation relating to the valuation of buildings under depreciated replacement cost (DRC) where management had not accepted the recommendation. It was observed that, ordinarily, an explanation would be provided when recommendations were not accepted.
 - Director (KPMG) explained that, as the report was in draft form, management would be given time to provide a full response in the final version. Where recommendations had not been accepted, this was often due to differing professional opinions on valuation requirements. Extensive discussions had taken place and the points raised largely related to the audit trail supporting certain valuation decisions. Additional wording would be included in the final report to clarify the issue.
- Members referred to page 42 of the report queried whether the absence of floor plans posed a risk to valuation accuracy.
 - The Director (KPMG) confirmed that mitigating procedures had been applied and that management intended to complete the exercise by 2025/26.

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- Members acknowledged the national challenges around asset valuations and agreed that further improvements were required to reduce audit complexity.
- Members queried whether the Council ensured that sufficient conditions were attached when disposing of land to protect future interests and whether planning permission could be sought on garage plots to attract a higher sale value.
 - The Director of Finance (Section 151 Officer) advised that:
 - Each disposal was considered on its individual merits. Whilst covenants were not routinely applied, the Council would expect to secure value either through the sale price or by attaching conditions, as appropriate, where land had significant value; and
 - Merit was given to the suggestion to seek planning permission prior to disposal of garage plots.
- Members queried actions undertaken to strengthen accrual processes as noted at page 44 of the report.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) advised that training had been delivered and would be repeated before year-end.
- Members referred to page 50 of the report and queried whether the £10,000 threshold referenced represented the total amount involved or multiple transactions below that value.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) clarified that the figure related to individual transaction values and therefore any transactions under £10,000 were not disclosed as separate items.

Agreed:

That the draft External Auditor's Year-End Audit Progress Report be noted.

30. DRAFT EXTERNAL AUDITOR'S ANNUAL REPORT FOR SOUTH HOLLAND DISTRICT COUNCIL 2024/25

Consideration was given to draft External Auditor's Annual Report for South Holland District Council 2024/25 presented by KPMG.

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The Director (KPMG) introduced the report which had been prepared in accordance with the National Audit Office Code of Practice and was required to be published alongside the Council's Annual Report.

The following points were highlighted:

- The report focused on the Council's arrangements for securing value for money across the following criteria: financial sustainability; governance; and improving economy, efficiency and effectiveness;
 - No significant risks or weaknesses had been identified in the Council's arrangements;
 - The Council demonstrated strong governance and financial planning, with effective monitoring of budgets and performance;
 - The report included observations for improvement, such as formalising efficiency programmes and enhancing fraud risk reporting; and
 - The Council's position represented a positive outcome compared to prior years.

Members considered the report and made the following comments:

- Members welcomed the findings and noted the improvement in governance and financial resilience.
- Members queried whether the efficiency savings programme was on track.
 - The Director of Finance (Section 151 Officer) confirmed that progress was being monitored through quarterly budget reports and that over half of the required savings had been identified, with further work ongoing.
- Members stressed the importance of maintaining robust fraud prevention measures.
- Members acknowledged KPMG's comments on the national context and the challenges faced by local authorities in sustaining financial stability.

Agreed:

That the draft External Auditor's Annual Report for South Holland District Council 2024/25 be noted.

31. FINANCIAL STATEMENTS 2024/25

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Consideration was given to the report of the Director of Finance (Section 151 Officer) which sought the Committee's approval of the audited Financial Statements 2024/25 for publication.

The Head of Finance Delivery – Technical and Corporate (PSPS) introduced the report and provided the following context:

- No audit adjustments were required that affected the ledger; all findings were presentational and related to enhanced disclosures in line with KPMG's recommendations;
- The financial statements had been published as they stood to meet the agenda deadline, and final checks and balances were still being completed. Delegated authority was requested for the Section 151 Officer, in consultation with the Chairman, to approve any final amendments and sign the Letter of Representation;
- The Annual Governance Statement had already been approved by the Committee in July 2025;
- Two amendments were highlighted from the version included in the agenda pack:
 - Related Party Transactions: enhanced disclosure regarding Lincolnshire County Council, including the value of payments and receipts for 2024/25 and comparative figures for 2023/24; and
 - Housing Revenue Account (HRA) rent arrears outlined on page 99 of the report: the allowance for bad debts was incorrectly shown as £77,000 (the increase), whereas the correct figure was £569,000;
- A further correction was noted relating to HRA funding slippage, which had been misrepresented on the borrowing line. Positive figures were not permitted in this section, and this would be corrected in all relevant places.

Members considered the report and made the following comments:

- Members queried the absence of Quarter 4 performance data on page 8 of the report and asked whether there were any learning points from the red-rated indicators.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) explained that the information was not available when the draft statements were produced; and
 - The Assistant Director – Governance confirmed that Corporate performance was reviewed quarterly by the Senior Leadership Team and reported to Cabinet, with actions taken where required.

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- Members queried the increase in loans to Welland Homes.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) confirmed that the transaction had been approved as part of the capital programme 2024/25.
- Members queried the apparent 20% increase in HRA rent arrears.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) explained that the figure reflected the arrears added during 2024/25. The Assistant Director for Housing had confirmed that write-offs had not been undertaken since January 2024 which contributed to the increase. Recovery processes were in place, and the priority was to agree repayment plans with tenants.
- Members referred to page 21 of the report and queried the £36 million difference in net expenditure between 2023/24 and 2024/25
 - The Head of Finance Delivery – Technical and Corporate (PSPS) explained that the Comprehensive Income and Expenditure Statement reflected total accounting costs, including technical accounting entries such as revaluation adjustments and pension valuations, rather than actual cash expenditure.
- Members referred to page 66 of the report and sought further clarification on debtor balances and the impact of impairment figures.
 - The Head of Finance Delivery – Technical and Corporate (PSPS) confirmed that impairments represented bad debt provisions allocated to each debtor category. Variations between years were due to changes in outstanding debt levels rather than impairment methodology.

Agreed:

- 1) That the Financial Statements 2024/25 (Appendix 1) be approved;
- 2) That delegation to the Section 151 Officer, in consultation with the Chairman of the Committee, to approve any amendments if required, after the Committee date and prior to the official signing of the Financial Statements, be authorised; and

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- 3) That delegation to the Section 151 Officer, in consultation with the Chairman of the Committee, to approve the letter of representation on its behalf once received from KPMG, be authorised.

32. 2025/26 MID-TERM TREASURY REPORT

Consideration was given to the report of the Director of Finance (Section 151 Officer) which provided members with an update on Treasury Management performance and activity to ensure that best practice was maintained.

The Interim Treasury Manager (PSPS) introduced the 2025/26 Mid-Term Treasury Report to members at Appendix 1, and the following main points were highlighted:

- The Council continued to operate a balanced revenue budget, ensuring cash flow was adequately planned and surplus funds invested with low-risk counterparties;
- The report was compliant with the CIPFA Code and outlined the primary requirements, including quarterly reporting and the mid-year update;
- Since publication of the report, updated Gross Domestic Product (GDP) figures had been announced, showing a slight reduction due to the impact of a cyber-attack on manufacturing;
- Current interest rate forecasts indicated that the Bank of England base rate would remain at 4%, with potential for a further cut in December;
- Capital expenditure was forecasted at £31.2m against an approved budget of £35.2m, with a borrowing requirement of £8.36m;
- The Council's overall Capital Financing Requirement was £92.7m, with external borrowing at £67.5m. Internal borrowing continued to be used where cost-effective;
- The Council had budgeted for £10m of additional HRA borrowing from September 2025, but this had not been required due to receipt of £14.9m in grant funding, which increased cash balances and delayed external borrowing;
- Borrowing costs were forecasted to be £2.3m against a budget of £2.6m, delivering a saving of approximately £200k;
- Investment balances at the end of Quarter 2 were £43m, compared to £23.6m at Quarter 1, reflecting the additional grant funding;
- Average investment return was 4.75%, with loans to Welland Homes achieving 4.29%;
- The net treasury position showed a favourable variance of

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£430k at Quarter 2, with a forecast outturn variance of £1.15m; and

- No changes had been made to the Council's risk appetite during the period.

Members considered the report and made the following comments:

- Members welcomed the positive financial position and noted the impact of delayed borrowing on cost savings.
- Members queried whether the Council's risk appetite might change in light of falling interest rates.
 - The Interim Treasury Manager (PSPS) confirmed that the current approach remained appropriate and would be reviewed as part of the annual Treasury Management Strategy.
- Members queried the Handelsbanken account balance shown in the investment list at point 9 of Appendix 1.
 - The Interim Treasury Manager (PSPS) explained that the account remained open despite low balances to avoid delays if competitive rates were offered in future.
- Members commended the strong investment performance and noted the importance of maintaining flexibility in treasury operations.

Agreed:

That the report and treasury activity detailed in Appendix 1 be noted.

33. INFORMATION GOVERNANCE ANNUAL UPDATE 2024/25

Consideration was given to the report of the Group Information Manager and Deputy Data Protection Officer which advised members in respect to the Council's activity and compliance with Data Protection, Environmental Information Regulation and Freedom of Information requirements.

The Group Information Manager and Deputy Data Protection Officer introduced the report which included the following main points:

- 645 information requests were received during the year, with 74 under Environmental Information Regulation (EIR);

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- 97% of requests were responded to within statutory deadlines, exceeding the Information Commissioners Office's (ICO) 'adequate' target of 90% and meeting the 'good' target of 95% for most months;
- Exemptions were applied to 135 requests, typically where information contained personal data or related to law enforcement. This demonstrated the Council's commitment to transparency while complying with legal requirements;
- 52 requests were refused because the information was already publicly available;
- 6 internal reviews were requested but the original decision was upheld in all cases;
- No complaints were referred to the ICO;
- Under Data Protection, 51 data incidents were reported, none resulting in harm or claims;
- 14 Subject Access Requests (SARs) were completed, with one invalid request;
- 155 third-party requests were processed, such as from HMRC, police and other councils, which ensured compliance before disclosure;
- The Information Governance team continued to monitor compliance, support data sharing arrangements, and undertake impact assessments where processing changes occurred. Risks were managed through operational risk registers; and
- The Council demonstrated transparency by publishing information and supporting public engagement through Access to Information regulations and the Transparency agenda.

Members considered the report and made the following comments:

- The Committee thanked the Information Governance team for achieving performance targets and maintaining compliance.
- Members asked whether any trends had been identified in FOI requests and whether this had identified appropriate action to be taken.
 - The Group Information Manager and Deputy Data Protection Officer advised that requests varied by local issues, with recent increases relating to waste collection and media enquiries. Where high volumes occurred, service managers were engaged to improve proactive publication.
- Members queried the timeliness of responses where

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deadlines were missed.

- The Group Information Manager and Deputy Data Protection Officer confirmed that of five late responses in October 2025, delays were only by one or two days. Longer delays were due to operational pressures and resource constraints.
- Members referred to point 2.2.4 of the report in respect of data incidents reported to the Data Protection Team and queried this indicated a need for additional training.
 - The Group Information Manager and Deputy Data Protection Officer explained that common breaches included letters sent to incorrect addresses and misdirected emails within the partnership. PSPS worked closely to identify root causes and lessons learned. Measures such as double verification were considered, but consideration of proportionality needed to prevail given the low impact of incidents.
- Members queried whether the auto-complete function in Outlook had been disabled to prevent misdirected emails.
 - The Group Information Manager and Deputy Data Protection Officer confirmed that the issue was reviewed regularly. Disablement of the feature was considered disproportionate except where repeated errors occurred, in which case it was switched off for individual users.
- Members queried when the Data Protection Policy would be reviewed.
 - The Group Information Manager and Deputy Data Protection Officer confirmed that it was scheduled for consideration by the Policy Development Panel in the next quarter.

Agreed:

That the report be noted.

34. ANNUAL GOVERNANCE STATEMENT – ACTION PLAN UPDATE

Consideration was given to the Annual Governance Statement - Action Plan update which provided a mid-year status report on actions arising from the Annual Governance Statement (AGS).

The Assistant Director – Governance introduced the action plan and provided the following updates:

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- In respect of the action '*establishing improved governance and processes to support the preparation of the 2026/27 budget and Mid Term Financial Strategy (MTFS)*':
 - A detailed report had previously been presented to the Committee outlining improvements implemented by the Section 151 Officer.
- In respect of the action: '*monitor the government's plans for remote meetings, proxy voting and standards arrangement and develop policies and procedures as appropriate*':
 - Proposals relating to remote meetings and proxy voting were still under consideration nationally. Should legislation be introduced, local arrangements would be determined by the Council; and
 - Since publication of the document, the government had announced its intention to introduce a national model code of conduct for all local authorities and to legislate for sanctions in cases of serious standards breaches. Further details would be circulated to members following the meeting.

Members considered the update and made the following comments:

- Members discussed the potential implications of remote meetings and proxy voting. It was noted that while remote meetings could improve flexibility, concerns were raised about maintaining engagement and transparency.
 - The Assistant Director – Governance clarified that any future legislation would provide the option for remote meetings rather than impose a requirement, and local authorities would retain discretion over implementation.
- Members welcomed the update on standards arrangements and agreed that the introduction of sanctions for serious breaches would strengthen governance nationally.
- Members welcomed further updates as part of future governance reports.

Agreed:

That the Annual Governance Statement – Action Plan update be noted.

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35. PROPOSED AMENDMENTS TO THE COUNCIL'S CONTRACT PROCEDURE RULES

Consideration was given to the report of the Assistant Director – Governance (Monitoring Officer) which introduced a new updated version of the Contract Procedure Rules (CPRs)

The Head of Procurement and Contracts introduced the report stating that the amendments were required to reflect changes in public procurement legislation and to align the Council's rules with the Procurement Act 2023.

The following main points were summarised to members:

- The current rules remained compliant however the proposed changes would ensure consistency across the Partnership and improve flexibility for local supplier engagement;
- Appendix 1a contained the clean version of the proposed amendments, and Appendix 1b showed tracked changes;
- Minor amendments to Appendix 1a had been made following recent meetings, including clarification at point 1.5, that all values were inclusive of VAT (except where stated); and at point 1.6, a requirement for Responsible Officers to notify the Head of Procurement and Contracts immediately of any breach;
- Appendix 2 detailed officer delegations, with changes limited to aligning figures with revised thresholds;
- Key changes included:
 - Addition of an introductory section explaining the purpose of the Rules;
 - Clarification on grants versus procurement requirements and guidance on seeking advice;
 - New sections on conflict of interest and pre-market engagement;
 - Introduction of an additional exemption for short-term extensions (up to six months) where delays occur in re-procurement, subject to compliance with thresholds;
 - Updates on frameworks and dynamic markets in line with the Procurement Act 2023;
 - Increases to procurement thresholds, with flexibility introduced for contracts up to £100,000:
 - £0–£6,250 (previously £0–£5,000) – no change to procedure.
 - £6,250–£12,500 (previously £5,000–£10,000) – no change to procedure.
 - £12,500–£50,000 (previously £10,000–

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- £40,000) – no change to procedure.
- £50,000–£100,000 (previously £40,000–£85,000) – minimum quotations reduced from five to three, with greater flexibility in process to support local suppliers.
- £100,000 up to Procurement Act thresholds – no change to procedure.
- Above Procurement Act thresholds – no change.

The Head of Procurement and Contracts concluded that the changes aimed to ensure compliance, improve clarity, and support local supplier engagement.

Members considered the report and made the following comments:

- Members highlighted the importance of the proposed improvements, particularly the encouragement of local supplier provision and the revised thresholds, which were expected to make procurement processes more accessible. The changes would support compliance with legislation while maintaining flexibility and transparency.
- Members welcomed the inclusion of a tracked changes version and requested that this approach be used for future constitutional updates.
- Reference was made to Section 4.1.1(d) (page 292), and members emphasised the need to ensure that all declarations of interest from councillors and officers were received and recorded.

Agreed:

That the draft revised Contract Procedure Rules at Appendix 1a be noted.

36. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Consideration was given to the report of the Democratic Services Manager which set out the Work Programme of the Governance and Audit Committee.

The Democratic Services Officer presented the report which outlined items scheduled for future meetings at Appendix 1 and an updated training record at Appendix 2. It was noted that the

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training record had been updated to reflect the recent Risk Management training and that the Skills Audit remained outstanding but was scheduled for circulation during the current quarter.

Members considered the report and made the following comments:

- Members reviewed the Work Programme and noted the number and complexity of reports expected at the next meeting. It was requested, where possible, that reports be circulated early to allow sufficient time for review.

Agreed:

That the Governance and Audit Committee Work Programme be noted.

37. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

There were none.

(The meeting ended at 8.54 pm)

(End of minutes)

ACTIONS

<u>Actions from the 13 November 2025</u>			
<u>Governance And Audit Committee Meeting</u>			
Minute		Item	Responsible Officer
27. 25/26		Actions	
✓	(a)	<p>Re Quarter 1 Risk Report 2025/26 (action 17 (a) 25/26 below) members sought reassurance that the waste collection service was working correctly as issues had been noted in rural areas.</p> <p style="text-align: center;"><i>(Action 17a 25/26: Members asked whether financial penalties could arise from missed waste collections under the Environment Act. Update: Under the Environment Act 2021, local authorities are required to meet new statutory standards for waste collection and recycling. While the Act does not specify automatic financial penalties for individual missed collections, persistent or systemic failure to comply with statutory requirements—such as not collecting the mandated waste streams or failing to meet recycling targets—can result in enforcement action by the Environment Agency or Defra. This may include compliance notices, fines, or prosecution in cases of ongoing non-compliance. Isolated missed collections due to operational issues are primarily a reputational risk, but if they become widespread and result in the authority failing to meet its statutory duties, there is a risk of financial penalties being imposed.)</i></p> <p>Update: The service is working correctly, however if you are contacted regarding any issues, please don't hesitate to contact the service via wasteservices@sholland.gov.uk, or ask residents to contact the service directly.</p>	Via Corey Gooch
✓	(b)	<p>Re the Internal Audit Progress Report - August 2025 (action 19. 25/26) below, members considered unnecessary the automatic email responses from PSPS systems to meeting invitations and wished for this to be relayed.</p> <p style="text-align: center;"><i>(Action 19. 25/26) Members raised concerns about 'auto-replies' and 'reply all' behaviours following a recent incident. The Interim Director of Finance (Section 151 Officer) agreed to raise the issue with PSPS. Update: Actioned.</i></p> <p>Update: PSPS advised.</p>	Dems
28. 25/26		Counter Fraud, Bribery and Anti-Corruption Policy	

ACTIONS

✓		Members queried the wording under Aims, suggesting that the ‘we aim to’ statement be strengthened to emphasise zero tolerance and a commitment to reducing fraud and losses to the minimum. Update: Actioned - wording has been strengthened by removing “we aim” from the introductory line	Russell Stone
34. 25/26		Annual Governance Statement – Action Plan update	
✓		Details of an update from government in respect of the following action would be circulated to members following the meeting. <i>‘monitor the government’s plans for remote meetings, proxy voting and standards arrangement and develop policies and procedures as appropriate’</i> Update: The consultation outcomes and the government responses to enabling remote attendance/proxy voting at local authority meetings and strengthening standards for local authorities in England are available via the following links: Enabling remote attendance and proxy voting at local authority meetings - GOV.UK Strengthening the standards and conduct framework for local authorities in England - GOV.UK	John Medler

<u>Tracking Of Outstanding Actions</u>			
Minute	Item	Responsible Officer	
17 (a) 25/26	<u>11 September 2025 – Quarter 1 Risk Report 2025/26</u>		
✓	Members requested a breakdown of the £1.1 million allocated to support extra costs. Minuted meeting response: The Business Intelligence and Change Manager confirmed the risk had reached its target score and would provide figures to clarify the distribution across the partnership. Update: Funding of 1.23 Million has been secured, this funding has not yet been allocated and will be put into reserves until allocated or required to meet shortfalls. Details of funding allocation will be shared when confirmed.	Vick Burgess	

ACTIONS

		<p>Update: Payments have been allocated through the Extended Producer Responsibility for packaging waste by the Scheme Administrator for Year 1. This council has been allocated £1,231m, with the first payments expected before Christmas. EPR funding must be used to support an efficient waste management service, where costs are as low as reasonably possible. From 2027/28 the EPR Scheme Administrator will assess how effective a local authority's waste management service is and payments will be calculated and distributed according to this assessment of an efficient and effective service. There is no further breakdown of this amount. The payment provided is resourcing the transformation of the waste service, and supporting any increase in revenue costs within the service throughout the MTFS.</p>	
6. 25/26		<p><u>10 July 2025 – Internal Audit Annual Report And Opinion 2024/25</u></p>	
✓		<p>Members referred to the Limited Assurance Review given for Insurance and requested more information regarding the circumstances, specifically to include commentary on the quality of contract monitoring and whether TRF were still contracted to the council.</p> <p>Update: It is confirmed that TRF continue to provide contracted services to the Council. An update on progress against the identified audit actions will be provided through the follow up audit, which is likely to be included in the next Internal Audit update report</p>	Russell Stone
11. 25/26		<p><u>10 July 2025 – Governance And Audit Committee Self-Assessment Action Plan</u></p>	
✓		<p>Members suggested that a skills audit be undertaken.</p> <p>Update: Report to the 29 January 2026 meeting.</p>	Rebecca James

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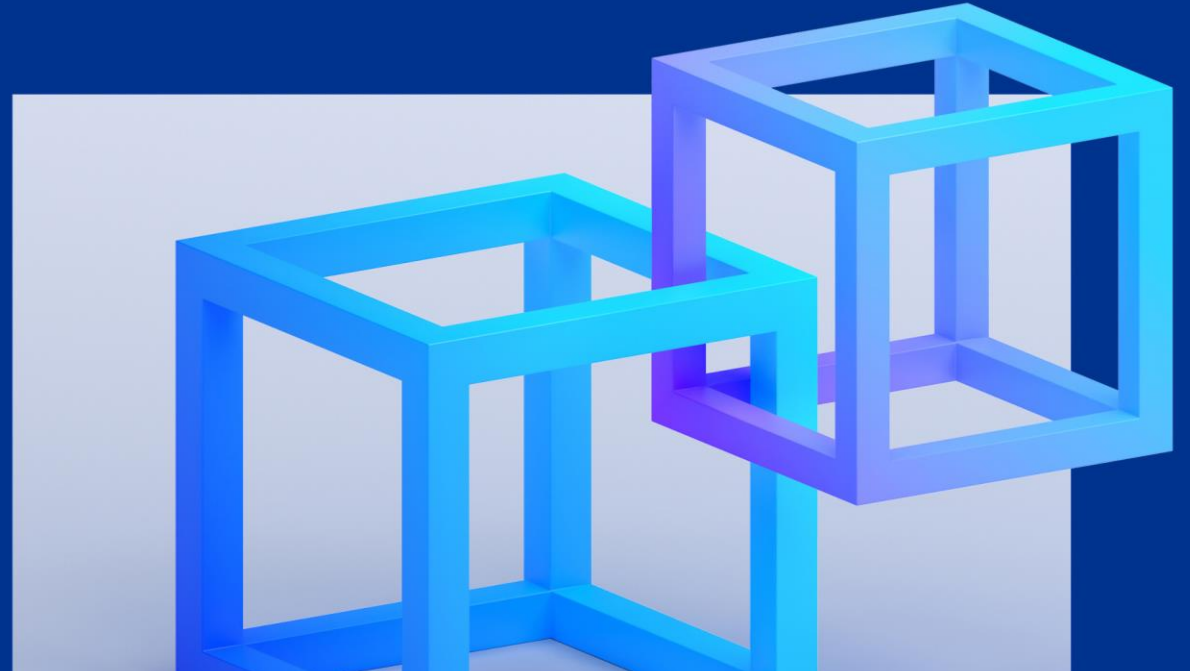
South Holland District Council

DRAFT

Year End Report to the Governance and Audit
Committee

Year end report for the year ended 31 March 2025

14 January 2026



NOTE FOR COMMITTEE MEMBERS:

This report follows on from our year-end progress report presented on 13 November 2025. Therefore a lot of the content is repeated.

For ease of review, we have added a green text box to the new slides that have not previously been seen by the Committee.

Where slides have been seen previously, any additional text has been included in green.

Introduction

To the Governance and Audit Committee of South Holland District Council

We are pleased to have already had the opportunity to meet with you on 13 November 2025 to discuss the findings and key issues arising from our audit of the consolidated financial statements of South Holland District Council (**the Council**) and its subsidiaries (the 'Group'), as at and for the year ended 31 March 2025.

This report should be read in conjunction with our year-end progress report presented on 13 November 2025, and our audit plan and strategy report, presented on 10 July 2025.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact James Boyle (James.Boyle@kpmg.co.uk) the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#).

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit report on the approval of those statement of accounts and auditor's representation letter on [date].

There have been no significant changes to our audit plan and strategy other than those described on page 8.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

James Boyle

14 January 2026

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Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

This report summarises the key issues identified during our audit and includes all previous communications from our year-end progress report presented on 13 November 2025.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit (to the extent it has been possible in the context of our disclaimer of opinion - see page 4)

Status of our audit and the implications of the statutory backstop

Page 4 'The statutory backstop and rebuilding assurance' explains the impact of the statutory backstop and our current expectation is that we will issue a disclaimer opinion on the financial statements

While we are expecting to disclaim our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified findings as reported in our report.

Our audit is complete pending signature of our audit report

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of South Holland District Council (the 'Council' (and its subsidiaries (the 'Group') for the year ended 31 March 2025.

This Report has been prepared for the Council's Governance and Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

The statutory backstop and rebuilding assurance

Background

The Government has introduced measures to resolve the legacy local government financial reporting and audit backlog.

Last year, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For the Council this had the impact of a disclaimer of opinion issued by your predecessor auditor for 2022/23. We then issued a disclaimer of opinion for 2023/24 on 12 February 2025 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

Work has been ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO, further guidance has now been published by the NAO LARRIG) 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The 2023/24 audit

In our *Basis of Disclaimer Opinion* section of our audit report in 2023/24 we reported:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date"). We have been unable to obtain sufficient appropriate audit evidence over one area of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. This relates to the floor areas used in the valuations of property, plant and equipment, the resulting revaluation movements recognised in the Comprehensive Income and Expenditure statement and the revaluation reserve for the year ended 31 March 2024 and the movements in usable and unusable reserves for the year ended 31 March 2024 in relation to both the Group and the Authority.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Group's and the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Group's and the Authority's net assets and split of reserves between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

The 2024/25 audit

On Page 6, we set out what work we have been able and not been able to complete in respect of the 2024/25 financial statements as being able to audit the closing balance sheet is an essential element of rebuilding assurance.

In addition, during the 2024/25 audit we have started our rebuilding assurance risk assessment. We will report separately as part of the 2025/26 reporting cycle, the findings of this exercise along with the period of time we will take to complete this work. The results of our risk assessment indicates we will be able to rebuild assurance in 2025/26, however, this is dependent on the results of the substantive work that is required to rebuild assurance.

Impact on our audit report on the financial statements

Given our work to rebuild assurance is not fully complete and due to the statutory backstop date of 27 February 2026, we have determined that there is insufficient time to obtain sufficient appropriate audit evidence over the split of useable and unusable reserves as at 31 March 2025 or 31 March 2024 ahead of the backstop, and, in our view, this is pervasive to the Council's and the Group's financial positions as at 31 March 2025.

Further to this there are a number of areas of the financial statements where we have determined we will be unable to obtain sufficient appropriate audit evidence, as we will be unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These are detailed on page 6.

As a result of the pervasiveness of the above, we intend to issue a disclaimer of opinion on the financial statements as a whole.

The statutory backstop and rebuilding assurance

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion on the financial statements as a whole, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements, specifically we are responsible for reporting if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We also provide a summary of our findings in the commentary in this report.

Page 24 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.

The statutory backstop and rebuilding assurance

Work completed in 2024/25

Our audit plan, presented to you on 10 July 2025 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, and confirm we have completed all work required in response to the significant risks.

Although we will be issuing a disclaimer of opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2024/25 we have completed substantially all of the audit. We have been unable to complete our work on a number of areas, as a result of the disclaimer opinion issued in the previous years, including, but not limited to:

- Split of usable and unusable reserves for the year ended 31 March 2025;
- The disclosed comparative figures for the Group and Council's Property, Plant Equipment, and the resulting revaluation movements recognised in the Comprehensive Income and Expenditure statement and the revaluation reserve for the year ended 31 March 2024 and the movements in usable and unusable reserves for the year ended 31 March 2024 in relation to both the Group and the Council, as disclosed in the 'Basis for Disclaimer Opinion' section of our 2023/24 audit report (see page 4).

Significant challenges with progressing work

We have completed the 2024/25 audit. We have faced significant difficulties which we have outlined on page 22. We have discussed fee variations with management. These are outlined on page 30.

We are working with management in advance of the 2025/26 audit to ensure these are addressed where possible.

Our audit findings

Significant audit risks	Page 10-16
Significant audit risks	Our findings
Valuation of land and buildings	<p>Testing over the significant assumption used in the Depreciated Replacement Cost (DRC) valuation – obsolescence - was found to be neutral.</p> <p>Testing over the significant data elements used in the valuation of land and buildings (i.e. floor areas) demonstrated that whilst there has been a significant improvement in the availability of accurate floor plans, we identified that 8 out the 40 plans which relied upon floor areas (20%) did not have floor plans to support the valuation. Of these, £1.1m could not be accurately verified.</p> <p>Testing over the significant assumption used to value the Council Dwellings – comparable transactions for beacon values – was found to be neutral.</p>
Management override of controls	The results of our testing in relation to this risk were found to be satisfactory.
Valuation of post-retirement benefit obligations	We have received the results from KPMG actuaries who have evaluated the assumptions used in the calculation for the Council’s post-retirement benefit obligations. The significant assumptions used in the calculation were found to be balanced.

Uncorrected Audit Misstatements	Page 34	
Understatement/ (overstatement)	£000's	%
Revenues	-	-
Surplus for the year	623	13.1
Total assets	(623)	0.02
Total taxpayers' equity	290	0.01

Number of Control deficiencies	Page 37-57
Significant control deficiencies	0
Other control deficiencies raised in 2024/25	7
Prior year control deficiencies not fully implemented	5
Prior year control deficiencies remediated	8

Misstatements in respect of Disclosures	Page 36 Our Findings
Note 33 – Related Parties	We have reported specific observations to management in order to ensure the financial statements fully comply with The Code of Local Government Accounting in respect of the disclosures noted here. Full details of these observations can be seen on page 37.
Note 30 – Remuneration Report	
Note 6B – Segmental Income	
HRA – Note 2 Housing Stock	
Note 36 – Defined Benefit Pension Schemes	
Cash Flow Statement	
Group Cash Flow Statement	

Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 10 July 2025 other than as follows:

Risk	Effect on audit plan	Effect on audit strategy and plan
1. Valuation of Land and Buildings – Assumptions (BCIS Indices and Location Factor)	<p>For assets subject to the DRC valuation, we initially identified a significant risk relating to the following assumptions used in the valuation: obsolescence; BCIS Indices; and Location Factor. However, when performing our risk assessment over the valuation of land and buildings, we did not identify significant changes in the BCIS indices and location factor from the prior year and therefore we reduced the inherent risk to elevated.</p>	<ul style="list-style-type: none"> The effect on our audit strategy has been documented as part our response and findings on the 'Valuation of Land and Buildings' - see pages 10-11
2. Valuation of Land and Buildings – Data (Floor Areas)	<p>The risk associated with the key data input into the valuation (floor areas) was increased to significant because we raised a recommendation to management in the prior year regarding insufficient floor plan data with the expectation that this would be resolved. When performing inquiries and our initial audit response, we identified that not all floor plans were available and we have therefore raised our inherent risk in relation to this area of the valuation of land and buildings from elevated to significant.</p>	<ul style="list-style-type: none"> The effect on our audit strategy has been documented as part our response and findings on the 'Valuation of Land and Buildings' - see pages 10-11
3. Group – Valuation of Investment Properties – Assumption (Yield)	<p>We have reduced the inherent risk associated with the yield assumption used in the valuation of investment properties from significant to elevated. We have inquired directly with the external valuer, Wilks Head and Eve, and obtained directly from Wilks Head and Eve their valuation report schedules for 31/03/2025. We have compared the method, assumptions and data to the prior period calculation and did not identify and largen and/or unusual differences. We have therefore reduced the yield assumption to elevated, from significant.</p>	<ul style="list-style-type: none"> The risk is no longer significant, so we are not required to evaluate the design and implementation of controls for management's review of the valuation and the appropriateness of the significant assumptions previously identified.

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

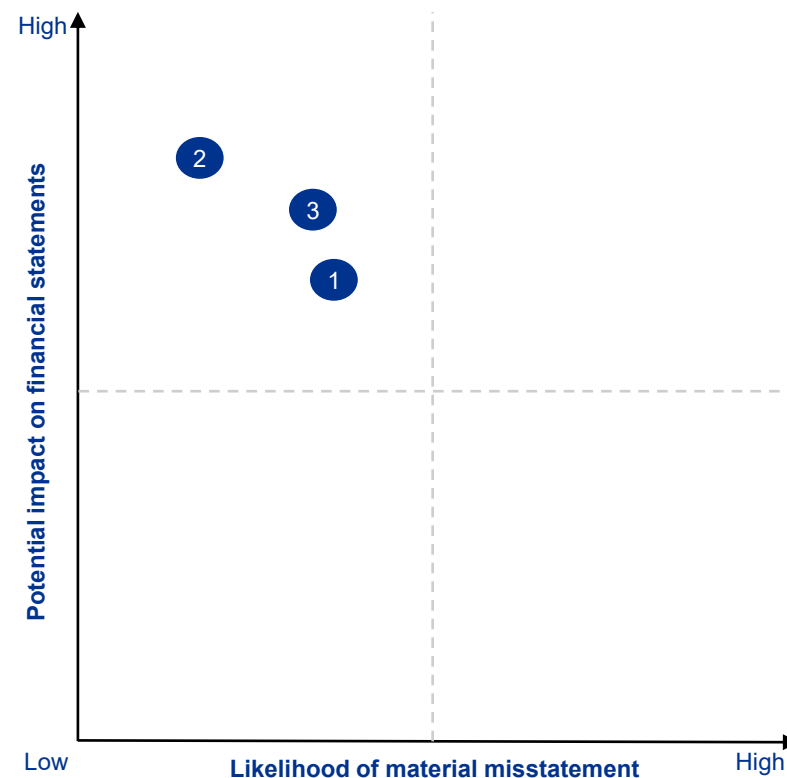
Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which South Holland District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post-retirement benefit obligations



Key: # Significant financial statement audit risks

Audit risks and our audit approach



Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Other Land and Buildings

For the year-end 31 March 2025, the Council is utilising an internal valuer to undertake the valuation, Ed Cox, (MRICS registered valuer). As per the draft 24/25 financial statements, the value of the Council's Other Land and Buildings as at 31 March 2025 was £28.06m, of which £227k were not subject to re-valuation, being the additions in-year which were measured at cost.

Ed Cox has valued £24m of these assets, with the remaining assets of £3.85m relating to temporary accommodation which were re-valued by Savills.

Of the £24m assets valued by Ed Cox, £16.8m (70%) of the valued land and buildings use the Depreciated Replacement Cost (DRC) model. Due to the level of estimation uncertainty associated with the obsolescence assumption and issues identified with the floor plan data in the prior year and as part of our risk assessment, there is a material risk that the carrying value of the assets differ from their fair value.

Council Dwellings:

As per the draft 24/25 financial statements, the value of the Council's dwellings as at 31 March 2025 was £257m.

For the year-ended 31 March 2025, the Council is utilising an external valuer, Savills, to undertake the valuation (MRICS registered valuer).

Due to the level of estimation uncertainty associated with relevant key assumptions, specifically the comparable transactions for beacon values used by the valuer, when valuing the relevant elements of the Authority's estate, this creates a risk that the year-end carrying value of these assets differs materially from fair value.



Our response.

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Edward Cox, the valuer used in developing the valuation of the South Holland District Council's Other Land and Buildings at 31 March 2025;
- We critically assessed the independence, objectivity and expertise of Savill's, the valuer used in developing the valuation of the South Holland District Council's Council Dwellings at 31 March 2025;

For both valuations:

- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used as well as the data used in the DRC valuations;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations.
- We challenged key aforementioned significant assumptions within the valuation as part of our judgement;
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.
- We inspected floor plans for all Land and Buildings which rely on floor areas as part of their valuations to ensure accuracy.

Audit risks and our audit approach (cont.)



Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Page 37



Our findings

Other Land and Buildings

- We are satisfied the internal valuer, Edward Cox, has sufficient expertise and has appropriate independence and objectivity for the purposes of performing the relevant valuation exercise. As Edward is the only qualified surveyor used by the Council to value a significant portion of the Council's Other Land and Buildings, there is no counter-signatory to the report and review functions are undertaken by staff in the finance department.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. We have raised a control deficiency on page 41 for the fact there is no counter-signatory to the report, and no formal management review control in place. However, we are aware that management operates a control that they are satisfied with that provides the organisation with assurance over this area.
- The instructions issued to the internal valuer, Edward Cox, were in line with our expectations for the valuation of relevant land and buildings as at 31 March 2025 and were consistent with the requirements of the CIPFA Code.
- We challenged the appropriateness of the valuation of relevant land and buildings; including any material movements from the previous revaluation. No reportable issues were identified
- We challenged the significant assumption, obsolescence, within the valuation under the DRC method as part of our judgement. We confirmed the assumptions were neutral.

- We tested the accuracy of the significant data element, floor areas, relied upon by the valuer to underlying information. We identified that there are 8 out of 40 floor areas used in the valuation that were not supported by adequate floor plans or did not exist. 2 of the 8 we could not verify which have a value of £1.1m. The other 6 resulted in understatement of £191k. We are satisfied that those assets identified do not represent a material risk to the valuation. However, we have raised a control deficiency on page 46 and a misstatement of page 34.
- Disclosures: The disclosures within the financial statements are satisfactory.

Other findings linked to the valuation but not in response to the sig risk

- We identified, through inspection of the valuation certificates, that the valuer had used forecast BCIS figures to the end of June 2025, when the BCIS should be taken 'as at' March 2025. We have raised a control deficiency on page 38.
- We have identified that the Council have applied 15% external fees to all DRC valued assets regardless of the external reality of the asset. We identified that the external fees assumption used was optimistic in this regard. However, this did not have a material impact on the valuation and as such did not affect our overall neutral conclusion. We have raised a deficiency on page 42.

Key:
□ Prior year □ Current year



Audit risks and our audit approach (cont.)



Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value



Page 38



Our findings

Council Dwellings

- We are satisfied that the external valuer, Savills, has sufficient expertise and has appropriate independence and objectivity for the purposes of performing the relevant valuation exercise for the HRA assets.
- The instructions issued to the external valuer, Savills, were in line with our expectations for the valuation of relevant land and buildings as at 31 March 2025 and were consistent with the requirements of the CIPFA Code.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. However, we are aware that management operates a control that they are satisfied with that provides the organisation with assurance over this area.
- We challenged the key assumption within the valuation for Council Dwellings and confirmed the comparable transactions for beacon values were found to be neutral. Based on the data used by the external valuer to group the assets into relevant beacons, the valuation of the assets sampled were found to be reasonable and appropriate.
- Disclosures: The disclosures within the financial statements are satisfactory.

Key:
 Prior year Current year



Audit risks and our audit approach

2

Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit



Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post-closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We analysed all journals through the year and focused our testing on those with a higher risk, as defined by our high-risk criteria.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

2

Management override of controls(cont.)^(a)

Fraud risk related to unpredictable way management override of controls may occur



Our findings

- Other than the accounting estimates we have identified as part of our significant risks for the valuation of land and buildings (page 10-12), and valuation of post-retirement obligation benefits (page 15-16), we identified two other accounting estimates that had a reasonable possibility of material misstatement as part of the audit. These were in relation to:
 - Fair value of other land and buildings valued under the fair value in use model.
 - Fair value of investment property valued under the fair value in use model

Our testing has not identified any indications of management bias around these areas.
- We have evaluated the selection and application of accounting policies over relevant accounts and we have not identified any reportable issues.
- Auditing standards require us to consider and report accordingly on the design and implementation of controls in place which respond to the significant risks identified. We confirmed that as the organisation's General Ledger system does not enforce segregation of duties and as such the design and implementation of controls over journal entries and post-closing adjustments were deemed to not be effective.
- We have not identified any inappropriate methods or underlying assumptions used to prepare accounting estimates in our work completed.
- We identified 4 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- Our procedures did not identify any unusual transactions.
- Our inquiries with management identified the maintenance of the Register of Interests occurs annually. Our walkthroughs identified that there is an appropriate process for capturing declarations of interest. However, identified that 5 Councillors and 2 members of the senior leadership team had not filled in their declarations of interest before the preparation of the financial statements. We have subsequently received declaration forms for four out of the five Councillors. We have performed alternative procedures for the Councillor who did not return a declaration of interest form, and for the senior management team member who has subsequently left the Council.
- As part of our testing, we also identified a Councillor had returned a nil declaration, however, this was inconsistent with their appointments on Companies House where they were listed as a Director of a Company. This Directorship was already identified by the process PSPS follow to identify potential related parties. Therefore, this did not have an impact on the financial statements, but we have raised a control deficiency on page 39.
- We have additionally identified a misstatement in the Related Parties note. See page 36.

Audit risks and our audit approach

3

Valuation of post-retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

- The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our response

We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the key assumptions made,
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data where appropriate;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit to these assumptions; and
- Where applicable, assessed the level of surplus that should be recognised by the entity.

Audit risks and our audit approach (cont.)

3 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

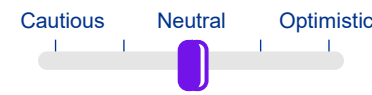


Our findings

- We are satisfied the actuaries who provide the calculation of post-retirement benefit obligations to the Council have sufficient expertise, independence and objectivity in performing the valuation exercise.
- We have performed inquiries of the actuaries to assess the key assumptions made and did not identify any reportable issues.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area remains ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. However, we are aware that management operates a control that they are satisfied with that provides the organisation with assurance over this area.
- We utilised our own KPMG actuaries to assess the aforementioned key assumptions. We have received the results from our actuaries who have evaluated the assumptions, and all assumptions are deemed to be balanced and fall within KPMG's acceptable range.
- We have confirmed the LGPS remains in deficit as at 31 March 2025.
- We requested management to include additional detail within the reconciliation of asset ceiling disclosure for the defined benefit pension scheme. This is noted on page 36.

Key:
 Prior year
 Current year

Key accounting estimates and management judgements- Overview



Our view of management judgement

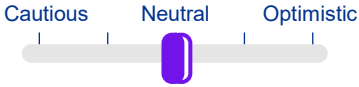
Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Page 43

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Other Land and Buildings		£28.1m	£-0.6m		<ul style="list-style-type: none"> Our testing of the BCIS indices, location factors and obsolescence factors confirmed the assumptions to be neutral. Based on the data used by the internal valuer the valuation of the assets sampled were found to be reasonable and appropriate. We identified that the external fees provision was not specific and higher than expected, and therefore we assessed the assumption to be optimistic. We identified 8 out of 40 floor areas which were not supported by adequate floor plans. The disclosures were adequate concerning the key judgements and degree of estimation involved in arriving at the valuation.
Council Dwellings		£257m	£-7m		<ul style="list-style-type: none"> Our testing over the significant assumptions used to value the Council Dwellings –comparable transactions for beacon values – were found to be neutral. The disclosures were adequate concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:
 Prior year
 Current year

Key accounting estimates and management judgements- Overview (Cont.)



Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Page 44

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Post-Retirement Benefit Obligations		£3.80m	-£0.2m		<ul style="list-style-type: none"> We utilised our own KPMG actuaries to assess the aforementioned key assumptions. Our actuaries evaluated the assumptions, and all assumptions are deemed to be balanced and fall within KPMG's acceptable range. The disclosures were adequate concerning the key judgements and degree of estimation involved in arriving at the valuation. However, we requested management to make minor amendments to the disclosures.

Key:
 Prior year Current year



Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Group's internal control.

See pages 37-57 for the breakdown of control deficiencies.

Key:

- These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified no significant control deficiencies in the current year.
- These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 1 such deficiencies in the current year.
- These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 6 related observations in the current year.

Significant difficulties

Matters which led to significant difficulties in performing the audit included the following:

- We encountered delays on receiving Councillor (5) and Senior Leadership Team declarations (2) that were not completed at the time of the preparation of the financial statements;
- We extended the sample of our non-pay expenditure testing due to the audit difference identified on page 34;
- We faced difficulties in the valuation of other land and buildings, resulting in:
 - A control deficiency identified for the application of BCIS indices (see page 38);
 - A control deficiency identified for the methodology applied for the valuation of car parks that offered free parking (see page 43);
 - Issues with availability of audit evidence to support key data elements of the valuation, such as floor areas (page 46); and
 - Difficulty to ascertain adequate supporting explanations from the internal valuer; in particular the timeliness and quality of responses. There were several delays in receiving responses and corroborating to supporting information from the internal valuer.

These events all led to an increased volume of audit work that was required to gain sufficient assurance, over areas of significant risk for the valuation of land and buildings in particular, to be able to express an opinion on the financial statements.

Quality and timeliness of information prepared by management/those charged with governance

In our view, except for the matters identified above, the quality of information:

- supported our ability to understand key decisions better and obtain sufficient audit evidence
- enabled informed challenge of management decisions
- supported audit quality and better disclosure

Audit misstatements

Given we are disclaiming our audit opinion as described on pages 4 to 6 there may be other audit misstatement our audit procedures would have identified if we completed our audit procedures as initially planned.

Management has approved the correction of the audit misstatements detailed on page 35 and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 34.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- If the uncorrected factual audit misstatements were posted, they would decrease the deficit by £623k
- For our views on management estimates – see pages 17 and 18 (Key accounting estimates)
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendices, on pages 34 to 36.

Audit misstatements

	Page
Corrected misstatements	35
Uncorrected misstatements	34
Misstatements in disclosures	36

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgements of management that we consider unreasonable or inappropriate

Group involvement – Significant component audits

We are the Group auditor and the Component auditor for South Holland District Council.

The components within the scope of our work accounted for 99% of the Group’s net expenditure

We did not contact component auditors. The procedures we have performed for the Council, was sufficient to provide assurance at the Group level. We have ensured appropriate evidence was obtained.

Component	Scope Rationale			Significant matters discussed with component auditors
	Individually financially significant	Significant due to risk	Other	
Council	✔			Not Applicable. We are the auditors of the Group, and the Council’s financial statements.
Public Sector Partnerships Services Ltd				Our risk assessment procedures confirmed the associate is not significant to the Group financially and/or due to risk. The Council has reported total interests in PSPS Ltd of £457k. This is below our threshold for Group materiality. Therefore this component is not scoped in for the Group audit, and, as a result, we have not contacted the component auditors.
Welland Homes Ltd		✔		Our risk assessment procedures confirmed the subsidiary has total assets that are material to the Group (£11.8m). £11.5m of the total assets relate to investment properties. Due to the level of estimation uncertainty associated with the relevant key assumptions used to value investment properties, specifically yield used by the valuer, when valuing estate, this creates a risk that the year-end carrying value of these assets differs materially from their fair value. We identified an elevated risk to the Group for the valuation of investment properties.
South Holland Local Housing Community Interest Company				Our risk assessment procedures confirmed the subsidiary is not significant to the Group financially and/or due to risk. The total assets of the subsidiary as at 31 March 2024 was £1.68m.

Other matters

Narrative report

As Governance and Audit Committee members you confirm that you consider that the Narrative Report, including the Annual Governance Statement, and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Our responsibility is to read the other information, which comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon and, in doing so, consider whether, based on our financial statements audit work, the other information is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters leading to our disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is **£154,662** plus VAT (£140,166 in 2023/24).

See page 30 for details and status of fee variations.

We have also completed non audit work at the Council during the year on the Housing Benefit Grant Certification and the Pooling for housing capital receipts return. We have included on page 32 confirmation of safeguards that have been put in place to preserve our independence.

01

Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor’s Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor’s Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have not identified a risk of significant weakness in the Council’s arrangements to secure value for money.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor’s Annual Report.

Performance improvement observations

As part of our work we have identified three Performance Improvement Observations, and followed up on one Performance Improvement Observation from the prior period, which are suggestions for improvement but not responses to identified significant weaknesses – see pages 25 to 27.

Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of value for money arrangements in the current year are as follows:

Priority rating for observations		
1	Priority one: Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2
2	Priority two: Observations linked to issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	3
3	Priority three: Observations linked to issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Formal record of discussion and actions for efficiency savings</p> <p>We have identified an absence of formal recording of discussions and corresponding actions from key meetings that have been held in 2024-25, such as:</p> <ul style="list-style-type: none"> Through inquiry with management, we confirmed that a meeting was held with the Cabinet members to discuss savings before the 2024-25 budget was set. A list of potential savings was identified and discussed at this meeting, which was subject to review by the Senior Leadership Team (SLT). We requested evidence of this meeting however no minutes or actions logs have been kept by the Council. Meetings of the Business and Efficiency Savings meetings are not minuted and therefore not available to review. We confirmed from the agendas of the September 2024 and January 2025 meeting that an item for the savings/efficiency plans is included. However, we did not identify any written record of key decisions and actions taken from these meetings held by the Senior Leadership Team throughout 2024-25. This also means there are no action logs prepared and monitored by the Council in relation to achieving the efficiencies within the long list. Therefore, in the absence of audit evidence, we cannot confirm the efficiency lists are discussed appropriately within the Governance structure of the Council. <p>Risk</p> <p>There is a risk that the efficiency lists are not discussed appropriately within the Governance structure. Without a formal record of agreed actions, there is also an increased risk action will not be taken in a timely manner, and this will not be identified by management.</p> <p>Recommendation</p> <p>We recommend the Council keeps a formal log for key decisions made in relation to the identification of efficiencies within the budget setting and monitoring process. This should also include action logs which can be monitored on a regular basis.</p>	<p>Management response and Officer</p> <p>The Council has adopted a revised approach to preparation of the 2026/27 budget and as part of this officer and Member decisions will be recorded. This will commence from August 2025.</p> <p>Responsible officer</p> <p>Director of Finance & Section 151 Officer</p> <p>Due Date</p> <p>31 March 2026</p>

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Value for Money: Performance improvement observations

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	<p>Future savings within the efficiency programme</p> <p>Within the quarter two efficiency list for 2024/25, we identified this does not include a forward look of the efficiencies that can be achieved in future years. This is inconsistent to other efficiency programmes within the SELCP that did also identify future savings.</p> <p>Risk</p> <p>Within the 2024/25 approved budget, the Council has identified a budget savings requirement of £1m in 25/26, increasing to £1.8m in 28/29. There is a risk that if the efficiency programme is only focused on the current year, which limits the opportunities for the Council to be able to effectively identify key efficiencies that can be made to ensure they achieve required savings in future years.</p> <p>Recommendation</p> <p>We recommend formalising of the efficiency programme, which should have a focus of at least three years ahead, with best practice of five years in line with the medium-term financial plan.</p>	<p>Management response</p> <p>To be addressed as part of the budget process 2026/27.</p> <p>Responsible Officer</p> <p>Director of Finance & Section 151 Officer</p> <p>Due Date</p> <p>31 December 2025</p>
3	3	<p>Fraud Risk Registers</p> <p>Internal Audit has undertaken counter-fraud mapping in three key areas: Procurement, Assets and Revenues and Benefits. Fraud risk registers have been created, and Internal Audit has advised on updating and reviewing the Council's counter fraud policies. However, we identified the fraud risk registers were not included within the quarterly risk reports that are presented within the Governance Structure.</p> <p>Risk</p> <p>If the fraud risk registers are not presented within the Governance structure on a regular basis, there is a risk that there is not sufficient oversight and management of the fraud risks if the fraud risk registers are not presented within the Governance structure on a regular basis.</p> <p>Recommendation</p> <p>We recommend the fraud risk registers are included within the quarterly risk reports that are presented within the Governance structure.</p>	<p>Management response</p> <p>Fraud risk registers are already included in reporting to Leadership Team and will be included in reporting to Governance & Audit Committee and South Holland Cabinet from Q4 24/25 in line with the reporting process across the rest of the partnership.</p> <p>Responsible Officer</p> <p>Assistant Director - Governance & Monitoring Officer</p> <p>Due Date</p> <p>31 July 2025</p> <p>Status</p> <p>We have confirmed this has been implemented.</p>

Value for Money: Performance improvement observations

Below we have set out our findings from following up performance improvement observations raised in prior periods:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of October 2025
1		<p>Efficiency Programme 2023-24</p> <p>For the financial year ended 31 March 2024, the Council did not have a formal efficiency programme in place. The Council did have an efficiency long list that was presented to the Senior Leadership Team (SLT) monthly. This is a long list of potential efficiencies to be explored which are allocated to lead officers. This has been used to identify and report efficiencies during 2023-24, and forward planning into 2024-25. However, for the period of audit, there was not a formal programme in place to effectively identify, RAG rate and monitor efficiencies.</p> <p>Through inquiry with management, the Council have been working to improve this process in 2024-25.</p> <p>Impact</p> <p>There is a risk that efficiencies are not effectively identified, RAG rated and monitored, thereby impacting on the Authority’s ability to deliver a sustainable financial plan moving forwards.</p> <p>Recommendation</p> <p>We recommend this be implemented as soon as possible to ensure any funding gaps in future financial forecasts are offset as far as possible by efficiencies/savings rather than the depletion of reserves. This efficiency programme should incorporate:</p> <ul style="list-style-type: none"> • the development of plans for how efficiencies will be achieved; • regular monitoring of performance against the required level of efficiencies; • reporting of performance against the required efficiency target to an appropriate committee; and • a process in place for identifying actions where projects are falling behind plan • a RAG rating system to help identify the risk to relevant schemes / plans 	<p>Management Response: The efficiency monitoring process will be formalised and regularly monitored, with the reporting in the quarterly reports expanded to capture the RAG status.</p> <p>Responsible Officer: Strategic Finance Manager</p> <p>Due Date: 30 September 2025</p>	<p>Status: Not implemented</p> <p>We have observed through attendance at the September 2025 Governance and Audit Committee, the Council had an internal audit review scheduled for the Identification and Monitoring of Savings. However, the internal auditors found there was insufficient controls in place – and was unable to establish sufficient first or second-line controls to test. Therefore, we consider our above recommendation to be not implemented.</p>

Appendix

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Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	<input checked="" type="checkbox"/> OK There is one adjusted audit difference with no surplus impact. See page 35.
Unadjusted audit differences	<input checked="" type="checkbox"/> OK The aggregated surplus impact of unadjusted audit differences would be £623k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 34.
Related parties	<input checked="" type="checkbox"/> OK We encountered delays receiving all declaration of interest forms as detailed on page 19. We also raised a control deficiency in regard to the related party process on page 39. These deficiencies did not result in a significant deficiency.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit within this report on pages 37 to 57.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving Group or Council management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> OK Significant difficulties have been outlined on page 19.
Modifications to auditor's report	<input checked="" type="checkbox"/> X Our audit opinion will be disclaimed. See pages 4 to 6 for further details.
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> OK No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> OK No matters to report.
Certify the audit as complete	<input checked="" type="checkbox"/> X We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will issue our certificate once we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete and therefore all our work in respect of the Authority's Whole of Government Accounts consolidation pack is complete.
Whole of government accounts	<input checked="" type="checkbox"/> X As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack. We are yet to receive instructions from NAO regarding WGA.

Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Scale fee as set by PSAA	154	140
Fee variations approved by PSAA	-	29
Fee variation for agreed with management but subject to PSAA approval	21	
Fee variations for rebuilding assurance	32	
TOTAL	207	169

We are in the process of agreeing fee variations with management and report these at a later date.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of South Holland District Council,

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.
- The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £000	Value of Services Committed but not yet delivered £
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed & Time	35.4*	0
2	Pooling for housing capital receipts return	Management Self review Self interest	<ul style="list-style-type: none"> Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed & Time	7.3*	0

*These fees are expected and subject to final agreement.

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.2: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2024/25 £'000
Scale fee	154.6
Fee variation for agreed with management but subject to PSAA approval	21
Fee variation for rebuilding assurance	32
Other Assurance Services	42.7
Total Fees	250.3

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Uncorrected audit misstatements

Given we are disclaiming our audit opinion as described on pages 4 to 6 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance & Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Governance & Audit Committee, details of all adjustments greater than £80K are shown below:

Uncorrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Prepayments	-	£333k	This misstatement is made up of a £5k factual misstatement and a £328k projected misstatement. - The Council paid for an invoice which related to the purchase of computer licenses. The license spans the period of 26/08/2024 – 26/08/2025. Management has not reversed the expenditure relating to the period 01/04/2025-26/08/2025 and as such the expenditure is overstated. The corrective entry is to Dr Prepayments and Cr Expenditure. As this sample was selected through our statistical sampling software, this has projected an additional misstatement of £328k in addition to the £5k factual misstatement identified.
	Cr Other Services Expenses	(£333k)		
2	Dr Property, Plant and Equipment	-	£191k	When re-calculating the floor area to be used in the valuations based on floor plans, we have identified an understatement of £191k in the PPE balance, as the valuer had used incorrect floor areas within the initial valuation.
	Cr Revaluation Reserve / Movement in Reserves	(£191k)		
3	Dr Property, Plant and Equipment	-	£99k	We identified a methodological error in the car park valuations, which resulted in an understatement of £99k in the car park valuations.
	Cr Revaluation Reserve / Movement in Reserves	(£99k)		
Total		(£623k)	£623k	

Corrected audit misstatements

Given we are disclaiming our audit opinion as described on pages 4 to 6 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported corrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance and Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit.

Corrected audit misstatements (£'000s)				
No.	Detail	SOCI Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Gain on disposal of Non-Current Assets (income)	£2.077m		- We identified an error in the presentation of gains and losses on disposals of non-current assets because the gain or loss was not being calculated on an individual asset basis. This resulted in an overstatement of income and expenditure.
	Cr Loss on disposal of Non-Current assets (expenditure)	(£2.077m)		
Total		£0	£0	

Corrected audit misstatements - Disclosures

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance & Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Audit Misstatements in disclosures		
No.	Disclosure	Comments
1	Note 33 – Related Parties	We have identified related party transactions that were not fully disclosed in the accounts. Management has corrected these in the final version of the financial statements.
2	Note 30 – Remuneration Report	<p>We made one observation to management to ensure the financial statement fully comply with The Code of Local Government Accounting in respect of the disclosures surrounding remuneration of the Section 151 Officer. The Interim Section 151 Officer worked for 16 days in the 24/25 financial year, and as such should have been included in the Remuneration Report for Senior Managers.</p> <p>We also identified the salary figures for senior officer's were not complete. This was due to the Council including taxable pay instead of gross pay.</p> <p>Whilst the amounts are quantitatively immaterial it is considered qualitatively material given the nature of the disclosure.</p>
3	Note 6B – Segmental Income	We made an observation to management to ensure the financial statement fully comply with The Code of Local Government Accounting in respect of the disclosures surrounding remuneration of the Segmental Income. This disclosure was omitted from the draft version of financial statements.
4	HRA – Note 2 Housing Stock	We identified inconsistencies between the number of houses and bungalows reported in the financial statements compared to the valuer report.
5	Note 36 – Defined Benefit Pension Schemes	We requested management to include additional detail within the reconciliation of asset ceiling disclosure for the defined benefit pension scheme.
6	Cash Flow	<p>The misstatement arises from an isolated error in relation to the calculation of the year-end capital creditors balance. The entity used the figure of £377k which related to the General Fund Balance however capital creditors in relation to the HRA balance were omitted. As a result, the total capital creditors are £737k. The following two lines were impacted:</p> <ul style="list-style-type: none"> • (Increase)/decrease in creditors - Disclosed as (£1,378k) should be (£1,738k) • Purchase of property, plant and equipment, investment property and intangible assets - Disclosed as £16,375k should be £16,015k
7	Group Cash Flow	The Council has made a loan to Welland Homes in 24/25 for £751k and hence the transaction would need to be eliminated as an intercompany transaction in the Group Cash Flow, this was not eliminated on consolidation.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	3	<p>Payments to Suppliers</p> <p>Issue</p> <p>Through our testing of journal entries, completed as part of the external audit of Boston Borough Council, it came to our attention that Boston Borough Council had erroneously received £9,721.88 from South Holland District Council. This occurred as a result of the wrong supplier being entered when processing the invoice, an invoice which was subsequently approved and paid.</p> <p>Impact</p> <p>The value of the identified error is small and therefore not reportable. However, there is a risk that larger transactions are paid to the wrong supplier due to this manual error.</p> <p>Recommendation</p> <p>Those responsible should thoroughly review the inputs in the processing of invoices before the payment is made to ensure that the payments are made to correct suppliers.</p>	<p>Management Response</p> <p>There is an approval process in place whereby the Budget Manager is required to review and approve the invoice for payment, if it is not processed against a purchase order. The Budget Manager is responsible for ensuring that the details of the payment are correct before approving. A reminder will be issued to Budget Managers to check details when approving, and the Accounts Payable team are also regularly reminded of the importance of accuracy when processing transactions.</p> <p>No PO no pay has also recently been launched, therefore invoices processed outside of a purchase order will significantly reduce going forward.</p> <p>Officer</p> <p>Deputy Chief Finance Officer (PSPS)</p> <p>Due Date</p> <p>31 December 2025</p>

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	3	<p>Application of BCIS figures in the DRC Valuation of Land and Buildings</p> <p>Issue</p> <p>Relevant land and buildings are valued 'as at' the end of the financial year under audit. Through inquiry, we identified that the BCIS figures used in the DRC valuation of relevant land and buildings were forecasted values to the end of June 2025. We would expect the BCIS figures used to be as at 31st March 2025.</p> <p>Impact</p> <p>The size of the relevant land and buildings balance is material. Therefore, although we don't expect significant changes in the BCIS index on a quarterly basis, there is a risk that a change in the BCIS could materially affect the valuation of land and buildings.</p> <p>We tested the entirety of the balance of DRC valued assets and we identified a difference of £20k, which is below our audit reporting threshold and therefore not reportable as an audit difference.</p> <p>Recommendation</p> <p>BCIS figures as at 31st March of each relevant financial year should be used in the DRC valuations of relevant land and buildings.</p>	<p>Management Response</p> <p>Agreed</p> <p>Officer</p> <p>Internal Valuer</p> <p>Due Date</p> <p>30 April 2026</p>

Control Deficiencies

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	2	<p>Related Parties Process</p> <p>Issue</p> <p>Our walkthrough of the related party transaction process confirmed that the Council has an appropriate process in place to obtain annual declarations for relevant individuals and to identify related party transactions from said declarations.</p> <p>However, we identified that declarations of interests were not completed and returned for 5 Councillors, including one (interim) member of the senior management team who subsequently left the Council. <i>We have subsequently received declaration forms for four out of the five Councillors. We have performed alternative procedures for the Councillor who did not return a declaration of interest form, and for the senior management team member who has subsequently left the Council.</i></p> <p>We also identified 2 Senior Leadership Team Member who performed their declaration of interest late.</p> <p><i>As part of our testing, we also identified a Councillor had returned a nil declaration, however, this was inconsistent with their appointments on Companies House where they were listed as a Director of a Company. This Directorship was already identified by the process PSPS follow to identify potential related parties. Therefore, this did not have an impact on the financial statements, however, is indicative of a control deficiency as the declaration form should include a complete list of interests.</i></p> <p>Impact</p> <p>There is a risk that that all relevant transactions with related parties have not been fully disclosed.</p> <p>Recommendation</p> <p>Councillors are reminded of their duties to disclose declarations of interest to ensure all declarations are complete for the next financial year.</p>	<p>Management Response</p> <p>The related party guidance will be reviewed in 2025/26. Outstanding Related Party forms will be followed up by Finance, and then escalated to Group Leaders for a response to be obtained.</p> <p>Officer</p> <p>Monitoring Officer</p> <p>Due Date</p> <p>30 April 2026</p>

Control Deficiencies

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	3	<p>SELCP Shared Management Transactions</p> <p>Issue</p> <p>Section 113 costs are split between the three Councils in the Partnership. The Council maintains a master spreadsheet which shows the percentage split for each constituent Council in the partnership and the amount to be recharged in relation to each relevant employee.</p> <p>During the 23/24 external audit, we identified a control deficiency related to the lack of a formal control in the review of Section 113 management recharges. We discussed this issue with management at this time but did not raise a formal recommendation to Those Charged With Governance.</p> <p>During our 24/25 external audit, for one sample item selected, we were able to corroborate the data for the 2024/2025 split. However, this had changed since the 23/24 financial year,. During 2023/24, the costs for the individual were incorrectly shown as 100% to SHDC instead of 100% to ELDC. We note that the error was below our reporting threshold. However, the Council still lacks a formalised control to ensure the accuracy of the split of these costs.</p> <p>Impact</p> <p>There is a risk that costs associated with the Section 113 officers within the Partnership are split incorrectly between the three Councils, resulting in the payroll expense being misstated.</p> <p>Recommendation</p> <p>We recommend that a formal control be established for the review of the percentage splits of the Section 113 management recharges as part of the year-end process to mitigate the risk of incorrect allocations.</p>	<p>Management Response</p> <p>A formal control process will be undertaken to review the workings supporting the S113 management recharges.</p> <p>Officer</p> <p>Head of Finance Delivery – SHDC (PSPS Ltd)</p> <p>Due Date</p> <p>31 March 2026</p>

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	3	<p>Internal Valuer within the SELCP</p> <p>Issue</p> <p>Inspection of the valuation report and valuation certificates shows that there is one individual responsible for all of the valuation of land and buildings and investment properties across all three Council's in the South-East Lincolnshire Partnership. This valuer is the only RICS qualified valuer involved in the valuations. Therefore, there's no formal review from a RICS qualified valuer of the valuation output. We note that the finance team does perform a review of the portfolio, but the reviewer is not RICS qualified, and we have not observed any challenge of the underlying methods or assumptions.</p> <p>Therefore, we have raised a deficiency for the fact:</p> <ul style="list-style-type: none"> • There is an absence of an effective review control over the work of the valuations performed by the internal valuer; • There is not a counter signatory on the valuation report who is also RICS qualified; and • The portfolio is varied in the nature of assets and it is therefore difficult for one valuer to maintain accurate information and specialism across all assets – along with being the sole RICS valuer for the other two Council's in the South-East Lincolnshire Partnership. <p>Impact</p> <p>Absence of a counter-signatory who is also RICS qualified increases the risk the application of specialised valuation methodology is incorrectly applied and the selection of assumptions that require specialist judgement are inappropriate. The absence of a formal management review control at the Council increases the risk material misstatements would go undetected.</p> <p>Recommendation:</p> <p>The Council should consider providing additional support to the existing valuer to provide further assurance over the valuations.</p>	<p>Management Response</p> <p>This recommendation has not been accepted by management. The Council notes this position but has chosen to tolerate the risk.</p>

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
6	3	<p>Provision for External Fee Applied to DRC Buildings Valuation</p> <p>Issue</p> <p>In line with the Depreciated Replacement Cost valuation method, the methodology allows for an inclusion of cost for external works which is based on a percentage of the build costs for the building itself. We inspected the valuation report and certificates and inquired directly with the valuer around the assumption used. We identified the external area cost of 15% was applied on all DRC assets regardless of the size of the external area or the type of external area required for operation of the asset (e.g. car parks, paths, public area).</p> <p>We would expect the external fee applied to be specific and reflect the nuances of each, or groups of, DRC assets.</p> <p>Impact</p> <p>We identified, on review, that most assets were optimistic in terms of the approach to external fees, but overall fell within our acceptable range. We have considered this as part of the valuation of land and buildings finding on page 11.</p> <p>Recommendation:</p> <p>The internal valuer should review the assumption used for external areas and ensure that the provision is adjusted to reflect the size and use of the external areas attributed to each DRC asset.</p>	<p>Management Response</p> <p>This will be considered as part of the 2025/26 valuation process.</p> <p>Officer</p> <p>Internal Valuer</p> <p>Due Date</p> <p>30 April 2026</p>

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
7	3	<p>Land and Buildings Methodology</p> <p>Issue</p> <p>For the valuation of car parks, the valuer has used an existing use valuation methodology which is expected for this type of asset. A key assumption within this valuation is the estimated income value used directly in the valuation calculation.</p> <p>We identified that for a number of assets an annual income value of £120 had been applied for free car parks. The methodology splits this income figure between an amount guaranteed by a lease, and the additional amount for the risks and rewards of ownership. However, by applying an annual value (rather than actual income), this functions as the 'lease' amount and therefore there should be no split in the valuation.</p> <p>Impact</p> <p>When we re-calculate this figure for four car parks identified where the £120 annual value per space has been applied, it comes to understatement of £99k. We have reported this within our uncorrected misstatements on page 34.</p> <p>Recommendation:</p> <p>We recommend that the internal valuers reviews this methodology to ensure that the application of the methodology is appropriate.</p>	<p>Management Response</p> <p>This will be considered as part of the 2025/26 valuation process.</p> <p>Officer</p> <p>Internal Valuer</p> <p>Due Date</p> <p>30 April 2026</p>

Control Deficiencies (previous years audit)

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations fully implemented	Number of recommendations partially implemented	Number outstanding (repeated below):
13	8	3	2*

Please refer the status explanations in the following pages.

Control Deficiencies (previous years audit cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
1	2	<p>Preparation of bank reconciliations</p> <p>Bank Reconciliations have not been completed on a timely basis throughout the year. The General Fund Reconciliation at the year-end was performed and reviewed in August 2024. We would expect the year-end bank reconciliation to be prepared and reviewed within one month after the year-end in April 2024.</p> <p>Through our bank reconciliation testing at year-end, it was identified that the Council made an duplicate payment of £60k to a supplier, by paying the same invoice twice. This was identified by the Council whilst performing the reconciliation in August 2024. The duplicate payment was made almost two years ago, and would have been picked up by timely bank reconciliations.</p> <p>Impact</p> <p>There is a risk that errors are identified in a timely manner, leading to unidentified misstatements within the financial results of the Council.</p> <p>During the course of the audit, we identified two misstatements from the bank reconciliation. An overstatement in the ledger of £424k relating to a returned payment to Lincolnshire County Council in 2023/24 but not recognised on the ledger. An understatement of £60k, of which it was paid twice in the bank (overpayment) but the second payment not recognised on the ledger.</p> <p>Recommendation</p> <p>We recommend the bank reconciliations form part of month-end closedown procedures and they are prepared and reviewed within the month after to the period they relate.</p>	<p>Management Response:</p> <p>The bank reconciliation is now up to date as at the end of September 2024. This is being completed and signed off monthly.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 30 November 2024</p>	<p>Status: Partially Implemented</p> <p>While we note that there has been significant improvement since the prior year, bank reconciliations have not been completed on a timely basis throughout the year.</p> <p>During the planning and risk assessment phase of the audit, we identified items, which were reconciled but not matched to the ledger, totalling up to £24 million on the December bank reconciliation. The majority of these items were in relation to CHAPS and Direct Debit payments which had been made by the Council but not yet matched due to staff absences within the Accounts Payable team.</p> <p>We would expect bank reconciliations to be completed and reviewed within one month of the month end, with all items fully reconciled.</p> <p>We do note that the year-end bank reconciliation did not have the issues identified in the bank reconciliation, and that it was prepared in a timely manner, however.</p> <p>Management Response:</p> <p>The £24m mainly relates to investments placed, and a new process is now in place, whereby Treasury prepare an upload to the ledger on a weekly basis to ensure the ledger accurately reflects the bank position.</p>

Control Deficiencies (previous years audit cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
2	2	<p>Data used in the valuation of other land and buildings</p> <p>Through inquiries we became aware the floor areas used by the internal valuer as a direct input into the valuation calculation were not consistently supported by corresponding floor plans for every asset being valued.</p> <p>This highlights a weakness in the availability of information when preparing the valuation and increases the risk of valuations being misstated due to incorrect data inputs.</p> <p>This also highlights an absence of challenge in management's review control of the valuation certificates in terms of validating the data used.</p> <p>Impact</p> <p>Due to the nature of the valuation process, changes in the floor area data used can result in a misstatements in the valuation being recorded in the financial statements. This has resulted in a delay to the audit testing of the floor areas of land and buildings, as the internal valuer has had to re-perform the measurements for a sample of assets so appropriate audit evidence can be obtained.</p> <p>Recommendation</p> <p>We recommend management performs a validation exercise in advance of the next annual valuation to ensure the all floor areas are supported by accurate floor plans, such as CAD plans, and that these have been measured in line with RICS guidance.</p>	<p>Management Response: A validation process is in hand for 31 March 2025.</p> <p>Responsible Officer: Andy Fisher</p> <p>Due Date: 31 March 2025</p>	<p>Status: Not Implemented</p> <p>While we note that there has been significant improvement since the prior year, we have identified that floor areas used by the internal valuer as a direct input into the valuation calculation were not consistently supported by corresponding floor plans for every asset being valued.</p> <p>We identified that £1.1m worth of assets in PPE did not have floor plans for which we could not accurately verify and £160k of assets held in Trust.</p> <p>Through inspection of valuation certificates in the current year audit, we also noted that several floor plans had been re-drawn by the valuer, as part of the valuation exercise, which were not signed or dated and so it was difficult to substantiate whether a qualified individual had drawn the floor plan, and when the floor plan had been produced.</p> <p>Management Response: Noted, and agreed subject to the resources required to complete the exercise being made available.</p> <p>Responsible Officer: Group Manager - General Fund Assets</p> <p>Due Date: Subject to the approval of resources</p>

Control Deficiencies (previous years audit cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
3	2	<p>Posting of journals</p> <p>As part of our payroll walkthroughs in the SELCP, we identified that the net pay journals for the December 2023 payroll had not yet been posted as of March 2024. We confirmed this also applied to South Holland District Council.</p> <p>Impact</p> <p>There is greater risk of error, or omission of key journals being posted if they are not performed in a timely manner.</p> <p>Recommendation</p> <p>We recommend journals are posted and approved in the same month to which they relate.</p>	<p>Management Response:</p> <p>The net pay journal was posted as part of the work on the bank reconciliation – these are now being posted monthly, when the payroll BACS file has been processed.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 30 November 2024</p>	<p>Status: Implemented.</p> <p>We have performed walkthroughs of the bank reconciliation during the year and identified no issues relating to this specific issue. We are therefore satisfied that this has been appropriately implemented.</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
4	2	<p>Year-end Accrual Process</p> <p>Through our audit procedures for fees, charges and other service income walkthrough, we identified weaknesses in the year-end accrual process:</p> <ul style="list-style-type: none"> We identified income of £65k which related to 2022/23 but was not accrued for in 2022/23 and was recognised in 2023/24. <p>Impact</p> <p>The error identified show errors of understatement and overstatement of income in 2023-24. As this is below our audit misstatement posting threshold, this has not been included within our uncorrected audit differences slide.</p> <p>Recommendation</p> <p>We recommend guidance is shared with the Budget Managers for accounting for estimates and costs during the year-end closedown procedures where an invoice has not yet been received</p>	<p>Management Response:</p> <p>Responsibility lies with the Budget Manager to ensure that the value of goods and services received or provided is accounted for in the appropriate financial year. Budget Managers have access to their financial information to assist in identifying any required accruals, and the Finance Team supports with this. Training will be delivered to Budget Managers prior to year end 24/25 alongside the annually published year end guidance.</p> <p>Responsible Officer: Head of Finance Delivery (PSPS)</p> <p>Due Date: 31 March 2025</p>	<p>Status: Not implemented.</p> <p>Through our substantive audit response for other service expenditure, we identified a weakness in the year-end accrual process.</p> <p>We identified that expenditure incurred of £4.4k for computer licenses, spanning the period of 26/08/2024-26/08/2025, had been fully recorded in the 24/25 financial year rather than being amended to only include the element pertaining to the 24/25 financial year.</p> <p>The error identified overstates the expenditure balance. As this was identified as part of our substantive response, we extended our sample selected for testing relating to the other services expenditure balance. We have reported the factual and projected misstatement identified as part of this procedure in the audit differences section of this report.</p> <p>Management Response:</p> <p>The training will be conducted again for 25/26 and finance will produce the guidance (year end memo). By their very nature, there is a risk that accruals could get missed, but processes are in place to ensure this is mitigated where possible</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
5	3	<p>Review of other system reconciliations</p> <p>We identified that whilst reconciliations between the General Ledger and Capita systems used for key business service lines (e.g. Council Tax, Business Rates and Benefit expenditure) had been prepared by a Finance Manager (Corporate), there was no review on a timely basis.</p> <p>We identified that payroll reconciliations relating to the 2023-24 financial year were not completed until the start of September 2023 and that the review of these payroll reconciliations remained ineffective at the time of audit in February 2024.</p> <p>Impact</p> <p>There is a greater risk of error to information recorded in the ledger if reconciliations are not performed and reviewed on a on a timely basis.</p> <p>Recommendation</p> <p>We recommend that reconciliations form part of month-end closedown procedures and they are prepared and reviewed in the month after to the period they relate.</p>	<p>Management Response: All relevant reconciliations to other systems are now being undertaken on a monthly basis, signed off by the appropriate manager and any queries raised are being followed up to ensure a suitable conclusion.</p> <p>Specifically, the payroll reconciliations are being completed and reviewed monthly, and monthly meetings with the Payroll team are also being held to resolve any outstanding queries.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 30 November 2024</p>	<p>Status: Partially implemented</p> <p>There was significant improvement in the reconciliations performed across the relevant business processes within the Council, particularly in relation to the Business Rates and Payroll reconciliations, of which we found no issues.</p> <p>However, we identified that reconciliations between the General Ledger and Capita system for Council Tax reconciliations were not being completed in a timely manner. As part of our planning and risk assessment, we identified that the November reconciliation was prepared on the 15th January and reviewed on the 17th January, which is 6 weeks after the month end.</p> <p>Additionally, through inquiry we became aware that, due to the retirement of a key member of staff, that reconciliations were not completed on a monthly basis for the reconciliation between the HRA and the General Ledger.</p> <p>We would expect reconciliations to be completed within a month of month end to ensure timely identification and resolution of reconciling items.</p> <p>Management Response:</p> <p>Reconciliations continue to be completed and queried with the relevant departments on a monthly basis – follow ups will be undertaken in a timely manner</p>

Control Deficiencies (previous years audit cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
6	3	<p>Lack of formalised impairment provision policy</p> <p>Through our risk assessment of expected credit losses, we identified that there was no formal impairment provision policy in place that informed how and why the Council were impairing its debtors. While the reasoning for the impairments tested were logical, the lack of formal policy increases the risk of debtors not being appropriately impaired. To caveat, the Section 151 Officer approved the impairment provision included within the financial statements, but this did not appear to be a formal approval or review of the key assumptions that informed the bad debt provision.</p> <p>Impact</p> <p>Lack of formalised policies increases the likelihood of inconsistent application year-on-year. This could result in increased error, or provide the opportunity for fraud.</p> <p>Recommendation</p> <p>We recommend management produce a formal policy outlining the impairment approach.</p>	<p>Management Response:</p> <p>The impairment provision approach will be documented as part of the accounting policies in preparation for the 24/25 year end accounts process.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 31 March 2025</p>	<p>Status: Implemented</p> <p>Management have a section in their accounting policies describing the approach to bad debt. The accounting policies are reviewed at the executive level and therefore this is deemed appropriate to ensure consistent application.</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
7	3	<p>IFRS 16 Transition Plan</p> <p>The Council plans to implement the new lease accounting standard, IFRS 16, effective April 1, 2024. A review of the IFRS 16 pre-transition disclosures in the draft financial statements revealed that management has only included qualitative disclosures, without providing quantitative impact information.</p> <p>According to IAS 8, the disclosure should include a discussion of the estimated impact the introduction of new standards will have on the financial statements. If a reasonable estimate cannot be made due to data limitations, this fact should be disclosed.</p> <p>While the lack of quantitative disclosures in the 2023-24 financial statements is not considered an omission, given the standard's effective date of April 1, 2024, it is expected that management should be well advanced in their quantitative impact assessment for the 2024-25 financial statements.</p> <p>Impact</p> <p>There is a risk that delaying this assessment could lead to errors, insufficient review time, and potentially material misstatements. Management should ensure that the quantitative impact assessment is scheduled and completed promptly, allowing sufficient time for review and challenge before posting transition adjustments.</p> <p>Recommendation</p> <p>We recommend management prepare an implementation plan and this is reviewed by an appropriate member of staff.</p>	<p>Management Response: The plan for implementation of IFRS 16 is currently in progress, although an initial review of the Council's arrangements indicates this will not have a material impact.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 31 March 2025</p>	<p>Status: Implemented</p> <p>IFRS 16 was implemented from 1st April 2024. From our testing we did not identify any issues in relation to this area.</p>

Control Deficiencies (previous years audit cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
8	3	<p>Familiarity Threat – Wilks Head and Eve as the External Valuer</p> <p>From the valuation report it states Wilks, Head and Eve have been performing the valuations for SHDC since 2014. This is therefore a longstanding appointment and could indicate familiarity threat.</p> <p>This is recognised by the valuer on page 6 of the report: Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with RICS Valuation Global Standards. “To confirm, we understand the use of a consistent valuer over a long period of time may lead to over familiarity which may lead to potential objectivity issues. We both rotate valuers within in line with the Standards and have implemented valuation policies and practices to minimise and mitigate this point.”</p> <p>We made inquiries direct with the valuer on rotation requirements who responded that this is the first year we have valued the HRA stock but we have an internal rotation policy for valuers. Therefore this is the first year the valuer has valued the HRA stock, but in previous years has valued other land and buildings.</p> <p>Impact</p> <p>The risk is reduced as this was the first year involvement of the HRA assets, however, the familiarity threat with management remains same. We have not identified any incentive for the external valuer to manipulate the valuation.</p> <p>Recommendation</p> <p>We recommend management rotate the firm of Valuer where they have been in place for more than 10 consecutive years or ensure that specific individual valuers are rotated on a regular basis.</p>	<p>Management Response: The rotation of the external valuer will be considered going forward.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 31 March 2025</p>	<p>Status: Implemented</p> <p>The Council engaged Savills as the new external valuers for the HRA. We note that Welland Homes use Wilks Ed & Eve since 2018, however this is within the rotation period. Therefore, this threat did not exist in 24/25.</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
9	3	<p>Income information provided to the valuer</p> <p>The valuer uses annual rental income as a direct input in the valuation of land and buildings valued using fair value in use. As part of our information testing to confirm the completeness and accuracy of such data, we identified an absence of a quality review process of the income figures used by the valuer. This meant the income figures used by the valuer could not easily be reconciled to supporting audit evidence.</p> <p>Impact</p> <p>This has resulted in an audit misstatement of the valuation being understated by £81k, this can be seen in the list of uncorrected misstatements on page 34.</p> <p>Recommendation</p> <p>We recommend that as part of the valuation process management reviews the income data relied upon by the valuer to ensure it is complete and accurate for the purpose of the valuation.</p>	<p>Management Response: The income figures used by the valuer will be provided directly from the ledger and any assumptions to adjust these for use within the valuations will be clearly evidenced.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate) – PSPS</p> <p>Due Date: 31 March 2025</p>	<p>Status: Implemented</p> <p>Car parking data has been derived directly from the General Ledger in 24/25. We are therefore satisfied that this has been sufficiently implemented.</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
10	3	<p>Related Party Disclosure Process</p> <p>Our walkthrough of the related party transaction process confirmed that the Council has an appropriate process in place to obtain annual declarations for relevant individuals and to identify related party transactions from said declarations.</p> <p>The Code of Practice on Local Authority Accounting 2023-24 allows the Council to make a judgement on materiality when disclosing transactions with related parties. However, upon further investigation we identified the Council does not have a formal policy that outlines the threshold of materiality, and the threshold applied was not disclosed within the financial statements to inform users of the approach applied.</p> <p>Impact</p> <p>The lack of an approved formal policy for the materiality threshold also increases the risk this will be inconsistently applied year-on-year.</p> <p>Recommendation</p> <p>We recommend a policy is produced for applying materiality to the related party disclosure and this is approved by the Council or relevant sub-committee of the Council in advance of the next annual declaration process.</p>	<p>Management Response: An approved approach on the disclosure threshold will be agreed for 24/25 with the S151 Officer.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate) – PSPS</p> <p>Due Date: 31 March 2025</p>	<p>Status: Implemented</p> <p>The Council has included the following as part of their related parties note:</p> <p>“The Council has chosen not to disclose these transactions as they are below £10,000 and are therefore deemed to be immaterial.”</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
11	2	<p>Internal inspections of buildings not carried out as part of the valuation exercise</p> <p>Through review of the valuer’s report, there was no reference to internal inspections of the buildings. We confirmed through inquiry, the valuer only performed curb-side review of the buildings as part of their valuation. The internal condition of a property is important to the assumptions made by the valuer regarding obsolescence.</p> <p>Impact</p> <p>The magnitude of a potential misstatement could be material to the financial statements. Other land and buildings total £28.69m at cost as at 31/03/2024. Therefore, a small change in valuation could likely have a have material impact on the financial statements. The entity also have several individually material assets (Civic Centre £5m, Castle sports £3.4m).</p> <p>Recommendation</p> <p>We recommend as part of the valuation exercise; internal inspections of the buildings are performed by the valuer. Where this is not possible, data should be provided to the valuer on the condition of the properties from the Estates team along with photographs.</p>	<p>Management Response: Only where the Valuer considers it necessary will full internal inspections be undertaken in future years. The Council has acquired and is implementing the KEL IT system which will continue to be updated and populated in real time with suitable and sufficient data to underpin a robust valuation minimising the necessity to inspect the internal parts of each asset annually.</p> <p>Responsible Officer: Internal Valuer</p> <p>Due Date: 31 March 2025</p>	<p>Status: Implemented</p> <p>Through inquiry of management and inspection of valuation certificates, the internal valuer has performed physical inspections of the relevant assets in 24/25.</p>

Control Deficiencies (previous years audit cont.)

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#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
12	3	<p>Methodology used by the valuer could not be substantiated</p> <p>issue arose when we were challenging the assumption made by the valuer on the £per acre values. Some of the asset land value were valued at an equivalent to 3x agricultural land value calculated by the internal valuer. We could not vouch the rationale to an accepted valuation practice.</p> <p>Impact</p> <p>In the absence of evidence therefore, based on our own market research of land values in East Midlands, and re-calculation of the land values, we identified a total overstatement of £1k to the Council which is below our reporting threshold. This was due to the assets affected having small acres of land. The impact would have been larger if used on assets with larger acres of land.</p> <p>Recommendation</p> <p>We recommend as part of the valuation exercise, management ensures as part of the instructions to the internal valuer, all assumptions are sufficiently detailed and supported by evidence.</p>	<p>Management Response: As part of instructions to the internal valuer, we will request that all assumptions are sufficiently detailed and supported by evidence.</p> <p>Responsible Officer: Deputy Chief Finance Officer (Corporate)</p> <p>Due Date: 31 March 2025</p>	<p>Status: Partially Implemented</p> <p>The letter of instruction includes “..supporting evidence for all aspects of the valuations over the external auditor’s materiality (value to be confirmed) is required to be provided..” and stipulates those assumptions which need to be supported by evidence.</p> <p>However, we do note that the existing issue with obtaining sufficiently detailed explanations from the internal valuer is still relevant, as we have identified similar issues in the current year as raised in the prior year. See significant difficulties section on page 19.</p>

Control Deficiencies (previous years audit cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
13	3	<p>Shared Ownership Council Dwellings</p> <p>This finding was identified as part of our information testing on the Housing Revenue Account stock (Council Dwellings) used by the external valuer, Wilks Head and Eve, for the shared ownership properties. Management were unable to provide the legal shared ownership agreement for one property in our initial sample of 10 properties. This was due to the sale of part of the property being dated before 1970 and as such the Council could not find the record. The ownership value recorded by the Council is £82.5k for 50% of the full property value.</p> <p>Impact</p> <p>The projected misstatement could be up to £215k over or understated on the Council Dwelling balances.</p> <p>Recommendation</p> <p>We recommend management undertakes a verification exercise of the shared ownership properties records to confirm they can locate the agreements, with a priority of obtaining the ownership agreements for the properties that pre-date 1970.</p>	<p>Management Response: A verification exercise of the shared ownership agreements will be undertaken.</p> <p>Responsible Officer: Business Support Manager</p> <p>Due Date: 30 April 2025</p>	<p>Status: Implemented</p> <p>We included two of the properties which we could not vouch to in the prior year in our sample. We were able to vouch to lease agreements that confirmed the shared ownership split. We are therefore satisfied that the verification exercise has been implemented.</p>

FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in **September 2024** having already issued three thematic reviews during the year.

The Review and thematic identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and Council/Authority-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the Council/Authority's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the ['Offsetting in the financial statements'](#) thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a Council/Authority is also applying the CIPFA Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and Council/Authority specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the Council/Authority. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

FRC's areas of focus (cont.)

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Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover Council/Authority - specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the Council/Authority.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions







Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

-  Industrial metals and mining
-  Construction and materials
-  Food producers
-  Retail
-  Gas, water and multi-utilities
-  Financial Services



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Report To:	Governance and Audit Committee
Date:	Thursday, 29 January 2026
Subject:	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.
Purpose:	To provide pre-decision scrutiny to the treasury documents being proposed.
Key Decision:	No
Portfolio Holder:	Councillor Redgate, Portfolio Holder for Finance.
Report Of:	Russell Stone –Director of Finance/S151 Officer.
Report Author:	Sean Howsam, Treasury & Investments Manager (PSPSL).
Ward(s) Affected:	None directly.
Exempt Report:	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 Governance and Audit 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 Governance and Audit 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 on 17 February 2026 and Council on 26 February 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 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.
- 1.3** 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".

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 Governance and Audit 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 £111m to £115m and the authorised borrowing limit from £115m to £119m. 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 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 as part of the budget setting report.

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.

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

Acronyms

bps – basis points

CDS - Credit Default Swap

CFR – Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

ECL – Expected Credit Loss

GDP – Gross Domestic Product

GF – General Fund

HRA – Housing Revenue Account

IFRS – International Financial Reporting Standard

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
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Chronological History of this Report

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

Report Approval

Report author: Sean Howsam – Treasury & Investment Manager (PSPSL)
Sean.Howsam@pspsl.co.uk

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

Approved for publication: Cllr Redgate, Portfolio Holder for Finance.

Treasury Management Policy Statement 2026/27

South Holland District 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 2026/27**

Minimum Revenue Provision Policy Statement and
Annual Investment Strategy

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 the 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.

- a. 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)
- b. 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.
- c. 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 Council. This role is undertaken by the Governance and Audit 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 Governance and Audit 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
- the 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 has addressed 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 the Council 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 the services of 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 TO 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 Expenditure £'000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
LUF Projects	10,163	15,511	0	0	0	0
Pride In Place	0	250	1,300	300	725	0
UKSPF Projects	500	0	0	0	0	0
Other GF Projects	4,018	9,591	1,603	1,491	1,829	1,215
HRA	16,625	19,537	11,844	11,424	14,996	12,917
Total	31,306	44,889	14,747	13,215	17,550	14,132
GF Financing	(11,922)	(12,076)	(2,390)	(1,390)	(1,815)	(1,090)
HRA Financing	(15,505)	(12,561)	(6,119)	(6,609)	(6,403)	(7,304)
Total Financing	(27,427)	(24,637)	(8,509)	(7,999)	(8,218)	(8,394)
Net financing need for the year	3,879	20,252	6,238	5,216	9,332	5,738

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 source, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's 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 CFR projections as follows:

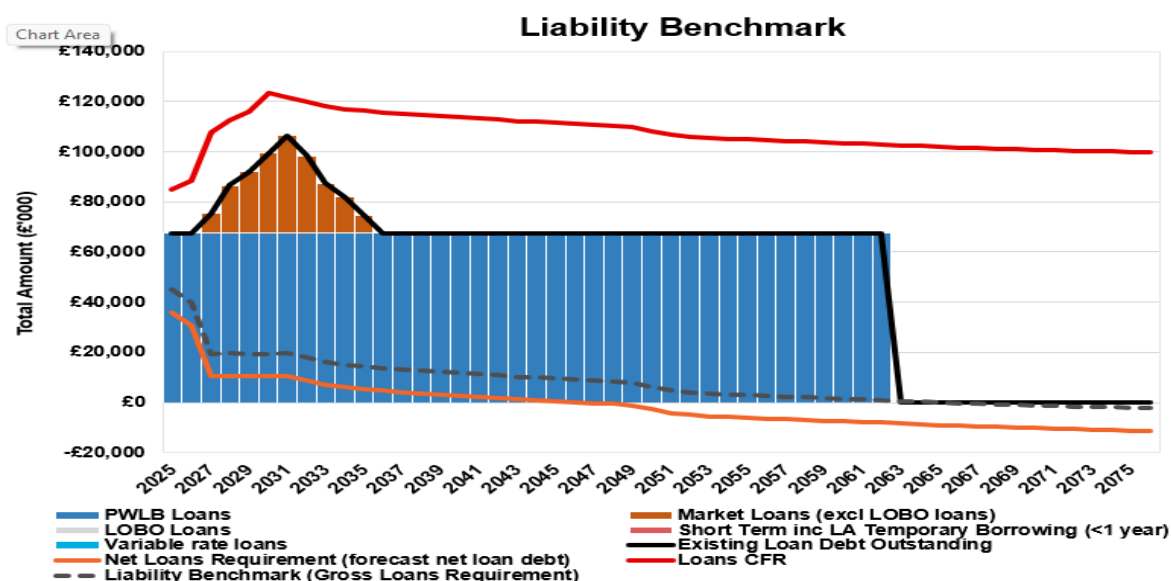
£000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
CFR – Non HRA	18,662	31,153	30,050	28,758	27,754	26,061
CFR – HRA	69,547	76,523	82,248	87,063	95,656	101,269
Total CFR	88,209	107,676	112,298	115,821	123,410	127,330
Movement in CFR	3,431	19,467	4,622	3,523	7,589	3,920
Net financing need for the year (above)	3,879	20,252	6,238	5,216	9,332	5,738
Less MRP/VRP and other financing movements	(448)	(785)	(1,616)	(1,693)	(1,743)	(1,818)
Movement in CFR	3,431	19,467	4,622	3,523	7,589	3,920

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.).

Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
General Fund Balance	2,078	2,078	2,078	2,078	2,078	2,078
GF Earmarked Reserves	8,317	8,062	8,419	8,463	8,476	8,489
GF Capital Grants Unapplied	10,887	4,172	4,272	4,372	4,472	4,572
GF Capital Receipts	520	0	0	0	0	0
HRA General Reserve	6,094	2,533	2,314	2,440	2,497	1,130
HRA Insurance Reserve	200	200	200	200	200	200
HRA Major Repairs Reserve	726	138	386	106	9	27
HRA Capital Receipts	8,132	7,462	6,746	5,985	5,176	4,304
Total core funds	36,954	24,645	24,415	23,644	22,908	20,800
Working capital*	3,000	3,000	3,000	3,000	3,000	3,000
Under borrowing	(20,753)	(32,220)	(25,842)	(23,865)	(23,954)	(20,874)
Expected investments	19,201	(4,575)	1,573	2,779	1,954	2,926

* 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 £000's	MRP 2026/27 £000's	Policy	Explanation
Unsupported capital expenditure incurred since 2007/08.	8,385	771	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.
Loans to third parties for a capital purpose advanced before 7 May 2024.	6,546	0	MRP on these loans will be financed from the loan repayments as permitted by amended guidance.	These are the loans to Welland Homes.
Share Capital.	3,705	14	MRP charged on an annuity basis over a 50 year period. The annuity rate used will be the 50 year PWLB rate on 27/02/25 (date the 2025/26 MRP policy was approved).	Equity stake in Welland Homes. Underlying assets of the Company is houses 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.
TOTAL	18,636	785		

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 in the following table:

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.
Repayments of third party loans issued pre 7 May 2024.	The loan repayment will be used to finance the equivalent MRP charge.	In accordance with previous policy as permitted by amended 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 and the Council's Capital Strategy. 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 the position as at 31 December 2025 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
Treasury investments	£000	%	£000	%
Banks	1,531	6%	3,393	9%
Building societies - rated	0	0%	0	0%
Local authorities	15,000	60%	32,000	81%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	3,500	14%	4,000	10%
Certificates of Deposit	5,000	20%	0	0%
Total managed in house	25,031	100%	39,393	100%
Property Funds	0	0%	0	0%
Total managed externally	0	0%	0	0%
Total treasury investments	25,031	100%	39,393	100%
Treasury external borrowing				
Local Authorities	0	0%	0	0%
PWLB	67,456	100%	67,456	100%
Total external borrowing	67,456	100%	67,456	100%
Net treasury investments / (borrowing)	-42,425	0	-28,063	0

In addition to the above the Council has issued loans to Welland Homes totalling £6.546m at 31 December 2025. These loans are non-treasury investments and classified as long term debtors.

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 at 1 April	67,456	67,456	75,456	86,456	91,956	99,456
Expected change in Debt	0	8,000	11,000	5,500	7,500	7,000
Other long-term liabilities (OLTL)	TBA	TBA	TBA	TBA	TBA	TBA
Actual gross debt at 31 March	67,456	75,456	86,456	91,956	99,456	106,456
The Capital Financing Requirement	88,209	107,676	112,298	115,821	123,410	127,330
Under / (over) borrowing	20,753	32,220	25,842	23,865	23,954	20,874

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 (S151) 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 debt 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's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Debt	106,000	110,000	110,000	110,000	110,000	110,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
Total	111,000	115,000	115,000	115,000	115,000	115,000

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 never been exercised.

- As part of the formal governance process, the Council approves the following indicators as shown below:

Authorised limit £'000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Debt	110,000	114,000	114,000	114,000	114,000	114,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000	5,000
Total	115,000	119,000	119,000	119,000	119,000	119,000

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 11 August 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 S151 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 (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	●	●

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Ministry of Housing, Communities and Local Government (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 and loan investments limits.** The Council has determined that it will limit the maximum exposure to non-specified investments to £5m 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 Authority 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 above criteria are unchanged from last year.

4.2 Creditworthiness Policy

This Council applies the creditworthiness service provided by the 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 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, as well as 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 of treasury management investments to non-specified investments to £5m of the total investment portfolio.
- **Country limit.** The Council has determined that it will only use approved counterparties from the United Kingdom and 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> %
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 6-10	3.50	3.50
Years 10+	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), 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 follows:

£'000	2026/27	2027/28	2028/29	2029/30	2030/31
Principal sums invested for longer than 365 days (excluding non-treasury investments)	5,000	5,000	5,000	5,000	5,000
Current treasury management investments as at 30 November 2025 in excess of 1 year maturing in each year	0	0	0	0	0

Loans to and equity purchases in Welland Homes do not count towards this limit.

4.5 Investment risk benchmark

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.

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 Expenditure £'000's	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
LUF Projects	10,163	15,511	0	0	0	0
Pride In Place	0	250	1,300	300	725	0
UKSPF Projects	500	0	0	0	0	0
Other GF Projects	4,018	9,591	1,603	1,491	1,829	1,215
HRA	16,625	19,537	11,844	11,424	14,996	12,917
Total	31,306	44,889	14,747	13,215	17,550	14,132
GF Financing	(11,922)	(12,076)	(2,390)	(1,390)	(1,815)	(1,090)
HRA Financing	(15,505)	(12,561)	(6,119)	(6,609)	(6,403)	(7,304)
Total Financing	(27,427)	(24,637)	(8,509)	(7,999)	(8,218)	(8,394)
Net financing need for the year	3,879	20,252	6,238	5,216	9,332	5,738

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
Non HRA	(0.29)	TBA	TBA	TBA	TBA	TBA
Welland Homes	(1.64)	TBA	TBA	TBA	TBA	TBA
HRA	34.07	TBA	TBA	TBA	TBA	TBA
Total	18.89	TBA	TBA	TBA	TBA	TBA

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

b. HRA ratios

Ratio of Debt as a Percentage of Revenue:

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
HRA debt £m	67.456	74.456	79.456	84.956	92.456	98.456
HRA revenues £m	18.921	19.606	20.181	20,738	21,355	21,942
Ratio of debt to revenues %	357	380	394	410	433	449

Amount of Debt per Dwelling:

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
HRA debt £m	67.456	74.456	79.456	84.956	92.456	98.456
Number of HRA dwellings	3,818	3,761	3,756	3,751	3,746	3,741
Debt per dwelling £	17,668	19,797	21,154	22,649	24,681	26,318

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:

Maturity structure of fixed interest rate borrowing 2026/27		
	Lower	Upper
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%
Maturity structure of variable interest rate borrowing 2026/27		
	Lower	Upper
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%

5.1.3 Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

APPENDIX 5.2 : Interest Rate Forecasts 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
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

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 – SHDC 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
UK 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	AAA	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 £5m may be held in aggregate in non-specified investments.

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 or 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

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -				
	Minimum Credit Criteria	Use	Max % of non-specified investments	Max. maturity period
1. Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house	£5m	Liquid
2. Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house	£5m	Liquid
3. Bond Funds	Long-term AAA volatility rating MR1+	In-house	£5m	1 month notice period
4. Gilt Funds	UK Sovereign Rating	In-house	£5m	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 years
SHDC Parish Councils (including SHDC Community Reserve)	N/A	In-house	£5m	5 years
Term Deposits – banks and building societies	Sovereign rating of AAA or AA- and minimum colour of orange on our external treasury advisers credit rating matrix	In-house	£5m	5 years
Certificates of Deposit issued by banks and building societies	Sovereign rating of AAA or AA- and minimum colour of orange on our external treasury advisers credit rating matrix	In-house	£5m	5 years
Corporate bonds issued by banks and building societies	Sovereign rating of AAA or AA- and minimum colour of orange on our external treasury advisers credit rating matrix	In-house	£5m	5 years
Bonds issued by multilateral development banks	AAA	In-house	£5m	5 years

Loans and investments with Welland Homes and South Holland Local Housing Company will not count towards the Non-Specified Investment limit.

The maximum total investment to any individual financial institution or its parent group is £5m and the limit with Money Market Funds is £10m and the UK Debt Management Agency Deposit Facility (UK Government) which has no maximum limit.

Lloyds Bank 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 S151 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 arises 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"> - Receive, Review and Approval of Treasury Policy Statement – February/March cycle - 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 - Receive, Review and Approval of Annual Treasury Outturn Report by 30 September after the year end |
| Cabinet | <ul style="list-style-type: none"> - Recommend to Council a Treasury Policy Statement - 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 - Extraordinary Activity and Investment Management arrangements – as soon as possible after significant change occurs - Recommend to Council a Treasury Management Outturn Report by 30 September after the year end |
| Governance and Audit Committee | <ul style="list-style-type: none"> - Receive Treasury Management Quarterly and Mid Term reports - Receive Treasury Management Outturn Report - Receive Treasury Management Practices annually if amended - Scrutiny of the Treasury Management Strategy before the commencement of each financial year - Scrutiny of Treasury Management performance as part of the Mid Term report and quarterly reports. |

SCRUTINY AND MONITORING

Council delegates the scrutiny and monitoring of the Treasury Management function to the Governance and Audit 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 Governance and Audit Committee to ensure they have the necessary skills to undertake this role. Recommendations will be reported to Cabinet.

The Governance and Audit 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 and deputy

The S151 Officer responsibilities are as follows:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing 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 liaising 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 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 TMP 5 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 S151 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 Governance and Audit. 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 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 power to borrow and invest to members of staff. All dealing transactions must be conducted by the S151 Officer, or staff authorised by the S151 Officer, to act as temporary cover for leave/sickness.

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 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 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 variation reports
- 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 S151 Officer, PSPSL treasury officers have delegated authority to withdraw and deposit funds within the agreed limits contained in this strategy.

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

January 2026

TREASURY MANAGEMENT

Key Principles of Treasury Management Practice

South Holland District 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 (S151) Officer 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

This 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 and 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 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 Governance & Audit 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 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 and listed below.

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 Councils 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 outline 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 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 Lloyds 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
 - Fidelity cover is incorporated at a limit of £5m.
 - Cash and Transit is covered for carriage by a security up to £40k.
 - Non-Negotiables are covered up to £250k.

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 Governance & Audit 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:

On Balance Sheet	Fixed	Variable
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 Governance & Audit 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 the 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 Lloyds 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 Governance & Audit Committee and Cabinet, for approval by full Council, periodically if changes are required.
- Draft and submit a Treasury Management Strategy to Governance & Audit 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 Governance & Audit Committee prior to submission to Council, by the deadline prescribed by statute.
- Submit Treasury Management Policy reports.
- Implement and monitor the strategy, reporting to Governance & Audit 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 power to borrow and invest to members of 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 Lloyds 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 Governance & Audit 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.

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, Lloyds Commercial Banking. 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 Governance & Audit 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 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 Governance & Audit 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 Lloyds Commercial Banking 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:

- All car parks.
- Council Offices, Priory Road, Spalding.

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).

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 PPSL). 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

The Council's banking services are carried out by;

- Lloyds Bank plc of 25 Gresham Street, LONDON. EC2V 7HM.

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.

Welland Homes, a wholly owned subsidiary of the Council, was incorporated in June 2015. The principal activity of the Company is to develop or acquire housing for rent in the private sector.

The Council supports this objective with the provision of loan funding. Interest from these loans supports the Council's revenue budget and service delivery.

South Holland Local Housing Community Interest Company, a wholly owned subsidiary of the Council, was incorporated in April 2008. The principal activity of the Company is housing for rent in the private sector.

Commercial Investments

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

The Council has no commercial investments.

IMP2 INVESTMENT CRITERIA

The main criteria for non-treasury investments are.

- Any housing development meets the approved Welland Homes Business Model.
- There is an approved business case.
- Each scheme has a satisfactory viability model.
- The longer-term investment loan demonstrates adequate finance cover.
- 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 below:

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.

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 Governance & Audit 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 Governance & Audit 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 their 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 Governance & Audit Committee and Cabinet, for approval by full Council, periodically if changes are required.
- Draft and submit a Treasury Management Strategy to Governance & Audit 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 Governance & Audit Committee prior to submission to Council, by the deadline prescribed by statute.
- Submit Treasury Management Policy reports.
- Implement and monitor the strategy, reporting to Governance & Audit 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 power to borrow and invest to members of staff or the PPSL Finance Team. The Head of Finance Delivery (Tech & Corp) PPSL, Deputy Chief Finance Officer (Delivery) PPSL or Treasury & Investments Manager (x2) PPSL must conduct all dealing transactions. The S151 Officer may authorise other officers to act as temporary cover for leave / sickness. Where the Lloyds Commercial Banking 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) PPSL
- Deputy Chief Finance Officer (Delivery) PPSL
- Treasury & Investments Manager (x2) PPSL
- Finance Analyst Treasury (x2) PPSL

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) PPSL, Deputy Chief Finance Officer (Delivery) PPSL, Treasury & Investments Manager (x2) PPSL.

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 Governance & Audit 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 Governance & Audit 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 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 and investment management must also comply with the Code of Practice.

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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

Page 5 – Feedback. For completed 2025/26 audits officers provided feedback responses to five of the eight requests issued following completed audit assignments. The response rate indicates a lack of management engagement with the feedback process.

Page 6 – Performance dashboard. 62.5% of the plan has been completed midway through quarter three. There are no areas of concern with the current delivery model and staffing structure.

Page 7 – Analysis of audit reviews. All work completed to date, along with the audits currently in progress. All scheduled work remains on track for delivery.

Funds and Grants Administration and Planning report, draft report sent out 14/11/2025, closure meeting held on 26/11/2025 four medium level actions identified to date (09/01/2026) management actions are still outstanding, audit unable to be finalised and KPI not achieved.

Page 11 – Planning and Resourcing. This gives an update on progress against all audits in the 25/26 plan.

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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.

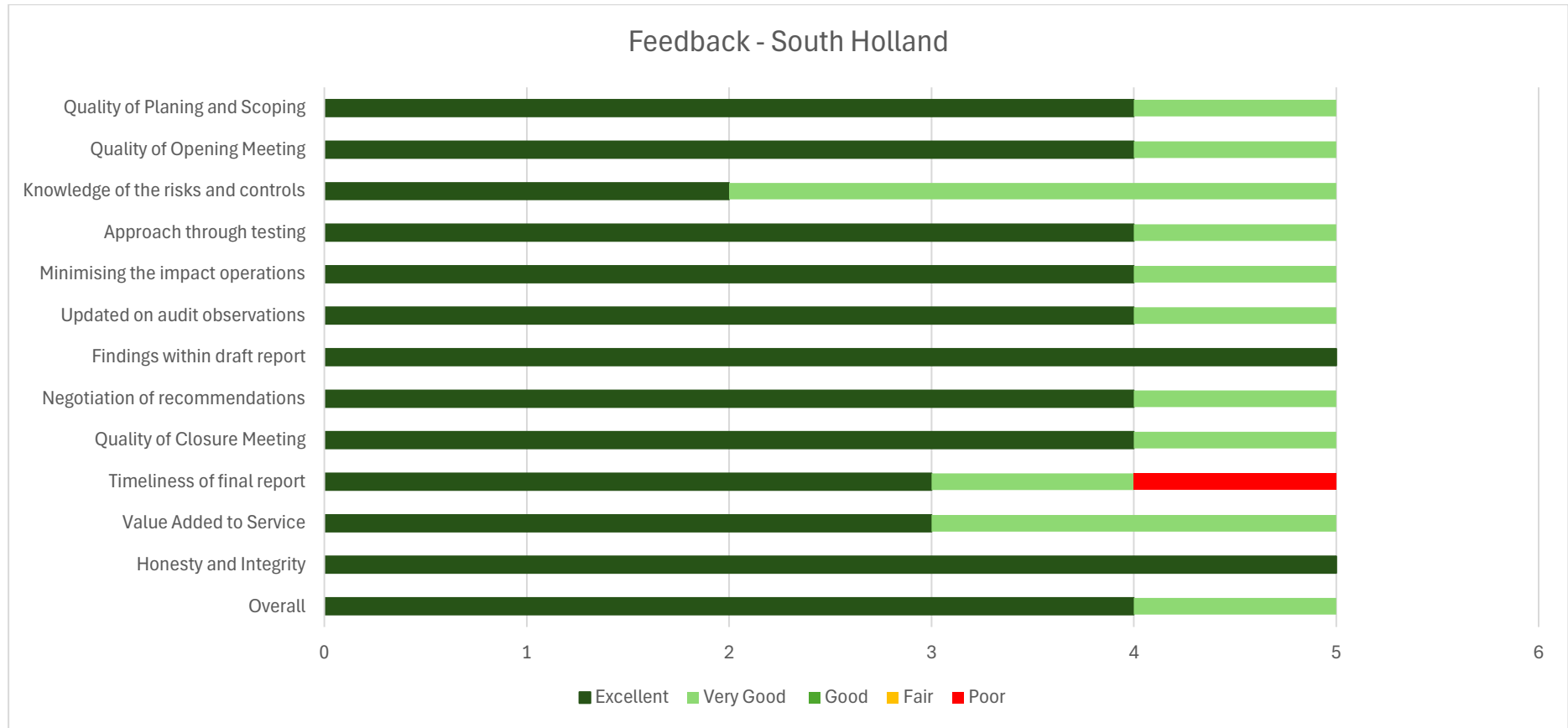
Internal audit reviews culminate in an opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised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

Substantial	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.
Adequate	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.
Limited	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.
No	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



Page 181

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 previous audit committee.

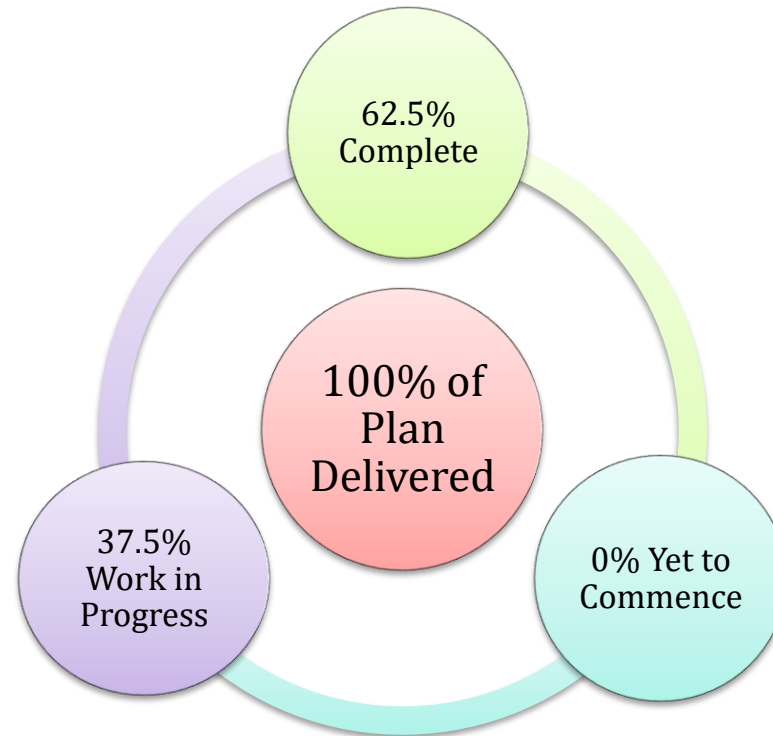


Figure 2 audit plan delivery

Figure 2 the internal audit plan is progressing as expected, with 62.5% 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
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
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Table 2

Draft internal audit reports issued, awaiting management responses				
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 South Holland District 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 South Holland District 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 South Holland District 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.
Health and Safety Actions Implementation	Adequate	The review identified four medium findings and one low requiring management action to address. The audit confirmed progress in monitoring and oversight of Health and Safety (H&S) actions since concerns were raised with the Senior Leadership Team (SLT). Improvements include a shared action tracker, H&S clinics, and consolidated reporting, strengthening accountability and closure evidence. Areas for enhancement include inconsistent timeliness of updates, reliance on informal escalation, and the absence of formal training and reporting frameworks. These do not undermine progress, but standardisation would further embed controls. Controls are operating effectively, but improvements are needed for greater accountability and consistency across the Partnership.

Executive Summaries of ‘Limited’ or ‘No’ Assurance Opinions

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

Planning and Resourcing

Table 4 shows delivery progress against the annual audit plan agreed by the Committee in March 2025.

Table 5 show 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 outcomes 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
ASSURANCE WORK 2024/2025							
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	✓	✓				
Welland Homes	SLT	✓	✓				
Identification and Monitoring of Savings	S151 Officer	✓	✓				
Disability Facilities Grants	SLT	✓	✓				

Table 5 – Advisory assignment delivery

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

Appendix 1 Overdue management actions

Table 6 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 (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	SHDC - Housing Act	Mar-25	AD, Housing	Adequate	1	0	1	0	0	0	1	0
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
TOTAL					6	1	5	0	0	0	5	0

The outstanding actions from the 2024/25 reviews for insurance and bank reconciliations will be subject of the new follow up process along with all management actions from 2025/26.

Table 7 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 7

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	1	0
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	1	0
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	1	0
2025/26	Capital Budget Monitoring	Sep-25	S151 Officer	Adequate	1	0	1	0	0	0	1	0
2025/26	Section 106	Oct-25	AD, Planning	Adequate	5	0	5	0	0	0	5	0
2025/26	PSPS Contract Management	Oct-25	S151 Officer	Adequate	9	0	9	0	0	0	8	1
TOTAL					45	18	27	0	0	3	22	2



Report To:	Governance and Audit Committee
Date:	29 th January 2026
Subject:	Quarter 2 Risk Report 25/26
Purpose:	To provide an update on risk as at the end of September 2025
Key Decision:	No
Portfolio Holder:	Councillor Jim Astill, Portfolio Holder for Corporate, Governance, Communications and Environmental Services
Report Of:	John Medler, Assistant Director – Governance
Report Author:	Corey Gooch, Business Intelligence and Change Manager
Ward(s) Affected:	All
Exempt Report:	No

Summary

This is the quarterly report covering risk monitoring information for Quarter 2 of 2025/26 (as at the end of September 2025).

Recommendations

That the Committee considers and notes the quarterly risk monitoring information for Q2 of 2025/26.

Reasons for Recommendations

The Governance & Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements.

Other Options Considered

Alternative reporting arrangements.

1. Risk management

- 1.1 The Governance & Audit Committee is responsible for monitoring the effective development and operation of risk management in the Council according to its terms of reference.
- 1.2 A shared approach to risk management has been agreed across the Partnership with common formatting but not content. The revised Risk Management Framework has been agreed by all three Councils.

In response to recommendations from the recent Internal Audit review of risk management practices, enhancements have been made to the this report to improve clarity and focus on key areas of concern

Target Status: Each strategic risk now includes an indication of whether it is currently being managed at its target level. This addition supports better prioritisation by highlighting risks that require further mitigation to reach their desired state.

Mitigation Action Tracking: The summary also incorporates the status of planned mitigation actions, using a RAG (Red, Amber, Green) rating. This provides assurance that actions are progressing as expected and helps identify where further attention may be needed.





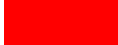
- 1.3 Individual strategic and operational risk registers are in place for each of the Councils to reflect individual circumstances, locality and reporting. Strategic risks are high level, relating to corporate priorities. Operational risks are service specific. In addition, a risk register of strategic risks to the Partnership has been developed and is set out below.
- 1.4 A quarterly corporate governance clinic is held with Assistant Directors to review risks.
- 1.5 As set out in the risk policy, we use the 4Ts of risk control:
 - Terminate – rarely, we may be able to stop doing the activity altogether and thereby remove the risk altogether
 - Tolerate – accept the risk and live with it because it is within our risk appetite and the cost of mitigating action would outweigh the benefits
 - Transfer – move all or part of the risk to a third party or through insurance; however, sometimes accountability remains, particularly with a Council, so caution is advised
 - Treat - take action to control the likelihood and/or impact and set a target to move the risk to within the risk appetite once the action has been implemented

2. Strategic Risk Register

- 2.1 A summary of the risks and scores are set out in the table below, with full details in Appendix A.

South Holland Strategic Risks	Risk score	Direction of travel	Target Status
1.Failure to meet statutory requirements in regard to general fund assets	Low (4)	↔	At Target Set
2.External Communication	Medium (6)	↔	At Target Set
Proposal to remove External Communication risk, this is an impact of poor service delivery and not a risk in itself			
3.Retention of staff.	Medium (8)	↔	Not at Target
4.Service Delivery	Medium (9)	↔	At Target Set
5.Technology infrastructure failure	High (10)	↔	At Target Set
6.Internal Communications	Medium (6)	↔	At Target Set
7.Cyber Incident	High (15)	↔	At Target Set
8.Economic Growth	Medium (9)	↔	At Target Set
9.Introduction of Extended Producer Responsibility	Low (4)	↔	At Target Set
10.Implementation of the Environment Act 2021	High (16)	↔	Not at Target
11.Waste Collection Round Pressures	High (16)	↔	Not at Target
12.Local Plan being considered out of date	Medium (6)	↔	At Target Set
13.Budget	High (16)	↔	At Target Set
14.Capacity	Medium (9)	↓	At Target Set
Recent audit which linked to Capacity, Aims and Priorities gave 'Adequate Assurance'. This risk has reduced and is now at target.			
15.Third Party Service Delivery	Medium (9)	↔	At Target Set
16.Net Zero target	Low (4)	↓	At Target Set
The Carbon Reduction Action Plan has been approved as well as the Partnership Environment Policy. This risk has therefore been reduced as key mitigations are now in place.			
17.Civil contingency risks	Medium (8)	↔	At Target Set
18.Information	Medium (8)	↔	At Target Set
19.Capital Programme	Medium (6)	↔	At Target Set
20.Local Government Reform (LGR) in Greater Lincolnshire	High (12)	↔	At Target Set
21.Health and Safety	Medium (9)	↔	Not at Target
Following an audit by a 3rd party auditor of overdue outstanding actions processes an adequate assurance level has been agreed, however this has led to a number of recommendations which are due to be implemented through Q2 25/26. The Director for Communities will continue to chair a group targeted at completing this actions through Q3 25/26 and Q4 25/26 and the target is to have this risk mitigated by then via completed actions.			




Risk Scoring Matrix						
Impact	Critical		5	7		
	High		3;21		10;11;16;13	
	Medium		2;4;8; 22;23	9;17; 18;25	20	
	Low		1;9	6;19		
	Minimal					
		Rare	Unlikely	Possible	Likely	Almost certain
		Likelihood				

Risk Score	Colour
Minimal Risk	
Low Risk	
Medium Risk	
High Risk	
Critical Risk	

2.4 A summary of the Partnership risks and scores are set out in the table below, with full details in Appendix B.

SELCP Partnership Risks	Risk score	Direction of travel	Target Status
SELCP-01: Vision	Medium (8)	↔	At Target Score
SELCP-02: Trust	High (12)	↔	At Target Score
SELCP-03: Sovereignty	Medium (9)	↔	At Target Score
SELCP-05: Culture	Medium (6)	↔	At Target Score
SELCP-06: LGR	High (12)	↔	At Target Score
SELCP-07: Funding	High (16)	↔	Not on Target
SELCP-08: Staffing	High (12)	↔	Not on Target
SELCP-09: PSPS	Medium (6)	↔	At Target Score

Risk Scoring Matrix						
Impact	Critical					
	High		1		7	

Risk Score	Colour
Minimal Risk	
Low Risk	
Medium Risk	

	Medium		5; 9	3	2; 6; 8	
	Low					
	Minimal					
		Rare	Unlikely	Possible	Likely	Almost certain


High Risk 
Critical Risk 


2.6 A summary of the fraud risks and scores are set out in the table below, with full details in Appendix C.


Fraud Risks	Risk score	Direction of travel	Target Status
1: Asset - Equipment	Minimal (1)	↔	At Target Score
3: Assets – Land and Property	Minimal (1)	↔	At Target Score
4: Procurement – Contracts	Medium (6)	↔	At Target Score
5: Procurement – Contract Payments	Medium (8)	↔	At Target Score
6: Council Tax – Credit Refund and Income Fraud	Medium (6)	↔	At Target Score
7: Council Tax Fraud	Low (4)	↔	At Target Score
8: Council Tax Support Scheme	Low (4)	↔	At Target Score
9: National Non-Domestic Rate (NNDR) Fraud	Medium (9)	↔	At Target Score
10: Housing Benefit Fraud	Low (4)	↔	At Target Score


Risk Scoring Matrix					
Critical					
High		5			
Medium		4; 6	9		
Low		7; 8; 10			
Minimal	1; 3				
	Rare	Unlikely	Possible	Likely	Almost certain
	Likelihood				


Risk Score Colour

Minimal Risk 

Low Risk 

Medium Risk 






High Risk 

Critical Risk 

2.7 A summary of the HRA risks and scores are set out in the table below, with full details in Appendix D.

South Holland HRA Risks	Risk score	Direction of travel	Target Status
1.Business continuity	Medium (9)	↔	At Target Score
2.Health and Safety	Medium (6)	↔	At Target Score
3.Risk oversight	Medium (9)	↔	At Target Score
4.Management of health and safety	Medium (8)	↔	At Target Score
5.Management of health and safety of DLO	Medium (5)	↔	At Target Score
6.Data	Low (4)	↓	At Target Score
Score reduced from 2,3 to 1,3. Stock surveys now 90% complete.			
7.Listening to tenants	Low (4)	↔	At Target Score
8.Tenant engagement resource	Medium (9)	↔	Not at Target
9.Qualification requirements	Low (4)	↔	At Target Score
10.HRA business plan	Medium (9)	↓	Not at Target
Score reduced from 3,3 to 2,3 following final draft submitted for approval			
11.Failure to meet Regulatory Consumer Standards	Low (4)	↔	At Target Score
12.Failure to self-refer to the regulator	Low (3)	↔	At Target Score
13.Impact of Awaab's law	Medium (6)	↔	Not at Target
14. Minimum Energy Efficiency Standards	Medium (9)	↔	Not at Target
15. HRA business plan (Additional)	Medium (9)	NEW	Not at Target
16. Emergency repairs service (staffing)	High (12)	NEW	Not at Target

Risk Scoring Matrix					
Critical	5				
High		4	16		
Medium		2;13	1;3;8;10;14;15	12	
Low	12	7;9;6;11			
Minimal					

Risk Score	Colour
Minimal Risk	
Low Risk	
Medium Risk	
High Risk	
Critical Risk	

Rare	Unlikely	Possible	Likely	Almost certain
Likelihood				

3. Conclusion

3.1. The risk management arrangements are designed to provide the Council with a clearer and fuller understanding of the key risks facing the organisation and how these are being managed. Strategic and operational risks continue to be managed in accordance with the Risk Management Framework. The Committee's review of this report and its feedback enables the Committee to discharge its role in considering the effectiveness of the Council's risk management arrangements.

Implications

South and East Lincolnshire Councils Partnership

A Partnership approach has been agreed for 2025/26.

Corporate Priorities

All strategic risks are linked to delivery of corporate priorities

Staffing

No implications specific to this report. Risks relating to staffing are included in the report.

Workforce Capacity Implications

No implications specific to this report. Risks relating to workforce capacity are included in the report.

Constitutional and Legal Implications

No implications specific to this report

Data Protection

No implications specific to this report

Financial

No implications specific to this report

Risk Management

Whole report

Stakeholder / Consultation / Timescales

Consultation with SLT

Reputation

No implications specific to this report. Potential reputational risks are included in the report.

Contracts

No implications specific to this report. Risks relating to contracts and procurement are included in the report.

Crime and Disorder

No implications specific to this report.

Equality and Diversity / Human Rights / Safeguarding

No implications specific to this report.

Health and Wellbeing

No implications specific to this report.

Climate Change and Environmental Implications

No implications specific to this report.

Acronyms

- AD: Assistant Director
- DCX: Deputy Chief Executive
- SLT: Senior Leadership Team

Appendices

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

<i>Appendix A</i>	<i>SHDC Strategic Risk Register</i>
<i>Appendix B</i>	<i>Partnership Risk Register</i>
<i>Appendix C</i>	<i>Fraud Risk Register</i>
<i>Appendix D</i>	<i>HRA Risk Register</i>

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

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Approved for publication: Councillor Jim Astill, Portfolio Holder for Corporate,
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Ref	Risk name	Risk description	Lead	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score	Date of last review
SHDC01	Failure to meet statutory requirements in regard to general fund assets	This risk identifies the need for the council to adhere to all prevailing statutory codes as they relate to council assets and functions	AD-GFA	Poor risk management Poor financial planning/management Communication breakdown between council/suppliers/partners Failure to monitor and adhere to current legislation and guidelines Failure to consider health and safety requirements	Failure to deliver services to residents Lack of empowerment for communities and local businesses Economic downturn Reduction in co-location, partnership working and sharing of knowledge Failure to generate efficiency gains, capital receipts and income streams Reduction in quality of place/public spaces	All assets either have compliance contracts in place or local contractors with the jobs in hand. Database updated and restructure in place, with clear roles and responsibilities. Training takes place on a required basis.	1	4	Low (4)	Tolerate	Continued implementation of asset management strategy	N/A	1	4	Low (4)	Q2 25/26
SHDC03	Retention of staff	The recruitment of new and retention of existing staff within the organisation affecting the ability for the organisation to deliver and meet its objectives	AD-C	Recruitment challenges across region Specialist role recruitment can be difficult Competitive salaries offered at other organisations Uncertain financial climate	Failure to recruit Lack of resources Additional pressure on existing staff	The workforce strategy is aligned across the 3 Councils. A training programme is in place to assist with both personal and professional development and to further develop the talents of individual employees. This programme sits alongside a package of personal support for staff. Managers are encouraged to have regular 'one to ones' with staff to ensure that they are fully supported in their roles. Appraisal process in place. We have launched our own recruitment academy which seeks to recruit and develop apprentices specifically in those services where it is harder to recruit. The new managers development programme has launched, with the first cohort inducted. We also continue to have in place our Future Leaders' Programme to support colleagues in their career development. Corporate Management Team invest time in mentoring colleagues within the organisation through both of these development programmes.	2	4	Medium (8)	Treat	A refresh of the Workforce Development Strategy action plan will take place this year to help ensure colleagues have the skills and confidence required to continue to want to work in Local Government post re-organisation: by 31/3/26	3/31/2026	2	4	Medium (8)	Q2 25/26
SHDC04	Service Delivery	The risk to service delivery, impacting residents and partners we work with.	AD-C	Lack of training Lack of leadership No resources/budget Communication failure Poor performance Ineffective governance Lack of learning/feedback	Failure to meet needs of residents and partners Negative feedback and press coverage Reputational damage	Staff resources maximised under the Partnership. Working with external partners to deliver shared priorities. HR support on recruitment and retention. Training plans. Values & behaviours work; Annual Delivery Plan, Workforce Development, policies, and procedures.	2	3	Medium (9)	Tolerate		N/A	2	3	Medium (6)	Q2 25/26
SHDC05	Technology infrastructure failure	The loss of ICT impacting upon the organisation to operate effectively and deliver services to residents. The Council relies heavily on the ICT infrastructure for normal business operation. Whilst resilience is built into the environment, the loss of a service is always possible. Depending on the service lost, the impact could be severe	AD-C	Human error Power failure Security Hardware Link failure	The Council relies heavily on the ICT infrastructure for normal business operation. Whilst resilience is built into the environment, the loss of a service is always possible. Depending on the service lost, the impact could be severe	The Council has a series of resilience arrangements in place through its service provider, PSPS. Work is continuous to ensure these are fit for purpose across a range of areas. As part of business continuity planning, services are considering in detail how they would continue to operate should an ICT outage occur	2	5	High (10)	Tolerate	Regular review of resilience arrangements	N/A	2	5	High (10)	Q2 25/26
SHDC06	Internal Communications	The risk is that internal colleagues do not fully understand the aims and ambitions of the partnership and the role they play in the partnership's success.	AD-C	Low frequency of communications No communication from senior leadership team Lack of engagement from partners/PSPS Failure to understand staff needs/feedback	Staff do not feel informed Reduction in morale/engagement High turnover Lack of service delivery	Internal communications approach has been reviewed. There isn't a one size fits all approach for the Council/Partnership given the breadth of services provided and this is reflected in the internal communications model. Staff informed levels are monitored through the performance framework on a quarterly basis with the results being considered by scrutiny and Cabinet. Regular all staff bulletins with key information are issued. Regular videos from Senior leadership team to the workforce. Briefings on key corporate topics take place. Regular team meetings between service managers and their officers to cascade information. Monthly service manager meetings. Single Partnership Intranet in place	2	3	Medium (6)	Tolerate	Satisfied with level of mitigation, however, will continue to keep communications channels under review.	N/A	2	3	Medium (6)	Q2 25/26
SHDC07	Cyber Incident	The risk of the council's ICT infrastructure being severally impact as the result of a cyber incident, both in terms of downtime of systems and loss of data/information. The threat landscape across the UK is continuously increasing and appears on the national risk assessment. The Council need to constantly adapt in its security mitigation and training to ensure they are both prepared from a technical and from a people aspect	AD-C	The threat landscape across the UK is continuously increasing and appears on the national risk assessment. The Council need to constantly adapt in its security mitigation and training to ensure they are both prepared from a technical and from a people aspect	Theft of corporate information theft of financial information (eg bank details or payment card details) theft of money disruption to service provision loss of business or contract loss of trust in customers/residents and partners	Defence in depth in the form of firewalls, Mimecast and antivirus is deployed both at the perimeter and the internal Local Area Network. The ICT team play an active part in the East Midlands WARP (Warning, Advice and Reporting Point) which allow us to have early sight of issues being experienced across neighbouring Authorities and Agencies. ICT is also a member of the CISP formed by the National Cyber Security Centre, this allows us early awareness from the central agency responsible for cyber threats across the UK as well as allowing them to monitor our environment to a degree. These mitigations afford ICT awareness of emerging threats. These mitigations afford ICT awareness of emerging threats. We have also recently enabled and implemented further cyber security controls within Mimecast which will ensure further mitigation in this area is in place.	3	5	High (15)	Tolerate	Continued robust cyber security and training	N/A	3	5	High (15)	Q2 25/26
SHDC08	Failure to deliver the capital programme	There are several million pounds worth of proposed capital projects that are ongoing over the next 3-5 years, these include new schemes and renovations and repairs to existing assets, key factors such as capacity to deliver both internally and externally need to be monitored and managed as well as financial constraints and pressures.	D-PD	Escalating costs Onsite Issues Grant funding withdrawal Non-compliance of grant funding obligations Insufficient Pre-project planning and specs (Brief-Creep) Partners withdrawal	Reputational Damage Financial impact Failure to deliver council objectives Reduced ability to secure future funding	Robust programme and project management Regular and structured reporting mechanisms Robust and effective governance (financial and project) Effective working with partners and 3rd Party delivery Risk transference and mitigation Requesting extra funding prior to project commencement where required	3	2	Medium (6)	Tolerate		N/A	3	2	Medium (6)	Q2 25/26

Ref	Risk name	Risk description	Lead	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score	Date of last review
SHDC09	Economic Growth	The risk of the economy of South Holland as a whole experiencing a downturn, resulting in both employment and business closures, and having a consequential impact on a range of resident wellbeing.	D-ED	Increasing costs Fuel costs Lack of transport Lack of jobs/growth Infrastructure/Access	Struggling/failing local businesses; Stagnating local economy; Lack of inward investment; Low skills and aspirations; Low visitor numbers; Future sustainability of the Town Centre - retail, evening economy, housing, heritage, culture, leisure, events, car parking; Community perceptions.	The council regularly monitors the impact of the local economy through regular engagement with businesses and partners. Engagement with business and the council remains high. A large proportion of the economy of South Holland is structured around the agriculture, food production and distribution, and horticultural sector which continues to be largely resilient to the effects of the pandemic on the wider economy from a demand-side perspective but continues to grapple with supply-side constraints relating to access to labour, logistics capacity, carbon reduction and supply-chain challenges that impede growth. The council's longer term economic strategy of supporting innovation and productivity in the core agri-food sector to overcome some of these challenges is intended to further support this resilience, therefore supporting the wider supply chain and business cluster within the district.	3	3	Medium (9)	Tolerate	Continue to implement the Growth and Prosperity Plan	N/A	3	3	Medium (9)	Q2 25/26
SHDC10	Introduction of Extended Producer Responsibility	The UK is undergoing a major overhaul of packaging producer responsibility legislation, which will transform the way local authorities receive funding for household waste collections. This risk covers the changes this legislation will bring which will be positive but also important to ensure we as an organisation are prepared for these changes.	AD-N	Reforms seek to introduce principles of extended producer responsibility (EPR) to the UK's packaging waste management sector and will, primarily, see the cost burden of collecting householders' packaging waste shift from local taxpayers to the producers of packaged products	Funding Gaps Negative Press Budget implications	Officers closely follow all policy and practice changes being implemented by the Government and has responded to relevant consultations. This is also being monitored through the countywide Strategic Officer Working Group. Officers are attending Defra webinars on a regular basis, and taking part in research where relevant. The SLECP Waste Improvement Programme Board is made aware of any updates from Defra.	2	2	Low (4)	Tolerate	Pending Government guidance Risk has been reviewed and scored reduced in Q2. The government budget has provided a significant measure to reduce the risk around the introduction of the Extended Producer Responsibility (EPR) scheme by guaranteeing £1.1 billion in funding for local authorities. This assurance helps local councils plan their budgets effectively. SHDC has received notification of payment for 2025/26 - £1,231,000	N/A	2	2	Low (4)	Q3 25/26
SHDC11	Implementation of the Environment Act 2021	The legislation will have an impact on the way that waste services are delivered, and will require operational changes. Changing service delivery requires financial support, and although some New Burdens has been made available information is not provided on the ongoing New Burdens revenue funding to meet the additional cost of service delivery.	AD-N	The Environment Act 2021 allows the UK to enshrine better environmental protection into law. It provides the Government with powers to set new binding targets, including for air quality, water, biodiversity, and waste reduction. This will change and impact the way environmental services are currently delivered	Failure to comply with legislation Negative effect on climate both locally and globally	A SELCP Waste Improvement Programme Board (WIPB) is established and comprises lead members from Neighbourhoods and PSPS services. The WIPB meets monthly for progress updates. A Waste Transformation Steering Group is established, chaired by the Portfolio Holder, and supported by a Waste Delivery Group. Both groups monitor financial impact. A Programme Manager has been recruited to support the WIPB. Additionally the authorities comprising the Lincolnshire Waste Partnership work together to identify the impact of the Environment Act across the county, and make preparations for changes to service delivery.	4	4	High (16)	Treat	Steering Group and WIPB reports to SLT and Cabinet. Project plan in place. Attending regular Defra Webinars. Review and update every quarter.	1/4/2026	3	3	Medium (9)	Q3 25/26
SHDC12	Waste Collection Round Pressures	Increased housing growth has led to an increase in the amount of waste presented for collection each week, putting pressure on the service and preventing the collections from being fully completed each week.	AD-N	Housing growth Unlimited waste presented for collection	Increase in missed collections Reputational Damage	Additional resources being used to meet the extra demand and capacity pressure placed on the collection rounds	4	4	High (16)	Treat	Decision made on the future delivery model for waste service. Policies focused on containing waste and waste minimisation, and round review will ensure collection rounds can accommodate waste presented.	1/5/2026	2	3	Medium (6)	Q3 25/26
SHDC13	Local Plan being considered out of date	The South East Lincolnshire Local Plan (2019) seeks to support proposals which assist in the delivery of economic prosperity and some 13,800 jobs in South Holland a Risk relates to failure to deliver an updated version of the local plan.	AD-PSI	Failure to adopt in time (stopping/pausing) Out of date evidence base Failure to understand housing need Issues with site selection processes Poor co-operation and engagement Misalignment with development management policies Local plan out of date	Lack of economic growth and inward investment Lack of new jobs and opportunity Failure to attract residents from outside of the district	Monitoring of the Plan policies. Taking of decision on planning applications. Review of the Local Plan where necessary.	3	2	Medium (6)	Tolerate	Continued monitoring and reporting	N/A	3	2	Medium (6)	Q2 25/26
SHDC14	Budget	Risk around the long term balancing of the budget with economic and funding uncertainty	D-F	Reduction of government funding; Reduction in income; Capital expenditure; Impact of Internal Drainage Board (IDB) levy; Inflation; Fuel shortages; Ukraine conflict	Lack of money and lack of certainty going forward; Failure to balance budget in future years	Medium Term Financial Strategy; Budgetary process; Sound level of reserves; Continued close monitoring; Continued lobbying regarding the IDB pressure. Savings and Efficiency Plan developed to support the MTF5	4	4	High (16)	Tolerate	Continued controls, monitoring and reporting	N/A	4	4	High (16)	Q2 25/26
SHDC15	Capacity	Capacity to deliver the work programme for the Partnership/Councils	AD-C	The workload increasing to a point where it becomes unmanageable within existing staff resources.	Delivery of work programme slipping. Staff wellbeing concerns. Disruption to services. Reputation reduced with partners.	Alignment and Delivery Plan in place to help manage the work programme. Services when bringing forward new initiatives to consider the capacity required and the need to bid for capacity if it can't be accommodated within existing resources. Council report templates have a specific section on capacity. Services have been informed they can bid into the transformation reserve for short term capacity if they have a suitable proposal. Resourcing is tracked via the Assistant Director quarterly survey so concerns regarding capacity can be escalated to Leadership Team. Recent audit which linked to Capacity, Aims and Priorities gave 'Adequate Assurance'.	3	3	Medium (6)	Tolerate	Encourage Services to consider the transformation/capacity reserve for short term support where existing service capacity isn't sufficient.	N/A	3	3	Medium (9)	Q2 25/26

Ref	Risk name	Risk description	Lead	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Action RAG	Target risk likelihood	Target risk impact	Target risk score	Date of last review
SHDC16	Third Party Service Delivery	Risk around resilience and quality of service delivery arrangements with third parties	AD-C	This risk relates to the potential for the failure of a major supplier of Council services or partners with whom the Council co-delivers/enables provision of services and operations	In the event of a failure, either in resilience or quality, there are likely to be a mix of financial, service delivery and reputational impacts to the Council.	Assessment of business plans for key partnerships. Regular performance reports and monitoring meetings with third parties. Some key partnerships based on open book approach to financial monitoring. Regular contract meetings in place to manage risk. SELCP approach to some contracts provides resilience.	3	3	Medium (9)	Tolerate	Continued monitoring and reporting	N/A	3	3	Medium (9)	Q2 25/26
SHDC17	Net Zero Target	Risk of failure to meet agreed corporate ambition of Net Zero by 2040	AD-R	Impact on Net Zero target (i.e. carbon emissions) not fully evaluated at outset of all projects, decisions and developments and through service delivery objectives. Financial resourcing required to decarbonise some areas may not be available.	Decisions taken which increase carbon emissions leading to failure to meet Net Zero ambition. Potential reputational risk to authority. Failure to invest in a targeted and effective way.	Carbon Reduction Action Plan approved. Partnership Environment Policy approved Q3 25/26. Climate Change Strategy approved. Green Home Grants are in delivery. Energy Advice Demonstrator in delivery. Reporting and Monitoring of progress through Scrutiny Committee Monitoring delivery of projects through Sustainable Warmth Programme Monitoring Board.	2	2	Low (4)	Tolerate	Energy advice demonstrator funding ends in March 27, action in annual delivery plan to bid for additional funding. There is also planned actions (via ADP) to improve the governance arrangements around reporting progress towards Net Zero and refreshing our carbon footprint through scrutiny committee.	N/A	2	2	Low (4)	Q3 25/26
SHDC18	Civil contingency risks	Community risks shared across Lincolnshire, managed in partnership with the Lincolnshire Resilience Forum (LRF) and through S&ELCP	AD-R	Any incident/emergency that requires a response from the council as a category 1 responder under the civil contingencies act	Failure in service delivery; Impact on local people; Reputational damage; Detrimental economic impact on business; inability to support partners during an incident through LRF structures	Community Risk Register monitored by the Lincolnshire Resilience Forum (LRF); Work with partners to assess, monitor, train, plan and exercise to enable effective response to and recovery from an incident. Strategic and Tactical Out of Hours duty rota in place. S&ELCP providing resilience for response and recovery from emergencies/incidents affecting a single council. Strategic Management Group in place to monitor performance and report to LT Governance. Partnership Emergency Plan in place for the Sub-region. Business Continuity Plans in place for all critical services across the S&ELCP. Partnership resilience manager appointed and in place from 1st August Maintenance of service support, plans, procedures and polices across the S&ELCP to aid resilience and share learning. PSPS have also aligned BC Plans to S&ELCP	2	4	Medium (8)	Tolerate	BC Policy to be developed in 25/26 together with the establishment of a BC Steering Group with Terms of Reference to align with ISO22301 Business Continuity Mangement System	N/A	2	4	Medium (8)	Q3 25/26
SHDC19	Information	Risk of failure to comply with Information Governance and Management requirements	AD-G	Increased understanding of the public's right to information means that we have to be fully aware of our legal duties. The increase in data also means we have to be able to manage information more effectively, including reducing the amount of unnecessary data held.	Data protection breaches which can result in significant fines from the Information Commissioner's Office.	All employees receive annual online training in data protection. Arrangements are in place to ensure that the organisation is compliant with the new General Data Protection Regulation (GDPR) requirement, including lead staff attending training. PSPS also have a lead officer overseeing compliance. An experienced Data Protection Officer is in place who monitors training, compliance and development of policy; also, full assessment of any breaches, providing recommendations for continual improvement. There is now additional resilience with two qualified DPOs in place across the Partnership which allows for cover.	2	4	Medium (8)	Tolerate	Continued monitoring, reporting and training	N/A	2	4	Medium (8)	Q2 25/26
SHDC20	Capital Programme	Failure to deliver Major capital schemes within the capital programme	D-PD	Escalating costs Onsite Issues Grant funding withdrawal Non-compliance of grant funding obligations Insufficient Pre-project planning and specs (Brief-Creep) Partners withdrawal	Reputational Damage Financial impact Failure to deliver council objectives Reduced ability to secure future funding	Robust programme and project management Regular and structured reporting mechanisms Robust and effective governance (financial and project) Effective working with partners and 3rd Party delivery Risk transferrance and mitigation Requesting extra funding prior to project commencement where required	2	3	Medium (6)	Tolerate	Continued robust project management	N/A	2	3	Medium (6)	Q2 25/26
SHDC22	Local Government Reform (LGR) in Greater Lincolnshire	LGR would lead to the creation of new Councils to replace existing Councils	AD-C	English Devolution White Paper	If LGR proceeds, there will be a period of uncertainty for Members, Officers and the community.	Regular staff and member briefings are taking place to share the latest information. Councils will work together to ensure the community is well informed.	4	3	High (12)	Tolerate		N/A	4	3	High (12)	Q2 25/26
SHDC23	Health and Safety	Risk of failure to comply with Health and Safety requirements	AD-R	The Council has a clear responsibility to both staff and recipients of services under Health and Safety legislation and needs to effectively manage its responsibilities.	There can be consequences to the organisation's finances and reputation relating to non-compliance of health and safety requirements. There is also the risk of harm to individuals.	The establishment of the S&ELCP has increased the resilience and capability of the 3 partner councils. Resources can be more easily shared across the sub-region and procedures and policies are being harmonised, with assistance from PSPS, to provide a more efficient and effective approach towards H&S compliance. The partner Councils receive specialist Health and Safety advice from Public Sector Partnership Services who support the Partnership Health and Safety Governance Group (chaired by the Assistant Director – Regulatory) and each sovereign council Staff Health and Safety Forum. Both operate under agreed terms of reference and feed into the LT – Governance. LT Governance receive minutes and recommendations for approval from the Governance Group and the staff Forums. Policies and procedures are revised by PSPS, consulted upon through Staff H&S forums before being recieved and approved by the Governance Group and referred to LT Governance for information. Health and Safety is included within Internal Audit's annual audit plan.	3	3	Medium (9)	Treat	Director of communities is hosting fortnightly health and safety clinics with managers of outstanding actions to accelerate closure and completion. Objective is to reduce overdue outstanding actions to zero. An audit has been undertaken by a 3rd party auditor of overdue outstanding actions processes which has delivered an adequate assurance level has led to a number of recommendations which will be implemented through Q3 25/26 and Q4 25/26. A review of the SLA with PSPS is underway to ensure the service provider delivers for the partnership, secures service improvements and delivers the recs of the internal audit.	31/12/25	2	3	Medium (6)	Q3 25/26

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Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Target risk likelihood	Target risk impact	Target risk score
SELCP-01	Vision	A lack of clear and shared vision; the reasons for shared management and sharing of joint services	AD-C	The partnership exploration phase developed this understanding. Engagement with members to ensure the objectives of the business case were clearly understood, through the proposal recommendations, scrutiny process and final Council decisions. Adoption of a Sub-regional Strategy across the Partnership to embed shared vision, objectives and priorities. Quarterly stakeholder board meetings are underway which focus on ensuring the vision of the partnership is clear and aligned. A significant number of services have now aligned workforce through service reviews.	2	4	Medium (8)	Tolerate	2	4	Medium (8)
SELCP-02	Trust	A poor relationship or lack of trust between members, leaders or senior staff	CX	Openness, transparency and accessibility for all groups. Building on the existing positive relationships between Members and Officers	3	3	Medium (9)	Tolerate	3	3	Medium (9)
SELCP-03	Sovereignty	Concerns around the loss of sovereignty of a council	AD-G	Each Council continues to be governed by its own Constitution which is a key principle of the Memorandum of Agreement between the three Councils.	3	3	Medium (9)	Tolerate	3	3	Medium (9)
SELCP-05	Culture	A fundamental difference in the organisational culture of the councils	AD-C	A shared set of values and behaviours are in place across the Partnership and a significant number of services reviews have now taken place creating single teams serving the three Councils in many areas. A job evaluation and pay structure has also been introduced for shared officers	2	3	Medium (6)	Tolerate	2	3	Medium (6)
SELCP-06	LGR	Local Government Reorganisation (LGR)	CX	The South and East Lincolnshire Councils Partnership is designed to have a positive influence on Local Government Reorganisation in Lincolnshire. The Councils are working together to develop a proposal for Government in response to the invitation to Greater Lincolnshire from the Secretary of State.	4	3	High (12)	Tolerate	4	3	High (12)
SELCP-07	Funding	Local Government Funding	D-F	Local Government funding challenges are inevitable and evidenced by each partner's funding gaps. The business case assumes a shared opportunity for efficient services and shared commercial opportunities and provides a significant opportunity to respond to this on-going challenge.	4	4	High (16)	Treat	3	3	Medium (9)

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Target risk likelihood	Target risk impact	Target risk score
SELCP-08	Staffing	Staff retention and resilience	AD-C	<p>The workforce strategy is aligned across the 3 Councils. A training programme is in place to assist with both personal and professional development and to further develop the talents of individual employees. This programme sits alongside a package of personal support for staff. Managers are encouraged to have regular 'one to ones' with staff to ensure that they are fully supported in their roles. Appraisal process in place. We have launched our own recruitment academy which seeks to recruit and develop apprentices specifically in those services where it is harder to recruit. The new managers development programme has launched, with the first cohort inducted. We also continue to have in place our Future Leaders' Programme to support colleagues in their career development. Corporate Management Team invest time in mentoring colleagues within the organisation through both of these development programmes.</p> <p>Alignment and Delivery Plan in place to help manage the work programme. Services when bringing forward new initiatives to consider the capacity required and the need to bid for capacity if it can't be accommodated within existing resources. This matter was discussed at a recent internal conference for senior managers, email appears to be the biggest pressure and services are considering how they best manage this. Services have been informed they can bid into the transformation reserve for short term capacity if they have a suitable proposal.</p>	4	3	High (12)	Treat	3	3	Medium (9)
SELCP-09	PSPS	Relationship with PSPS	AD-C	<p>The Partnership's relationship with PSPS could become strained due to demands being placed on the company to support organisational change. This is mitigated via SLAs being in place setting out the work programme, regular client liaison meetings, PSPS Stakeholder Board being in place to direct the company strategically and a process for Additional Work Requests that manages additional work required by the company.</p>	2	3	Medium (6)	Tolerate	2	3	Medium (6)

Appendix D

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Target risk likelihood	Target risk impact	Target risk score
F-01	Assets - Equipment	Selling asset for less than market value; Collusion between staff and purchaser; Disposal of assets no longer required by the council	AD-GFA	Asset Disposal policy -within constitution; Asset register; Financial Regulations; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Segregation of duties - includes systems administration,raising and authorising of financial procurements; Internal Audit reviews; Whistleblowing Policy; Register of Gifts& Hospitality & Register of Interests; Counter-fraud page on website detailing how public can report fraud; Counter Fraud section on intranet; Financial Regulations training for all appropriate staff	1	1	Minimal (1)	Tolerate	1	1	Minimal (1)
F-02	Assets- land and Property SHDC	Selling asset for less than market value; Collusion between staff and purchaser - may include provision of insider knowledge (e.g. planning, leases& covenants)	AD-GFA	Asset Management Plan; Asset register; Segregation of duties; Independent valuation or auction; Financial Regulations; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Internal Audit reviews; Whistleblowing Policy; Register of Gifts & Hospitality/Register of Interests; Credit checks on potential purchasers; Counter-fraud page on website detailing how public can report fraud; Counter Fraud section on intranet	2	2	Low (4)	Tolerate	2	2	Low (4)
F-03	Assets- land and Property ELDC and BBC	Selling asset for less than market value; Collusion between staff and purchaser - may include provision of insider knowledge (e.g. planning, leases & covenants)	AD-GFA	Asset Management Plan; Constitutional Guidance for Asset Disposal; Legal Framework; Scheme of delegation for officers; Asset register; Segregation of duties; Independent valuation or auction; Financial Regulations; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Internal Audit reviews; Whistleblowing Policy; Register of Gifts& Hospitality/Register of Interests; Credit checks on potential purchasers; Counter-fraud page on website detailing how public can report fraud; Counter Fraud section on intranet	1	1	Minimal (1)	Tolerate	1	1	Minimal (1)
F-04	Procurement - Contracts	Credit/procurement cards; manipulation of accounts; false invoices & claims; BACS fraud - fraudulent change of bank details; mandate fraud; fake details for internet payments	PSPS - Finance	Financial Regulations; Anti-Fraud & Corruption Strategy- last reviewed March 2021, due this March for a review; Whistleblowing Policy Confidential Reporting Code -due in March; Segregation of duties for reconciliation; Reconciliation; Escalation of highvalue invoices; System team audited and logged; PCards- No cash withdrawals and card limits. Following P Card Review updated training issued. Process re-evaluated for checking transactions and receipts; Minor petty cash; Counter fraud training for the staff; Transparency reporting; Financial reporting training for all staff to be rolled out 2024; Segregation of duties within AP; confirmation with company regarding change of bank details; reconciliation; staff training	2	4	Medium (8)	Tolerate	2	4	Medium (8)

Appendix D

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Target risk likelihood	Target risk impact	Target risk score
F-05	Procurement - Contract Payments	Bribery of officers or Members involved in contract award; Collusion between officers and contractors involved in tendering; Violation of procedures; Manipulation of accounts; Asset Misappropriation; Fictitious requirement; Bid rigging & cartels; Failure to supply; Failure to supply to contractual standard; Inflating performance information to attract greater payments; Bid suppression; Price fixing; Bid rotation; Fictitious vendor	PSPS - Procurement	NAFN & fraud alerts; Contract procedure rules; Financial Regulations; Contract management; Contract Terms & Conditions; Code of Conduct; Whistleblowing policy; Register of Gifts & Hospitality/Register of Interests; Anti-Fraud & Corruption Strategy; Staff counter-fraud training; Internal Audit reviews; Separation of duties; Etender system - single login provides an audit trail; Contract management training; Transparency Code 2014 and Transparency agenda; CIPFA guidance - Managing the Risk of Procurement Fraud; Minimum quote dependant on value; Valuation methodology; Breach of contract clauses; Instant terminations; Self certificated questionnaires	2	4	Medium (8)	Tolerate	2	4	Medium (8)
F-06	Council Tax - Credit Refund and Income Fraud	Council tax/NNDR/Rents; Suppression of notification of debt to be raised; Improper write-off; Failing to institute recovery proceedings; Switching or transferring arrears; manipulation of credit balances; Payment using false/ fraudulent instrument then re-claim of refund; Employee based; false payment then request for refund	PSPS - Revs/Bens	Up to date Council Financial Regulations; Up to date Council Anti-Fraud & Corruption Strategy; Debit/credit card payments monitoring checking against pay.net system; Review of unusual activity; Refund to original card/bank account where appropriate; Authorisation procedures& levels; Checking against other accounts (Council Tax etc.) to ensure no other money owed to SELCP; Staff counter-fraud training; Audit trail/personal logins; Reconciliations; Budgetary controls; Write off policy; Debt recovery procedures; Supervisory controls; Review of credit balances and suspense items; Internal Audit reviews; Whistleblowing Policy; Counter-fraud page on website detailing how public can report fraud; Counter Fraud details on intranet; Financial Regulations training for all appropriate staff; Follow up payment sources	2	3	Medium (6)	Tolerate	2	3	Medium (6)
F-07	Council Tax Fraud	False applications; failure to notify change in circumstances	PSPS - Revs/Bens	Council Financial Regulations; Council Anti-Fraud & Corruption Strategy; National Fraud Initiative - data matching; Monitoring of council tax base; Application checks; Check electoral register; Information from planning re Developments where full planning not required; Checks on documentary evidence for exemptions; Visual inspection; Internal Audit reviews; Whistleblowing Policy; Separation of duties; Counter-fraud page on website detailing how public can report fraud; Single Person Discount review; Field officers available for investigations; Annual review of long-term empty properties	2	2	Low (4)	Tolerate	2	2	Low (4)

Appendix D

Ref	Risk name	Risk description	Lead	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Target risk likelihood	Target risk impact	Target risk score
F-08	Council Tax Support Scheme	False applications; failure to notify change in circumstances	PSPS - Revs/Bens	Most controls are the same as Housing Benefits; Council Anti-Fraud & Corruption Strategy; Council Tax Support policy; Counter-fraud page on website detailing how public can report fraud; Council Financial Regulations; Whistleblowing Policy; Inclusion in National Fraud Initiative (data matching) from October 2016; Closer working - Council Tax and Housing share intelligence and identify potential fraud opportunities (sharing intelligence - informal arrangement); Fraud hotline; Dedicated team for fraud hotline; DWP verification	2	2	Low (4)	Tolerate	2	2	Low (4)
F-09	National Non-Domestic Fraud	Failure to declare occupation; Payment using false bank details; Companies going into liquidation then setting up as new companies; Avoidance of liability through fraudulent claim for discount or exemption; Empty rate avoidance	PSPS - Revs/Bens	Up to date Council Financial Regulations; Up to date Council Anti-Fraud & Corruption Strategy; Ensure liable person identified for each assessment on the list; Information sharing with other Business Units; Inspections of occupied properties; Checking empty properties; Information from Landlords or letting agents; Public complaints- reports to valuation office; Internal Audit reviews; Whistleblowing Policy; Separation of duties; Register of Gifts & Hospitality/Register of Interests; Supporting evidence requested; Counter-fraud page on website detailing how public can report fraud; Use of Analyse Local to monitor threats; Field officers; Undertaking reviews; NFI Matching	3	3	Medium (9)	Tolerate	3	3	Medium (9)
F-10	Housing Benefit Fraud	False applications; False documents; Failing to notify change	PSPS - Revs/Bens	Housing Benefit Anti-Fraud Strategy; Annual participation in National Fraud Initiative; NFI coordinator; HBMS - Government housing benefit matching scheme; Use prosecution, caution & admin penalties; Key controls in the housing benefit application process - prevention & detection; Authorised officer powers- access to employers, landlords, banks & building societies; Council Financial Regulations; Experienced and trained benefits staff; Mandatory benefit counter fraud training; Combined database with revenues; Only accept original documents in support of claims; Subscription to National Anti-Fraud Network; Housing Benefit review; Communications & publicity; Internal Audit reviews; Whistleblowing Policy; Counter-fraud page on website detailing how public can report fraud; Council Tax and Housing teams sharing intelligence to identify potential fraud; Counter Fraud Hotline; Dedicated Team for Counter Fraud; Data matching from DWP; Full case reviews; Customer contact team thoroughly trained; Dedicated intranet page	2	2	Low (4)	Tolerate	2	2	Low (4)

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Ref number	Risk name	Risk description	Lead risk owner	Cause/s	Potential impact/consequences	Existing control measures in place	Current risk likelihood	Current risk impact	Current risk score	Treatment (4Ts)	Planned action / future mitigation	Target risk likelihood	Target risk impact	Target risk score
SHDCHRA01	Business continuity	Risk around business continuity and recovery in the event of a major incident or event	AD: Regulatory	The Council has a central role to play in the response to a major incident or event in the community and the subsequent recovery phase. The risk of flooding, both coastal and inland is increasingly recognised as one of the most significant and 'likely' events that the Council will need to help with recovery. There are also internal incident and events which could impact on the Council's operations directly (e.g. cyber-attack, IT infrastructure failure, building fire).	In the immediate response phase to an emergency in the District, the "Blue Light" services will take the lead with the Council taking the lead role in the subsequent recovery phase. There could be significant impact on service delivery and potentially Council finances.	The establishment of the S&ELCP has increased the resilience and capability of the 3 partner councils. Resources can be more easily shared across the sub-regions and procedures and policies are being joined up to make our response to and recovery from an incident more efficient and effective. A strategic group meets regularly, including representation from PSPS, with minutes and actions reported to LT Governance for awareness. Staff across the S&ELCP are regularly trained at both Silver and Gold command in order to take a full part in a Lincolnshire-wide emergency response and support our partners in the sub region. All three councils are members of the Lincolnshire Resilience Forum, enabling access to expertise held by LCC whilst retaining staff, resources and expertise in each sovereign council within an EP&BC structure across the Partnership. Senior staff within the Councils are involved in training exercises delivered by the LRF. Regular 'live' training exercises are coordinated at County level to maximise preparedness in each council and across the sub region. Each authority has an Emergency Plan & Business Continuity Plan in place in order that service delivery can be prioritised and maintained at such times. A joint emergency and business continuity plan was approved in 2021 for ELDC and BBC to improve resilience and capability with plans for a more joined up approach across the sub region with the advent of the S&ELCP. Public Sector Partnership Services (PSPS) and Magna Vitae have Business Continuity Plans in place.	3	3	Medium (9)	Tolerate	Continued partnership working with the Lincolnshire Resilience Forum (LRF)	3	3	Medium (9)
SHDCHRA02	Health and Safety	Risk of failure to comply with Health and Safety requirements	AD: Regulatory	The Council has a clear responsibility to both staff and recipients of services under Health and Safety legislation and needs to effectively manage its responsibilities.	There can be consequences to the organisation's finances and reputation relating to non-compliance of health and safety requirements. There is also the risk of harm to individuals.	The establishment of the S&ELCP has increased the resilience and capability of the 3 partner councils. Resources can be more easily shared across the sub-region and procedures and policies are being joined up to provide a more efficient and effective approach towards H&S compliance. The partner Councils receive specialist Health and Safety advice from Public Sector Partnership Services who support the Partnership Health and Safety Governance Group (chaired by the Assistant Director – Regulatory) and the Staff Health and Safety Forum. Both operate under agreed terms of reference and feed into the LT – Governance. LT Governance receive minutes and recommendations for approval from the Governance Group and the staff Forum. Policies and procedures are agreed at the Governance Group and referred to LT Governance for information. Health and Safety is included within Internal Audit's annual audit plan. The audit undertaken in 2021 demonstrated a substantial level of assurance.	2	3	Medium (6)	Tolerate	Continued monitoring and reporting	2	3	Medium (6)
SHDCHRA03	Risk oversight	Risk oversight reduced as part of the South and East Lincolnshire Councils partnership. Overseeing the risks including a regular review of the profile and acceptance of the mitigations of the service may be reduced due to a shared SLT	AD: Housing	Shared SLT	Risk not monitored appropriately as expected by the Regulator	Work with PFH and Section 151 taking place to mitigate. Transformation programme established to fully review landlord operations, oversee by a Transformation Board made up of representatives from across the partnership. The Board is chaired by the PFH for Strategic and Operational Housing and sponsored by Director for Communities. Near misses from a health and safety and compliance with the consumer standards perspective reported to Deputy Chief Exec. HRA Governance Arrangements adopted by Cabinet.	2	3	Medium (9)	Tolerate	Continued monitoring and reporting	2	3	Medium (9)
SHDCHRA04	Management of health and safety	Insufficient arrangements in place to monitor and manage compliance.	AD: Housing	Compliance function does not have arrangements in place for effective planning, organisation, control, monitoring and review of measures to protect people	Death or injury to staff, tenants or contractors; reputation; litigation and charges of corporate manslaughter	Service specific H&S procedures. Training for staff in key areas; standing items on team meeting agendas. Programme in place for gas, electric, asbestos, legionella, and fire safety. Decent Homes programme in place. Programme for stock condition surveys. Dedicated resource in place to manage compliance from Jan 24. Random audit checks to delivered. Housing Repairs and Compliance Manager formally appointed as Health & Safety Lead for the HRA. Summers Immen appointed as Principal Designer. Monthly updates provided to RSH	2	4	(Medium) 8	Tolerate	Continued monitoring and reporting	2	4	(Medium) 8
SHDCHRA05	Management of health and safety of DLO	Inadequate arrangements in place to meet the HSE requirements as a DLO employer	AD: Housing	Service does not have arrangements in place for effective planning, organisation, control, monitoring and review of measures to protect people	Death or injury to staff, tenants or contractors; reputation; litigation and charges of corporate manslaughter	Service specific H&S procedures; Qualified and certified employees; adequate insurance; programme for insuring training remains valid; self-audits. Programmed inspections of equipment and daily use inspections carried out by operators, which highlight any equipment deficiencies or damage, supply chain in place to replace equipment as necessary, larger items are hired to avoid replacement and service costs RA's, COSHH and SSOW in place and updated in line with H&S best practice, digital copies held in office and hard copies held by each tradesman. Regular training and tool box talks held in reference to H&S issues, compliance and the use of equipment.	1	5	Medium (5)	Tolerate	Continued monitoring and reporting	1	5	Medium (5)

SHDCHRA06	Data	Inaccurate or incomplete data	AD: Housing	Data integrity issues; staff competency issues	Can lead to erroneous conclusions and subsequently misguided decisions.	NEC Training for officers provided, IT skills audit. Data validation for TSM perception surveys carried out by external consultant and methodology explained. Sewerage Treatment Works stock condition data verified externally. Statutory testing such as gas and electricity goes through quality assurance process before data is agreed. Annual training programme of all staff reviewed to ensure understand obligations. Management checks on data. Updates to HLB. Data Strategy and KPI suite established setting out data collection and reporting process. Stock condition programme in place to ensure data on components surveyed and updated into NEC on a regular basis (minimum 5 yearly)	1	3	low (3)	Tolerate	Continued monitoring and reporting	1	3	low(3)
SHDCHRA07	Listening to tenants	Failure to listen and respond to the tenant voice	AD: Housing	Lack of training and awareness on the requirements and benefits to listen to tenants; culture that does not appreciate tenants; Not delivering/listening to the expectations of the tenants; Not learning from complaints; appreciation that it may take time to build relationships with tenants.	Failure to meet the consumer regulations; Failure to meet tenant expectations; No tenant engagement board; Increase in complaints; Reputational damage; Complaint Handling Failure Order (from Housing Ombudsman)	The Housing Transformation Programme action plans includes tenant engagement and involvement as a key priority. Member and officer briefings around Consumer Standards and risk of not meeting these. Transformation Programme established and tenant voice theme in Mandate and Strategy, adopted by Members. Member and staff training, work with HRA to review the manner and culture towards tenants. Tenant engagement Lead Officer appointed and Tenant Engagement Strategy adopted by Cabinet. Tenant Forum launched. 26/27 budget includes two additional engagement posts. Constitution updated to recognise Tenant Panel. Tenants form Aids and Adaptations Panel.	2	2	Low (4)	Tolerate	Recruit to tenant panel - Feb 26	2	2	Low (4)
SHDCHRA08	Tenant engagement resource	Lack of appropriate resources in place to facilitate tenant engagement	AD: Housing	Lack of budget for tenant engagement including resource, no designated lead for engagement; lack of planning for engagement; tenants stop engaging; unable to assist tenants that wish to implement tenant-led activities to influence and scrutinise the service	Failure to meet the consumer regulations; Failure to meet tenant expectations; No tenant engagement board; Increase in complaints; Reputational damage	The Housing Transformation Programme action plans includes tenant engagement and involvement as a key priority. Member and officer briefings around Consumer Standards and risk of not meeting these. Transformation Programme established and tenant voice theme in Mandate and Strategy, adopted by Members. Tenant Engagement Lead on establishment as a permanent role. 26/27 budget includes two additional engagement posts. Constitution updated to recognise Tenant Panel.	3	3	Medium (9)	Treat	Council to adopt additional posts in Feb 26	2	3	Medium (6)
SHDCHRA09	Qualification requirements	Management Team not qualified to the prescribed standards of the Regulator	AD: Housing	Lack of budget to fund training, availability of time invest in training, new requirement with detail still to be revealed. Reluctance to complete qualifications	Failure to meet the consumer standards; reputational damage; impact on the service as time focused studying; impact on retention of managers	AD-Housing, Repairs and Compliance Manager, Head of Housing Investment and Director Communities all have qualifications.	2	2	Low (4)	Treat	Housing Services Manager and Tenant Engagement Lead to enroll for studies during 2026. (Deadline is 2029)	2	2	Low (4)
SHDCHRA10	HRA business plan	HRA not having an agreed strategy on how to implement all of the matters identified for improvement, growth, BAU and transformation	AD: Housing	Lack of HRA business plan narrative - Significant and unknown variances in the assumptions that underpin the HRA Business Plan	Change in areas of focused expenditure	Monthly budget meetings and forecasts reviewed. Designated Finance Business Partner. Regular reporting in place with s151 and Members. Stock condition surveys programme. Savills awarded contract to draft business plan and work well underway with latest stock data and budget being used as part of modelling. Programme of works approved by s151. Due for adoption as part of budget setting for 26/27	2	3	Medium (9)	Treat	Business plan and Asset Management Strategy to be adopted 28/1/26	1	1	Low(1)
SHDCHRA11	Failure to meet Regulatory Consumer Standards	Failure to adapt the service to meet the new regulatory standards	AD: Housing	Lack of tenant engagement options; lack of governance arrangements; decisions not informed by data; poor record keeping; poor complaint handling; Lack of staff support; lack of Member and Senior Leadership oversight and/or understanding; service not resourced enough to deliver requirements; unplanned inspection	Fail inspection by the regulator; reputational damage; financial penalties	Housing Transformation Programme established, Member and officer briefings, performance data published to Portfolio Holder on a monthly basis. Action plan logging requirements and transformation board established to track progress. Senior Leaders briefed on changes and risk. Continued service improvement is being tracked by the Housing Transformation Board which will support a decreasing risk level. C2 grading issued by RSH July 25, monthly meetings held, working towards C1	2	2	Low (4).	Tolerate	Working towards C1, anticipated summer 2026	2	2	Low (4).
SHDCHRA12	Failure to self-refer to the regulator	Failure to self-refer to the regulator when a breach has been identified	AD: Housing	A breach in the consumer standards being identified or raised	Contacted by ministers; reputational damage; financial penalties	Housing Transformation Programme covers actions to reduce the greatest risks, PFH regularly updated, members on board, Transformation Board to monitor progress. HRA HLB ToR agreed and updated to include referrals to the responsible person for reporting regulatory breaches. Updated procedure in place to deal with reporting issues to the RSH. Self referrals discussed on a six weekly basis by Housing Landlord Board.	1	3	Low(3)	Tolerate		1	3	Low(3)

SHDCHRA13	Impact of Awaab's law	Unable to deliver strict operating procedures set within legislation.	AD-Housing	Lack of appropriate resources in place to deliver operating procedures proposed. Service not designed around delivering these expectations.	Failure to deliver the new legislation of which may link an increase in successful legal challenge as part of disrepair claims. Potential for non-compliance with consumer standards. Reputational damage.	Phase 1 met - additional resources recruited to, policy updated and transformation project complete. Phase 2 and 3 details unknown - yet to be published by MHCLG.	3	2	Medium (6)	Tolerate	Ongoing review of phases as MHCLG announces detail	2	2	Medium (6)
SHDCRA14	Minimum Energy Efficiency Standards	Unable to meet Minimum Energy Efficiency Standards set within MHCLG consultation/MHCLG target for fuel poverty				Does not have a programme in place to deliver all homes to EPC C by 2030. Warm Homes programme in place until 2028, however 1,000 units remain outside of these programme. Currently a government target (but not legal requirement) to have all social housing at grade C by 2030. MHCLG MEES consultation during Sep 2025 (MHCLG) consults on this becoming a formal requirement and will form part of Decent Homes Standard of which social landlords will be required to meet and will impact regulatory gradings. Business Plan models finances to fund programme to complete all homes by 2030, programme and contract yet to be awarded.	3	3	Medium (9)	Treat	Apply for all available government funding and monitor MHCLG announcements - ongoing	2	2	Medium (6)
SHDCHRA15	HRA business plan2 NEW	Failure to maintain the golden thread between the understanding of stock condition and investment need and what can be financed within the HRA Business Plan.	AD: Housing	Lack of HRA business plan narrative - Significant and unknown variances in the assumptions that underpin the HRA Business Plan	Change in areas of focused expenditure	Monthly budget meetings and forecasts reviewed. Designated Finance Business Partner. Regular reporting in place with S151 and Members. Stock condition surveys programme, data used to model Capital Programme accurately. Savills drafted business plan and will continue to provide support with annual refresh and modelling. Due for adoption as part of budget setting for 26/27.	3	3	Medium (9)	Treat	Business plan and Asset Management Strategy to be adopted 28/1/26. Approach to reviewing model to be established during 26/27	1	3	Low(1)
SHDCRA16	Emergency repairs service (staffing)	Insufficient numbers of repairs operatives on the out-of-hours emergency repairs rota result in emergency repairs not attended within set timescales outside of working hours. Resulting in a breach of Awaabs law. Unable to deliver critical service to tenants.	AD: Housing	Reduction in volunteers willing to be on call (not part of terms and conditions)	Breach of Awaabs law, damage to property due to non-attendance within call-out window, increase in complaints, breach of Safety and Quality standard resulting in non-compliance with RSH standards. Financial penalties, legal action, reputational damage.	Voluntary arrangements with repairs operatives covering the service. SERCO triaging repairs calls. Emergency heating and sewage calls outsourced to contractors. 5 operatives currently on the rota, with 2 required at all times.	3	4	High 12	treat	Attempt to recruit additional volunteers by 25 January (meeting scheduled for w/c 12 Jan). Review standby pay rates for operatives 31/1/26). Contracts for new repairs operatives to be amended to make this a mandatory term of contract (tbc - no vacancies at present). Explore options of outsourcing this arrangement by 28/2/26. If necessary, explore changes to terms and conditions of current repairs operative contracts.	1	1	Low(1)

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Report To:	Governance and Audit Committee
Date:	29 January 2026
Subject:	Whistleblowing Policy
Purpose:	To update the Whistleblowing Policy for the Council and align the document so the Policy is the same across the S&ELCP.
Key Decision:	N/A
Portfolio Holder:	Councillor Astill – Portfolio Holder for Corporate, Governance and Communications
Report Of:	John Medler – Assistant Director, Governance
Report Author:	Rebecca James – Policy & Scrutiny Officer
Ward(s) Affected:	None
Exempt Report:	No

Summary

As part of its governance arrangements South Holland District Council must ensure that an effective Policy for Whistleblowing is in place. This report provides an overview of the proposed implementation of a revised Whistleblowing Policy and seeks approval and adoption of a revised and updated Policy with the intention being to align this for the Councils within the S&ELCP.

Recommendations

- That the Whistleblowing Policy is approved by the Governance & Audit Committee.
- That authority be delegated to the Monitoring Officer to review and make minor amendments to the Whistleblowing Policy to reflect changes in legislation, statutory guidance or contact details.

Reasons for Recommendations

To ensure the Council has suitable whistleblowing arrangements in place.

Other Options Considered

None

1. Background

- 1.1 As part of its governance arrangements South Holland District Council must ensure that an effective Policy for Whistleblowing is in place. The Policy was due a review and update, and as part of this, the intention is to align the Policy across the Partnership, so staff are working to the same arrangements.
- 1.2 The Council maintains a Whistleblowing Policy which outlines the legal obligations the Council is under pursuant to the Employment Rights Act 1996. The Policy provides information, guidance, and a procedure by which a “worker” (a term that covers council employees and former employees, contractors, and agency workers) can make a “protected disclosure” – a “whistleblow.”
- 1.3 A “protected disclosure” is made where a worker raises concerns, which in the reasonable belief of the worker are in the public interest, and which tend to show:
- That a crime has been committed, is being committed, or is likely to be committed.
 - That a person has failed, is failing, or is likely to fail to comply with any legal obligation to which they are subject – including contractors providing goods and services on behalf of the council.
 - That a miscarriage of justice has occurred, is occurring, or is likely to occur.
 - That the health and safety of an individual has been, is being, or is likely to be endangered.
 - That the environment has been, is being or is likely to be damaged.
 - That information tending to show any of the above has been concealed or is likely to be deliberately concealed.

2. Report

- 2.1 Workers who “blow the whistle” enjoy certain legal protections. A worker making a “protected disclosure” has the legal right not to be subjected to any detriment by any act, or any deliberate failure to act, by their employer done on the ground that the worker has made a protected disclosure. An employer may also be vicariously liable for any mistreatment the worker receives from others as a result of having made a disclosure. An employer is also prevented from seeking to impose a contractual term that prevents a worker blowing a whistle, for example in a “non-disclosure agreement.”
- 2.2 Not all disclosures will be protected. The worker has to have a reasonable belief that the disclosure is made “in the public interest.”
- 2.3 The draft Whistleblowing Policy at **Appendix 1** will, if adopted, replace the Council’s existing Whistleblowing Policy, and would apply to all staff, consultants, partners, agency staff and contractors of the Council and across the Partnership.

2.4 The policy seeks to:

- a. encourage employees and/or their representatives to feel confident in raising concerns or allegations in the public interest about suspected serious wrongdoing in the Council and its services without fear of reprisals or victimisation even where the concern or allegations are not subsequently confirmed by the investigation;
- b. give a clear message that allegations of serious wrongdoing or impropriety are taken seriously;
- c. ensure that where the disclosure proves to be well founded, the individuals responsible for such serious wrongdoing will be held accountable for their actions;
- d. set out what employees can expect by way of confidentiality and protection when making a whistleblowing disclosure; and
- e. identify independent support for employees who wish to make a whistleblowing disclosure.

3. Conclusion

3.1. It is recommended that the draft Whistleblowing Policy is approved and adopted to ensure that Council's Policy remains fit for purpose and compliant with the law and best practice. It also contributes to the overriding principle of demonstrating openness and transparency in the way that the authority responds to concerns raised.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

Efficiency and Effectiveness – accelerating the alignment of service provision and policies where it makes sense to do so.

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

The statutory basis for whistleblowing is contained in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for a worker to take a case to an employment tribunal if they have been victimised at work or they have lost their job because they have 'blown the whistle.'

The legislation does not require an employer to adopt a Whistleblowing Policy. However, the Secretary of State has published best practice Guidance for Employers on Whistleblowing that provides that the existence of a Policy shows an employer's commitment to listen to the concerns of its workers. Such concern is also demonstrated by

responding to concerns when they are raised, and by monitoring and reporting on the operation of the policy as this report does.

The revised Whistleblowing Policy confirms the employee's statutory rights and aims to create an organisational culture where employees feel safe to raise a concern in the knowledge that they will not be victimised if they raise their concerns.

Data Protection

None

Financial

None

Risk Management

A failure to maintain and monitor this process will expose the Council to risk by having inadequate arrangements which offer necessary protection to employees or the Council when disclosures are made.

Stakeholder / Consultation / Timescales

Internal Audit and Counter Fraud Team at LCC, Monitoring Officer, S151 Officer, Portfolio Holder, Senior Leadership Team, HR and the Joint Consultative Committee.

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 Draft Whistleblowing Policy

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
Signed off by:	John Medler, Assistant Director, Governance & Monitoring Officer
Approved for publication:	Councillor Astill

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South & East Lincolnshire Councils Partnership



WHISTLEBLOWING POLICY

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Introduction

The aim of this Whistleblowing Policy is to ensure workers regardless of whether they have a temporary, permanent or fixed term contract, know they can raise a genuine concern in the knowledge that they will not face reprisal for their action. The Policy also applies to seconded staff, external consultants, contractors and agency staff whilst they are at the Council. They are not required to have worked at the Council for a minimum amount of time before they can use this policy. The Policy is intended to give confidence to workers to blow the whistle and, as such, it incorporates statutory provision for protection under the Public Interest Disclosure Act 1998 (PIDA).

Definitions

What is Whistle blowing?

Whistleblowing is the raising of a significant concern. A concern may cover issues of fraud, misconduct, or illegality, and this Policy is designed to ensure that people know how to raise a genuine concern and know that they can do so in the knowledge that they will not face reprisal for their action.

Protect (a charity which provides independent advice and information on whistleblowing) provides the following definition of whistleblowing:

“A worker raising a concern with someone in authority — internally and/or externally (e.g. to regulators, MPs, MSPs, the media) — about wrongdoing, risk or malpractice that affects others.”

Policy Aims

The Policy aims to:

- encourage confidence in raising serious or sensitive concerns about inappropriate behaviour and to question and act upon concerns;
- provide information on how to raise those concerns and what is covered under the term whistleblowing;
- provide reassurance of protection from possible reprisals or victimisation if there is a reasonable belief that concerns have been raised in good faith.

This Policy applies to:

- All Council employees, regardless of whether they have a temporary, permanent or fixed term contract;
- seconded staff,
- external consultants,
- contractors and
- agency employees whilst they are at the Council.

Whistleblowing Policy

What types of concern are covered by the Policy?

This Policy is intended to deal with serious or sensitive concerns about inappropriate behaviour. The Public Interest Disclosure Act 1998 outlines that a “protected” disclosure of a concern is one which demonstrates one or more of the following:

- A criminal offence has been committed, or is likely to be committed;
- Disclosures related to a miscarriage of justice;
- A failure to comply with a legal obligation;
- The endangering of an individual’s health and safety;
- Unnecessary damage to the environment (for example, by pollution);
- Deliberate concealment of information relating to any of the above.

Beyond the legal context above, the Council would encourage workers to raise any significant concerns that they may have as soon as they are reasonably aware of them. These concerns could be about any aspects of the Council’s activities and relate to issues that are either occurring now or likely to happen in the future.

What is not covered by the Policy?

The Council has a number of policies and procedures to address other matters, for example:

- Employees’ complaints about their terms and conditions of employment. These matters are dealt with through the Grievance Policy.
- Complaints from members of the public about the Council’s services. These are dealt with through the Council’s Customer Feedback Policy.
- Concerns regarding safeguarding will be dealt with through the Council’s Safeguarding Policy.
- Concerns with reference to Members’ conduct should be referred to the Monitoring Officer.
- This Policy is not designed to question financial, or business decisions taken by the Council, nor may it be used to reconsider any matters that have already been addressed under the grievance, disciplinary or complaints procedures.

Protecting the Whistleblower

In accordance with the Public Interest Disclosure Act 1998, the Council undertakes to protect, as best it can, a worker who blows the whistle from personal claims, victimisation, harassment or bullying as a result of his or her disclosure. This assurance is not extended to someone who maliciously raises a matter they know is untrue; such instances may be subject to the Council’s disciplinary procedures.

Any employee taking any reprisal or similar action against a whistleblower because he or she has made a protected disclosure under this Policy will be subject to disciplinary action by the

Council. The Council will, at the request of the whistleblower, keep the nature of concerns confidential. It will not reveal names or positions without permission, unless it has to by law, or an enquiry results in a criminal investigation in which the whistleblower might be required as a witness. Whistleblowers should be aware, however, that the fact that enquiries are being made might, of itself, result in their identity becoming known. Where possible, the Council will make you aware if your identity is likely to be compromised through investigation. All these matters will be explained at the time a concern is raised so the whistleblower can decide whether or not to proceed. The Council will also keep the whistleblower informed if the situation significantly changes.

Anonymous Allegations

The Council encourages whistleblowers to give their name when making an allegation. It will do all it can to protect the whistleblower. Concerns raised anonymously tend to be far less effective and if, for example, the Council does not have enough information, it may not be able to investigate the matter at all. Also, from a practical point of view, it is impossible to provide protection to a person whose identity is unknown and more difficult to judge whether the concern is made in good faith or maliciously. If whistleblowers feel that they cannot give their name, the Council will make a judgement on whether or not to consider the matter depending upon such things as:

- the seriousness of the issue;
- whether the concern is believable; and;
- whether it can carry out a sufficient investigation based on the information provided.

Untrue Allegations

If a whistleblower makes an allegation which they believe is true, but it is not confirmed by an investigation, the Council will not take any action against them. However, if a whistleblower makes a deliberately false or malicious allegation which they know is untrue, the Council will take appropriate disciplinary or legal action against them. Allegations of this nature are not protected by the Public Interest Disclosure Act 1998.

How to raise a concern

South Holland District Council uses the Lincolnshire County Council Whistleblowing Facility, a shared confidential facility dedicated to whistleblowing. This is managed by the Counter Fraud Team at Lincolnshire County Council. We encourage you to raise your concerns using this facility, where they will take appropriate action against the issue identified.

It is better to submit concerns in writing. They will need the background and history of your concern, giving names, copies of any documents, dates, and places (where possible). They will want you to explain why you are concerned about the situation. They do not expect you to prove the truth of an allegation, but you will need to show that there are sufficient grounds for your concern.

You can use the confidential PO box or email address (which is monitored by a nominated officer within the Investigations Team):

Lincolnshire County Council
PO Box 640
Lincoln
LN1 1WF

Email address: whistleblowing@lincolnshire.gov.uk

Alternatively, you can use the confidential whistleblowing line: Freephone 0800 0853716

This dedicated reporting line operates during normal working hours (9am to 5pm). If you call this number out of hours, you can leave a message on the answer phone which is in a secure area and your call will be returned.

Staff can seek independent advice from their trade union representative or professional association. They can also invite a work colleague to raise a concern on their behalf.

Further advice may be sought from the whistleblowing charity [Protect](#) on their whistleblowing advice line: 020 3117 2520

Remember, the earlier you raise the concern, the easier it is for the Council to act.

We recognise that there may be certain circumstances in which you do not feel this is possible; we would rather you raise a concern with the appropriate regulatory body than not at all. Details of relevant external organisations can be found at:

[Whistleblowing: list of prescribed people and bodies - GOV.UK](#)

How we will respond

The response will depend on the nature of the concern raised and may be:

- advice only
- resolved by agreed action without the need for investigation
- investigated internally (by management, counter fraud team, referred to the relevant safeguarding team (child protection or vulnerable adults)
- referred to the Police if a criminal matter
- referred to the external auditor
- the subject of an independent inquiry

We may carry out initial enquiries to protect individuals or employees and those accused of wrongdoing. We will use the results of these enquiries to decide whether an investigation is needed and if so, what form it should take. If urgent action is required, this will be taken before we start any investigation.

If there are other serious concerns of a potentially criminal nature, we will determine whether:

- we should refer the concern to the Police directly or
- advise the complainant to make such a referral

If it is decided that we should refer the matter to the Police, we will seek advice from the Police to establish:

- if a simultaneous internal investigation can be conducted
- whether or not they consent for the subject of the complaint to be informed of allegations.

Our code of conduct requires employees to notify their line manager immediately of any criminal investigation. Failure to do so could result in disciplinary action being taken.

We will acknowledge your whistleblowing disclosure within five working days. Within the next 10 working days we will explain in writing how we propose to deal with the matter.

The whistleblower will be:

- given an estimate of how long it will take to provide a final response
- told if initial enquiries have been made
- told if further investigation is required, and if not, why not (where appropriate)
- given details of support mechanisms
- advised of the investigating officer (where appropriate)
- advised how we will inform you of progress.

The amount of contact between you and the officer considering your whistleblowing disclosure will depend on the nature of the concerns raised. For example, if further investigation is required, the investigator may need to seek additional information from you.

If a meeting is necessary, this can be held off site if you prefer. If you are an employee, you will have a right to be accompanied by a union representative or work colleague (not involved in the area where the concern exists). If you are not an employee, you may wish to bring a friend with you. A neutral venue can be arranged, where required.

We will help with any difficulties you may experience because of raising a concern. We will, for example, provide advice if you are required to give evidence for criminal or disciplinary proceedings. Sometimes whistleblowers have counter-allegations made against them. We have a duty to investigate any concerns that we receive and that will apply in these circumstances. However, this will not detract from the principles, as set out in this policy, which govern how we will respond to whistleblowers. The over-riding objective will be to establish the truth.

We will retain records of all work carried out and actions taken to address the concerns raised by the whistleblower. This will include the investigator's case file, where relevant.

At the end of the investigation, we will provide feedback to the whistleblower (if known) on actions taken and limited detail on the outcome of investigation. Feedback will be subject to legal constraints, but we recognise the importance of providing assurances that the matter has been dealt with properly.

Governance

Responsible Officer for Whistleblowing

The Council’s Monitoring Officer is the Senior Officer in the Council who can take an independent view of any concerns raised. All concerns raised will be handled in line with the Council’s whistleblowing arrangements.

Monitoring of the Whistleblowing Policy

The Monitoring Officer will provide an annual report to the Governance and Audit Committee which has responsibilities for overseeing the effectiveness of our governance arrangements. All reporting will be anonymised. It will only identify common themes, numbers of disclosures year on year and highlight actions taken to improve systems and policies.

Review and Revision

This Policy is to be reviewed at least every 3 years (or more frequently if required by changes to statutory legislation). The Monitoring Officer has delegated authority to make minor amendments to the Whistleblowing Policy to reflect changes in legislation, statutory guidance or contact details.

Version Control			
Issue No	Author	Issue date	Reason For Issue
1.0	Assistant Director – Governance & Monitoring Officer	TBC	Full update, plus alignment to a single Policy across the South & East Lincolnshire Councils Partnership (S&ELCP)

Approval		
Issue	Approval Authority	Approval Date
1.0	Governance & Audit	TBC



Report To: Governance & Audit Committee

Date: 29 January 2026

Subject: Governance & Audit Personal Skills Audit

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

Key Decision: N/A

Report Of: Rebecca James, Scrutiny & Policy 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 Governance & Audit 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 G&A 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 G&A 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:

Appendix 1	Personal Skills Audit Survey
Appendix 2	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
Signed off by:	John Medler, Assistant Director, Governance & Monitoring Officer
Approved for publication:	Councillor Allan Beal, Chair of Governance & Audit

Governance & Audit Committee Personal Skills Audit

Section 1: Personal Details

Name: _____

Role (e.g., Chair, Member): _____

Section 2: Core Knowledge Areas

Please rate your level of knowledge in each area:

Scale: 1 = No Experience | 2 = Basic | 3 = Intermediate | 4 = Advanced

Knowledge Area	Rating (1-4)	Comments / Development Needs
Governance principles (CIPFA/SOLACE)		
Role and remit of the Audit Committee		
Risk management framework		
Financial reporting and treasury management		
Internal audit processes		
External audit processes		
Counter-fraud and ethical		

Standards		
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Section 3: Skills & Experience

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

Skill Area	Rating (1–4)	Comments / Development Needs
Chairing and facilitation		
Analytical and questioning skills		
Understanding of local authority finance		
Communication and stakeholder engagement		
Ability to interpret complex reports		

Section 4: Training Needs

Which areas do you feel require further development?

Suggested training or support:

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)	

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

CORE AREAS OF KNOWLEDGE			
	KNOWLEDGE AREA	DETAILS OF CORE KNOWLEDGE REQUIRED	HOW THE AUDIT COMMITTEE MEMBER IS ABLE TO APPLY THAT KNOWLEDGE
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 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"> • Regulatory requirements • Treasury risks • The organisation’s treasury management strategy • The organisation’s policies and procedures in relation to treasury management. 	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>

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	<p>Able to focus on material issues and overall position, rather than being side tracked by detail.</p>	<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	<p>Ensuring there is a clear plan of action and allocation of responsibility.</p>	<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	<p>Able to understand the practical implications of recommendations to understand how they might work in practice.</p>	<p>The audit committee should seek assurances that planned actions are practical and realistic</p>

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	<p>The audit committee will receive assurance reports and review risk registers.</p> <p>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.</p>
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.



Report To:	Governance and Audit Committee
Date:	Thursday 29 January 2026
Subject:	Governance and Audit Committee Work Programme
Purpose:	To set out the Work Programme of the Governance and Audit Committee
Key Decision:	N/A
Portfolio Holder:	Councillor Jim Astill Portfolio Holder for Corporate and Environmental Services. Councillor Paul Redgate, Portfolio Holder for Finance
Report Of:	Rhonda Booth, Democratic Services Manager
Report Author:	Andrea Tait, Democratic Services Officer
Ward(s) Affected:	n/a
Exempt Report:	No

Summary

This report sets out the Work Programme of the Governance and Audit Committee and recommends that the Committee considers the Work Programme and identifies any additional items to be added to the Programme.

Recommendations

That the Committee considers the content of this report and identifies any issues for discussion.

Reasons for Recommendations

To allow Committee members to feed into the Work Programme on a regular basis, to ensure that it stays relevant and up to date.

Other Options Considered

Do nothing

1. Background

- 1.1. The Governance and Audit Committee regularly considers a variety of reports from Internal Audit, External Audit and the Section 151 Officer.
- 1.2. Many of these reports are considered at regular intervals, the majority being annually, half-yearly or quarterly.
- 1.3. In addition to these reports, the Committee also considers issues on an ad-hoc basis with some reports arising from consideration of items at previous meetings.

2. Report

- 2.1 Attached at Appendix 1 to this report is the Work Programme for the Governance and Audit Committee. It lays out the meeting dates for the 2025/26 municipal year. Alongside each of these meeting dates are issues considered by the Committee on a regular basis together with the author of the report, its purpose and whether it is mandatory, and the frequency with which it is considered.
- 2.2 It has been agreed that this Work Programme be a regular item for consideration on the Committee's agenda, thus creating a formal document laying out the work of the Committee in a clear, structured, and organised way.
- 2.3 The attached document contains items considered on a regular basis, and also any ad hoc issues as and when they arise, for example, issues raised at a meeting to be covered at a future meeting, and any one-off issues.
- 2.4 Attached at Appendix 2 is a schedule of training that has been undertaken since 2023. The document allows for the inclusion of suggested future topics for training. The purpose of Appendix 2 is to provide information and to monitor progress of training undertaken by Governance and Audit Committee members.

3. Conclusion

- 3.1 In presenting the information to the Committee, and by having the report as a standing item on the agenda, Committee members are able to feed into the Work Programme on a regular basis, to ensure that it stays relevant and up to date.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

Constitutional and Legal implications have been considered and in the opinion of the author, there are none arising from this report. However, the Work Programme should assist in providing a clear programme of work for the Governance and Audit Committee in line with the requirements laid out in the Council's Constitution.

Data Protection

None

Financial

None

Risk Management

Risk Management implications have been considered and in the opinion of the author there are none. However, one of the roles of the Governance and Audit Committee is to monitor the effective development and operation of risk management and corporate governance in the Council, and the Work Programme should assist in keeping track of risk issues.

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 Work Programme for the Governance and Audit Committee
- Appendix 2 Governance and Audit Committee training information

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: Andrea Tait, Democratic Services Officer,
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Signed off by: John Medler, Assistant Director - Governance (Monitoring Officer) john.medler@e-lindsey.gov.uk

Approved for publication: John Medler, Assistant Director - Governance (Monitoring Officer) john.medler@e-lindsey.gov.uk



SHDC GOVERNANCE AND AUDIT COMMITTEE TERMS OF REFERENCE

COUNCIL BODY:	MEMBERSHIP:	FUNCTIONS / TERMS OF REFERENCE:
Governance and Audit Committee	<p>7 non-Cabinet members, excluding the Chairman of the Council and the Chairman of the Performance Monitoring Panel and Policy Development Panel</p> <p>Quorum 3 (SO 38)</p> <p>Substitutions are not permitted.</p> <p>Up to 2 Co-opted Independent members.</p>	<p>The purpose of the Governance and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient.</p> <p>This is achieved through key regular items received by the Committee in relation to, but not limited to; internal and external audit, key finance items, governance reviews and strategic risk management reporting.</p> <p>Internal Audit</p> <ol style="list-style-type: none"> 1. To consider and approve annually the Internal Audit plan of work, considering the scope and depth of the work in addressing the Council's significant risks and issues. 2. To consider the outcomes of the internal audit plan of work and to monitor management's progress in implementing agreed audit recommendations. 3. To consider and approve the Annual Report and Opinion of the Head of Internal Audit, ensuring that the systems of internal control, governance and risk management have been effective and efficient over the course of the year. 4. To consider the performance of the internal auditors in relation to the adherence to the Public Sector Internal Audit Standards. <p>External Audit</p> <ol style="list-style-type: none"> 5. To consider annually the External Audit plan of work. 6. To consider External Audit reports and letters.

		<p>Accounts / Finance</p> <p>7. To consider the extent of the Council’s compliance with its own and other published financial statements and controls.</p> <p>8. To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.</p> <p>9. To approve the Council’s Treasury Management Strategy & Policy and subsequent performance against this.</p> <p>Risk Management</p> <p>10. To monitor and approve policies for the effective development and operation of risk management and corporate governance in the Council.</p> <p>Governance</p> <p>11. To review the Council’s arrangements for governance, with particular regard to the Local Code of Corporate Governance.</p> <p>12. To review allegations from whistleblowers; and to review and approve all Council policies and strategies that relate to the prevention of fraud and corruption including (but not limited to) policies on counter fraud, whistleblowing and money laundering.</p> <p>13. To hold periodic private discussion with the Head of Internal Audit and the External Auditors to review working relationships and discuss any pertinent issues.</p> <p>14. To commission ad-hoc work from internal and external audit.</p> <p>15. To report annually to Full Council on the Committee’s work and performance during the financial year.</p> <p>16. To assess the Committee’s own effectiveness on an annual basis against best practice.</p>
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GOVERNANCE AND AUDIT – CALENDAR OF WORK PROGRAMME ITEMS 2025/2026

GOVERNANCE LEAD: JOHN MEDLER | FINANCE LEAD: SAMANTHA KNOWLES (PSPS)

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Date of Meeting	Agenda item	Author	Purpose and whether mandatory	Frequency
29 January 2026	Draft Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2026/2027	Head of Finance Delivery - Technical and Corporate (PSPS) / Treasury and Investment Manager PSPS	Mandatory requirement. To review Treasury Management Strategy and approve Prudential Indicators.	Annual
	Internal Audit Progress Report	Internal Audit Manager	To update Committee on progress of the plan. Not mandatory, but part of Governance role.	Twice per year
	External Audit Completion Report 2024/2025 (ISA 260)	External Audit Manager KPMG	Mandatory report to those charged with Governance	Annual
	Q2 Risk Report 2025/2026	Business Intelligence and Change Manager	Part of Governance role – not mandatory	Each meeting
	Governance and Audit Personal Skills Audit	Scrutiny and Policy Officer	As requested by members following consideration of the self-assessment exercise	
	Whistleblowing Policy and Procedure	Assistant Director - Governance	To comply with the Committee’s Terms of Reference, as detailed in the Constitution – ‘To review and approve all Council policies and strategies that relate to the prevention of fraud and corruption, including policies on counter fraud, whistleblowing, and money laundering’.	3-yearly <i>Last review March 2021</i>
19 March 2026	Q3 Risk Report 2025/2026	Business Intelligence and Change Manager	Part of Governance role – not mandatory	Quarterly

Date of Meeting	Agenda item	Author	Purpose and whether mandatory	Frequency
	Q3 Treasury Report 2025/2026	Treasury and Investment Manager PSPS	To comply with Treasury Management Strategy reporting requirements	Quarterly
	Draft Internal Audit Plan 2026/27	Internal Audit Manager	Annual Internal Audit Workplan - Mandatory approval	Annual
	Financial Statements - Accounting Policies 2025/26	Head of Finance Delivery - Technical and Corporate (PSPS)	Not mandatory, but good practice.	Annual
	Internal Audit Progress Report 2025/26	Internal Audit Manager	To update Committee on progress of the plan. Not mandatory, but part of Governance role.	Twice per year
	Combined Assurance Status Report 2025/26	Assistant Director – Governance (Monitoring Officer)		Annual
	Update in respect of RIPA 2000	Information Manager / Data Protection Officer	To provide the Committee with an update to the Council's Policy and Procedures on the Regulation of Investigatory Powers Act 2000 (RIPA Policy) and its use and to provide assurance and information.	Annual
	External Audit Strategy and Planning Report 2025/26	External Audit Manager KPMG	Mandatory Approval	Annual

The following item to be added to the Committee's Work Programme on an ad hoc basis, where there is information to report:

- **Code of Corporate Governance** – to adopt the updated Local Code of Corporate Governance, mandatory, to be reviewed every 3 years, last reviewed 19 September 2023.
- **Whistleblowing Policy and Procedure** – to be reviewed every 3 years, due at 29 January 2026 meeting.
- **Counter Fraud, Bribery and Anti-Corruption Policy** - to be reviewed every 3 years, reviewed at 13 November 2025 meeting.

South Holland Governance & Audit Committee - Training Undertaken and Suggested Future Topics

Title	Format / Provider	Date
Introduction to Local Government Finance (as part of Induction)	Chief Finance Officer/ external trainer	17 July 2023
Governance and Audit Committee training	Dems/Finance Officers/MO Ilan Fifield external trainer Ilan Fifield external trainer	12 June 2023 23 June 2025 (whole committee) 14 July 2025 (Chair & Vice Chair specific)
Governance, Code of Conduct, Committee Structure (as part of the Induction)	Monitoring Officer	16 May 2023
Unaudited Financial Statements	Sam Knowles & Ellie Stacey	9 March 2023
End of Year Accounts	Sam Knowles & Ellie Stacey	As needed
Draft Accounts Training	Sam Knowles & Ellie Stacey	9 March 2023
Pensions	Lincolnshire County Council	9 June 2025
Governance	Induction training: John Medler	16 May 2023

Ethics	Induction training: John Medler	16 May 2023
Standards	Induction training: John Medler	16 May 2023
Finance	External provider / Sam Knowles - all Member induction training	17 July 2023
Statement of Accounts	Chief Finance Officer PSPS Detailed session	11 September 2023
Treasury Management	1/ Induction training - Treasury and Investment Manager. 2/ Member Treasury Management Training - Link Group virtual	16 May 2023 22 October 2024
Audit	Induction training - Internal Audit Manager	16 May 2023
Cyber Security	ICT	Online modules October 2023
Risk Report training	Suzanne Rolfe / Corey Gooch	22 October 2025

Future Topics	Plans for Delivery	How and When
Discussion from Self-Assessment Exercise: <ul style="list-style-type: none"> Skills audit 	In house – Rebecca James	Skills audit: report to members at 29/01/26 meeting.