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AUDIT COMMITTEE

Date: Tuesday, 3 February 2026
Time: 6.30pm,
Location: Council Chamber
Contact: committees@stevenage.gov.uk

Members: Councillors: Carolina Veres (Chair), Lloyd Briscoe (Vice-Chair), Phil Bibby, Robert Boyle, Leanne Brady, Mason Humberstone, Dermot Kehoe, Tom Plater, Ceara Roopchand and Tom Wren

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AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES OF PREVIOUS MEETING

To approve as a correct record the minutes of the meeting held on 4 November 2025
3 – 8

3. ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL IMPACT 2026/27

To recommend the approval of the Treasury Management Strategy 2026/27, including its Annual Investment Strategy, Prudential Indicators and Minimum Revenue Provision (MRP) policy.
9 – 46

4. WHISTLEBLOWING POLICY

To consider the Whistleblowing Policy Update
47 – 54

5. SHARED INTERNAL AUDIT SERVICE (SIAS) PROGRESS REPORT

To consider a report on the SIAS Internal Audit Plan 2025/26.
55 – 76

6. URGENT PART 1 BUSINESS

To consider any Part 1 business accepted by the Chair as urgent.

7. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

8. PART II MINUTES OF THE PREVIOUS MEETING

To approve as a correct record the Part II Minutes of the meeting of the Audit Committee held on 04 November 2025.

9. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

Agenda Published 26th January 2026

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE
MINUTES

Date: Tuesday, 4 November 2025
Time: 6.00pm
Place: Council Chamber

Present:	Councillors: Carolina Veres (Chair), Robert Boyle, Leanne Brady, Tom Plater, Ceara Roopchand and Tom Wren
Independent Member:	Syed Uddin
Start / End Time:	Start Time: 6.00pm End Time: 7.25pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were submitted on behalf of Councillors Phil Bibby and Tom Plater.

There were no declarations of interest.

2 **MINUTES OF PREVIOUS MEETING**

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 3 September 2025 be approved as a correct record and signed by the Chair.

3 **MID-YEAR ANNUAL GOVERNANCE STATEMENT UPDATE**

The Committee received an update on progress made against the actions set out in the Council's Annual Governance Statement 2024/25, as reported to the Audit Committee at its meeting on 3 June 2025.

Officers advised that the Council monitored the progress of the implementation of the actions through the Corporate Governance Group (CGG) and outlined the year-to-date progress of the governance improvement actions included in the 2024/25 AGS. It was noted that the full year position would be reported to Audit Committee in June 2026.

It was **RESOLVED** that the progress to date of the actions identified in the Annual Governance Statement 2024/25 be noted.

4 **MID-YEAR TREASURY MANAGEMENT REVIEW 2025/26**

The Assistant Director (Finance) presented a report in respect of the Treasury Management activities in 2025/26 and a review of the effectiveness of the

2025/26 Treasury Management and Investment Strategy including the 2025/26 prudential and treasury indicators.

Officers informed Members that the average level of funds available for investment purposes during the first half of the financial year was £55million, earning an average interest rate of 4.59%. Officers also advised that there had been no breaches of limits in the period of 2025/26.

The Committee noted that the report would be submitted to Cabinet and then on to Council in December 2025.

It was **RESOLVED** that the 2025/26 Mid-Year Treasury Management Review, revised Minimum Revenue Provision Policy and Prudential indicators reports be recommended to Council for approval.

5 **ANTI-BRIBERY POLICY**

The Committee received an update report relating to the Bribery Act 2010 ('the Bribery Act'), which came into force on 1 July 2011 and which aimed to promote anti-bribery practices amongst businesses. Officers advised that it applied to both the private and public sectors including Local Authorities. It was noted that an organisation might commit a criminal offence under the Bribery Act if it failed to prevent bribery that was intended to obtain or retain business or an advantage in the conduct of business for the organisation. An individual could also be guilty of an offence under the Bribery Act.

The Committee was advised that there were four key offences under the Act:

- Bribing another person;
- Taking a bribe;
- Bribing a foreign public official; and
- Failing to prevent bribery.

Officers advised that the Economic Crime and Corporate Transparency Act (ECCTA) had been introduced in 2023 to strengthen the UK's response to economic crime, the Act brings new corporate criminal offences and reforms to improve transparency and fraud prevention. Key provisions included Section 196, which established corporate liability for offences committed by senior managers within their authority, and Section 199, which introduced a "Failure to Prevent Fraud" offence for large organisations where associated persons committed fraud and reasonable prevention procedures were lacking.

Officers stated that the Bribery Act applied to all staff in the organisation and training was given to all staff as part of their on-line induction.

It was **RESOLVED** that the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council**.**

6 **SHARED ANTI-FRAUD SERVICE (SAFS) YEAR END REPORT AND PROGRESS UPDATE**

The Committee received a report providing details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Plan for 2025/26.

It was noted that further reports would be provided during the current financial year and a final report covering the whole year would be provided to this Committee in the summer of 2026.

Officers advised that between April and September this year 86 allegations of fraud had been received affecting service areas such as housing, council tax, procurement, and Blue Badge misuse. 39 referrals had been made by Council officers. It was noted that SAFS currently had 45 cases under investigation, or at referral stage (18), with estimated losses slightly in excess £1m recorded in this caseload.

SAFS officers reported that they had closed 10 investigations with fraud having been identified in eight of those cases. Fraud losses and savings, through prevention, amounting to £209k had been reported.

It was **RESOLVED** that the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council be noted.

7 SHARED INTERNAL AUDIT SERVICE UPDATE

The Shared Internal Audit Service (SIAS) Manager provided Members with a report outlining the progress made by SIAS in delivering the Council's 2025/26 Internal Audit Plan to 17 October 2025; the findings for the period 15 August 2025 to 17 October 2025; details of any changes required to the approved Internal Audit Plan; the implementation status of previously agreed audit recommendations and an update on performance management information to 17 October 2025.

Members were informed of a number of final reports that had been issued since August 2025 which had received reasonable or substantial assurance levels. Members also noted five new Medium Priority recommendations from audits of Building Security and ICT Hardware Inventory.

It was **RESOLVED** that:

1. The Internal Audit Progress Report be noted.
2. The status of critical, high and medium priority recommendations be noted.

8 URGENT PART 1 BUSINESS

AUDITOR'S ANNUAL REPORT 2024/25.

The Chair advised that she had accepted this item as the revised Audit Code of Practice 2024 required local authorities to submit their Auditor's Annual Report by

November each year.

Paul Grady, Azets, advised that the Auditor’s Annual Report provided the Committee with a summary of the findings and key issues arising from their audit of the Council for 2024/25. He advised that the report had been prepared in line with the requirements set out in the Code of Audit Practice and supporting guidance published by the National Audit Office and was required to be published by the Authority alongside the annual report and accounts.

Risks to the General Fund including Local Government Reorganisation, inflation and core funding were identified within the MTFS and these additional pressures would be taken into account during the Audit. It was also reported that the Auditors had commissioned an external specialist report to consider the accounting treatment in relation to the financing of the loan to Marshgate.

The Committee was pleased to note that the audit had not identified any significant weaknesses in the Council’s arrangements and the Auditors were satisfied that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Paul Grady reported that the financial statements audit was currently in progress and due to conclude by the statutory backstop of 27 February 2026.

It was **RESOLVED** that the Annual Report be received.

9 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

1. That, under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1 to 7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That having considered the reasons for the following item being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

10 Q2 CORPORATE RISK REPORT

The Committee considered a Part II report in respect of the Quarter 2 Corporate Risk Report.

It was **RESOLVED** that the recommendations set out in the report be approved.

11 UPDATE ON THE COUNCIL'S WHOLLY OWNED COMPANIES

The Audit Committee considered a Part II report in respect of the Council’s Wholly Owned Companies.

It was **RESOLVED** that the recommendations set out in the report be approved.

12 **ICT UPDATE (CYBER SECURITY)**

The Audit Committee considered a Part II presentation from the Assistant Director Chief Technology Officer, and Senior Information Risk Owner giving an update on ICT and Cyber Security.

It was **RESOLVED** that the presentation be noted.

13 **URGENT PART II BUSINESS**

There was no urgent Part II business.

CHAIR

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Part I
Release to Press

AUDIT COMMITTEE/ CABINET / COUNCIL

Portfolio Area: Resources and Performance

Date: **3 February 2026 / 11 February 2026 / 25 February 2026**

ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL INDICATORS 2026/27

NON-KEY DECISION

Author – Rhona Bellis
Lead Officer – Atif Iqbal
Contact Officer – Atif Iqbal

1 PURPOSE

1.1 To recommend to Council the approval of the Treasury Management Strategy 2026/27, including its Annual Investment Strategy, Prudential Indicators and Minimum Revenue Provision (MRP) policy following considerations from Audit and Cabinet committees.

2 RECOMMENDATIONS

2.1 Audit Committee

That post consideration by the Audit Committee to the Cabinet, the 2026/27 Treasury Management Strategy is recommended to Council for approval.

2.2 Cabinet

That post consideration by the Cabinet, in addition to those made by the Audit Committee, the 2026/27 Treasury Management Strategy is recommended to Council for approval.

2.3 Council

That post consideration by the Audit Committee and the Cabinet, the 2026/27 Treasury Management Strategy be approved by Council.

3 BACKGROUND

3.1.1 CIPFA published the latest Treasury Management and Prudential Codes on 20 December 2021 for implementation from 2023/24. This Council, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

3.1.2 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.

3.1.3 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.

3.1.4 The contribution the treasury management function makes to the authority 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.

3.1.5 CIPFA defines treasury management as:

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

3.1.6 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.

3.2 Reporting Requirements

3.2.1 Capital Strategy

The Capital Strategy (January and February 2026 Cabinet meeting) will be brought before members as a separate report. The aim of that strategy is to ensure that all Members of the Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.2.2 Treasury Management reporting

The Council is required to receive and approve (as a minimum) three main treasury reports each year. The annual treasury management strategy including the Prudential Indicators (this report) is forward looking, it is the first and most important of the three and includes:

a. **Prudential and treasury indicators and treasury strategy** (this report)-
   - 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.

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.

3.2.3 These reports are required to be adequately scrutinised, and this is undertaken by the Audit Committee and Cabinet.

3.2.4 In addition to the three major reports detailed above quarterly reporting is also required and form an appendix to the quarterly Capital monitoring reports, where this is not included in the main reports. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Cabinet (The reports should comprise updated Treasury / Prudential Indicators only).

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 PERFORMANCE OF CURRENT TREASURY STRATEGY

4.1.1 For the financial year to 31 December 2025 returns on investments have averaged 5.27% and total interest earned was £1.8Million contributing to General Fund and Housing Revenue Account income.

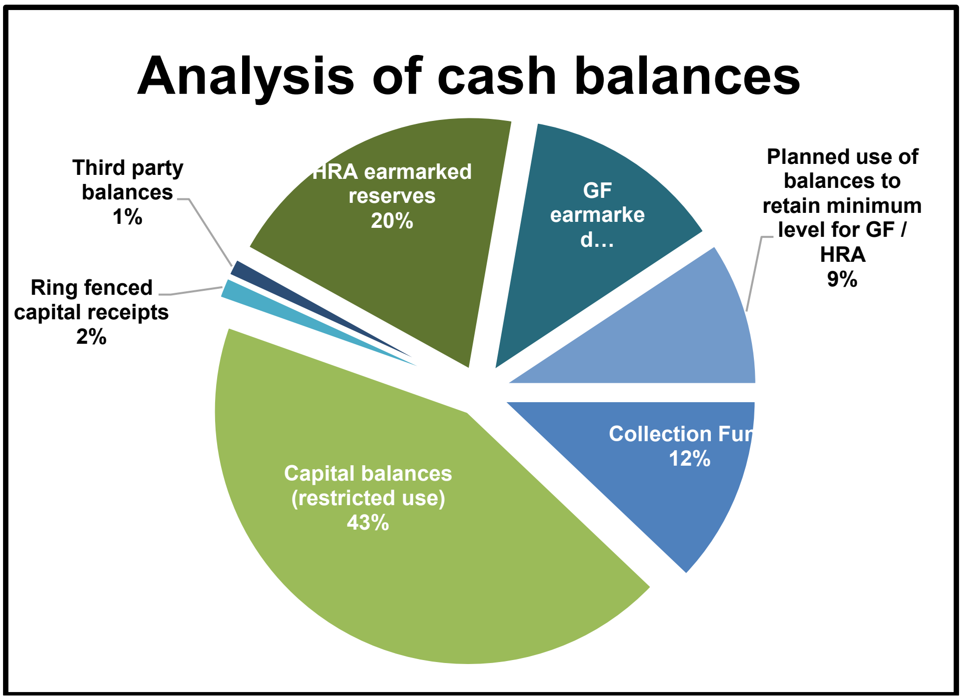
4.1.2 Cash balances as of 31 December 2025 were £56Million and are forecast to be £42Million as of 31 March 2026. The Council's balances are made up of cash reserves e.g., HRA and General Fund balances, restricted use receipts such as right to buy one for one receipts and balances held for provisions such as business rate appeals, reduced by internal borrowing.

4.1.3 In considering the Council's level of cash balances, Members should note that the General Fund MTFS and Capital Strategy have a planned use of resources over a minimum of five years and the HRA Business Plan (HRA BP) a planned use of resources over a 30-year period, which means, while not committed in the current year; they are required in future years.

4.1.4 The Council's current investment portfolio is held for Treasury management purposes only and consists of "conventional" cash investments: deposits with banks and building societies, Money Market Funds and loans to other Local Authorities. Currently no investments have been made with any of the other approved instruments within the Specified and Non-specified Investment Criteria (see Appendix C).

4.1.5 There have been **no breaches** of treasury **counter party limits,** with the investment activity during the year conforming to the approved strategy. Any breach would be notified to the Chief Finance Officer. The Council has had no liquidity difficulties, and no funds have been placed with the Debt Management Office (DMO) during 2025/26 to date, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds borrowed during the year may be placed in the DMO temporarily if cash balances, due to the timing of taking out new loans would breach other counterparty limits.

4.1.6 The following chart shows the planned use of cash balances forecast to be held at 31 March 2026.



4.2 TREASURY MANAGEMENT STRATEGY FOR 2026/27

4.2.1 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.

4.2.2 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.

4.2.3 The Council's Treasury Management Policy Statement can be found at **Appendix A.**

4.2.4 The Council's Capital Strategy is reported separately from the Treasury Management Strategy. Non-treasury investments are reported through the former, ensuring the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

4.2.5 The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

- **Treasury management**
  Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.
- **Service delivery**
  Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

- **Commercial return**
  Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

4.2.6 The Council's current investment portfolio is held for Treasury management purposes only.

4.2.7 **Environmental, social and governance (ESG)** investment considerations - investment considerations here mean understanding the ESG "risks" that the council is exposed to and evaluating how well it manages these risks. It is NOT the same as Socially Responsible Investing.

4.2.8 Managing the ESG risk is already part of the current Treasury Investment Strategy, as the council uses mainstream rating agencies to assess counterparty creditworthiness – they now incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings.

4.3 TRAINING

4.3.1 The CIPFA 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.

4.3.2 The last training arranged for members took place on 22 January 2026, further training will be arranged as required.

4.3.3 The training needs of treasury management officers are periodically reviewed, and all new members of staff are given formal external training by CIPFA.

4.3.4 A formal record of the training received by officers, central to the Treasury function will be maintained by the Head of Technical Accounting. Similarly, a formal record of the treasury management training received by members will also be maintained by the Head of Technical Accounting.

4.4 TREASURY MANAGEMENT CONSULTANTS

4.4.1 The Council uses MUFG Corporate Markets Treasury Limited (MUFG - formerly Link Asset Services) as its external treasury management advisors.

4.4.2 The Council recognises that responsibility for treasury management decisions always remains with the organisation 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 advisors.

4.4.3 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority 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.

4.5 THE CAPITAL PRUDENTIAL INDICATORS 2026/27-2028/29

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.

4.5.1 **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 the Capital Strategy 2026/27 and HRA Budget 2026/27. Members are asked to approve the capital expenditure forecasts: -

Capital Expenditure £000	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA	13,347	29,831	46,551	30,918	6,427
HRA	31,074	40,556	75,634	45,799	37,961
Total	**44,421**	**70,387**	**122,185**	**76,717**	**44,388**

4.5.2 Some late changes included in the Final Capital Strategy 2025/26 in relation to fully funded (grants and contributions) have not been included above. These fully funded schemes have no impact on the borrowing position of the council.

4.5.3 **Affordability Prudential Indicator –** this assesses the affordability of the capital investment plans on the council's overall finances. Members are asked to approve the following indicators: -

Ratio of financing costs to net revenue stream %	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund[1]	(1.1)	4	8	8	2
HRA[2]	12.70	13	15	16	15

The estimates of financing costs include current commitments and proposals in this budget report and both external and internal borrowing.

4.5.4 The table below summarises the above 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.

[1] General Fund: Net revenue stream is the RSG, NNDR grant, and Council Tax raised for the year.
[2] HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self-financing.

Financing of Capital Expenditure £000	**2024/25 Actual**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Capital receipts	8,941	10,279	19,548	23,729	4,074
Capital grants and contributions	8,061	24,987	35,997	9,400	3,742
Community Infrastructure Levy (CIL)	137	109	4,957	1,138	1,729
Capital reserves	591	116	338	105	133
Revenue	3,319	1,125	2,605	2,857	1,070
Major Repairs Reserve	19,312	13,138	13,630	14,044	14,792
Net financing need for the year	**40,361**	**49,754**	**77,075**	**51,273**	**25,540**
Capital Expenditure requiring borrowing	**4,060**	**20,633**	**45,110**	**25,444**	**18,847**

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

4.6.1 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.

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

4.6.3 The Council is asked to approve the CFR projections below:

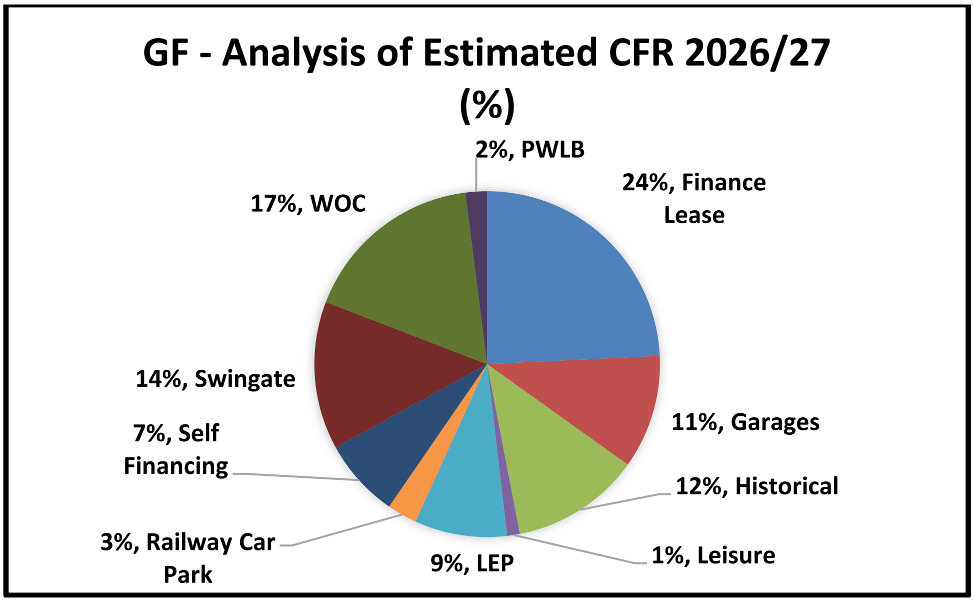
£000	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Capital Financing Requirement					
General Fund excluding Finance Lease	44,884	53,756	50,055	35,884	38,165
Finance Lease	17,235	17,016	16,693	16,353	16,009
Total General Fund	62,119	70,772	66,748	52,237	54,174
Housing	272,356	283,039	310,634	318,525	324,822
Total CFR	**334,475**	**353,811**	**377,382**	**370,762**	**378,996**
Movement in CFR		**19,336**	**23,571**	**(6,620)**	**8,234**

Movement in CFR represented by				
Net financing need for the year (above)	**20,633**	**45,110**	**25,444**	**18,847**

Part I
Release to Press

£000	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Internal and External debt repayments		(500)	**(20,528)**	**(31,048)**	**(9,600)**
Less MRP/VRP[3] and other financing movements		(797)	**(1,011)**	**(1,016)**	**(1,013)**
Movement in CFR		**19,336**	**23,571**	**(6,620)**	**8,234**

4.6.4 The General Fund CFR consists of mainly internal borrowing as illustrated below for 2025/26 (£71Million).



4.7 Liability Benchmark

A third prudential indicator is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years.

Financial Year End	2026 £'000	2027 £'000	2028 £'000
(Over)/Under Liability Benchmark	(13,650)	(12,379)	(35)

4.7.1 There are four components to the LB: -

- Existing loan debt outstanding – the Council's existing loans that are still outstanding in future years.
- 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.
- Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected

[3] Voluntary Revenue Provision

into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

4.7.2 In years where actual loans are less than the benchmark (negative value) this indicates a future borrowing requirement; any years where actual loans outstanding exceed the benchmark (positive value) represent a technically overborrowed position.

4.7.3 The table above shows the current forecast overborrowed position remaining over the short term. This shows that in each year, there are theoretical investment balances that if unallocated, could be used to pay off debt.

4.7.4 Investment balances held by the Council are already allocated and are not available for repayment of debt or additional capital expenditure. As a result, the Council will need to externally borrow to replace internal borrowing in the medium term.

4.7.5 Cashflow is monitored on an ongoing basis to ensure that the timing of external borrowing to support the Capital Strategy and Treasury function is undertaken in a timely and prudent manner.

4.8 Core Funds and Expected Investment Balances

4.8.1 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	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Fund balances / reserves	92,682	105,165	66,777	65,269	74,101
Provisions	3,410	3,500	3,500	3,500	3,500
Total core funds	**96,092**	**108,665**	**70,277**	**68,769**	**77,601**
Working capital*	28,642	10,000	10,000	10,000	10,000
(Under)/over borrowing	(78,602)	(76,321)	(50,277)	(46,073)	(57,601)
Expected investments	**46,132**	**42,344**	**30,000**	**32,696**	**30,000**

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

4.9 Minimum Revenue Provision (MRP) Policy Statement

4.9.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

4.9.2 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

4.9.3 The MRP policy statement requires Full Council approval in advance of each financial year. The Council is recommended to approve the MRP Statement at **Appendix B** to this report.

4.10 Borrowing

4.10.1 The capital expenditure plans set out in paragraph 4.5.1 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.

4.11 Current Portfolio Position

The overall treasury management portfolio as at 31 March 2025 and as at 31 December 2025 are shown below for both borrowing and investments.

TREASURY PORTFOLIO		
£000	actual **31.3.25**	current **31.12.25**
Banks	17,692	12,503
Local Government	10,000	29,570
Money Market Funds	18,440	14,000
Total treasury investments	**46,132**	**56,073**
Treasury external borrowing:		
PWLB	247,987	247,987
Finance Leases and other external borrowing	23,305	23,086
Total external borrowing	**271,292**	**271,073**
Net treasury investments / (borrowing)	**(227,097)**	**(215,000)**

4.11.1 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, highlighting any over or under borrowing.

£000	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt					
Debt at 1 April	258,532	271,292	298,800	333,874	339,681
Expected change in Debt	13,121	27,727	35,397	6,148	6,310

£000	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Expected change in Other long-term liabilities (OLTL)	(361)	(219)	(323)	(341)	(343)
Actual gross external debt at 31 March	**271,292**	**298,800**	**333,874**	**339,681**	**345,648**
The Capital Financing Requirement	**(334,475)**	**(353,812)**	**(377,382)**	**(370,762)**	**(378,996)**
(Under) / over borrowing external debt	**(63,183)**	**(64,228)**	**(50,054)**	**(30,646)**	**(20,617)**

4.11.2 Within the range of prudential indicators there are several 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.

4.11.3 The 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 account of current commitments, existing plans and the proposals in this budget report.

4.12 Treasury Indicators: Limits to Borrowing Activity

4.12.1 **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	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund	60,772	56,747	42,237	44,174
General Fund additional borrowing facility available to the Housing (WOC) Wholly Owned Company	15,000	15,000	15,000	15,000
Total - General Fund	**75,772**	**71,747**	**57,237**	**59,174**
HRA	285,039	312,634	320,525	326,822
Total	**360,812**	**384,382**	**377,762**	**385,996**
Previous Operational Boundary	**356,740**	**370,250**	**361,749**	**361,749**

4.12.2 **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 local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Council is asked to approve the following Authorised Limit:

Authorised Limit £000	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Borrowing - General Fund	82,772	78,747	64,237	66,174
Borrowing - HRA	296,039	323,634	331,525	337,822
Total	**378,811**	**402,381**	**395,762**	**403,996**
Previous Authorised Limit	**374,740**	**388,250**	**379,749**	**379,749**

4.13 Prospects for Interest Rates

4.13.1 The Council retains MUFG as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG provided the following forecasts on 9 January 2026. These PWLB rates exclude 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 (standard rate minus 60 bps) and will end on 31 March 2026.

Interest Rate Forecasts								
Bank Rate	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
MUFG CM	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Cap Econ	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%
5Y PWLB RATE								
MUFG CM	4.60%	4.50%	4.30%	4.20%	4.10%	4.10%	4.10%	4.10%
Cap Econ	4.70%	4.60%	4.60%	4.50%	4.50%	4.40%	4.40%	4.40%
10Y PWLB RATE								
MUFG CM	5.20%	5.00%	4.90%	4.80%	4.80%	4.70%	4.70%	4.70%
Cap Econ	5.30%	5.20%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%
25Y PWLB RATE								
MUFG CM	5.80%	5.70%	5.60%	5.50%	5.50%	5.40%	5.30%	5.30%
Cap Econ	5.90%	5.80%	5.70%	5.60%	5.60%	5.50%	5.50%	5.50%
50Y PWLB RATE								
MUFG CM	5.60%	5.50%	5.40%	5.30%	5.30%	5.20%	5.10%	5.10%
Cap Econ	5.60%	5.50%	5.30%	5.20%	5.20%	5.20%	5.20%	5.20%

4.13.2 The Bank of England (BOE) base rate stands at 3.75% currently and is expected to continue its gradual downwards path when both the CPI inflation and wage/employment data are supportive of such a move.

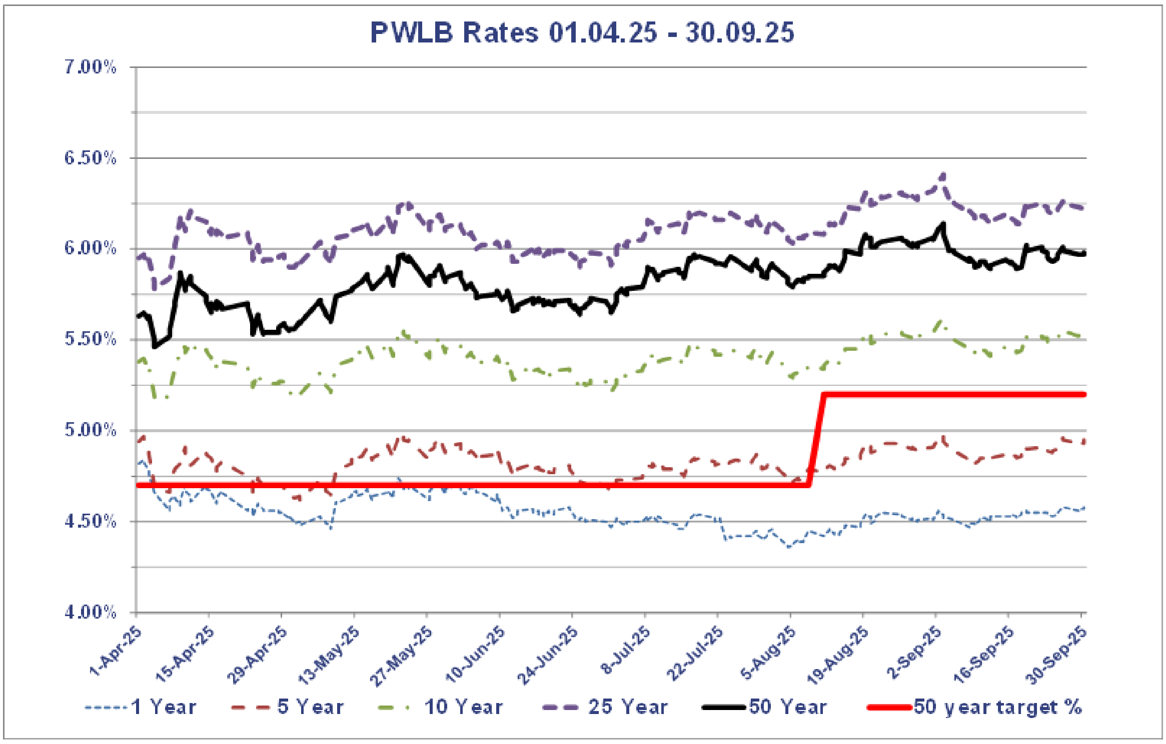
4.13.3 The CPI measure of inflation (a key bank of England KPI driving decisions on interest rates) is now 3.2%. The BOE expects inflation to reduce to near 2% by the middle of 2026.

4.13.4 Regarding the PWLB forecast, these show an increase in forecast and current rates since the last forecast, coming back to similar levels to the historical averages.

4.13.5 The short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to take if the interest rates paid provide sufficient reward for that scenario.

4.13.6 Invariably the direction of US Treasury yields will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East, Asia and now in America (N&S).

4.13.7 Historical PWLB loans rates and shown in the chart below.



5 Current Borrowing Position

5.1.1 The estimated Council's capital financing requirement (CFR) for 2025/26 is £353Million. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council had £271Million in external debt at 31 December 2025, of which PWLB debt and its purpose is detailed in the table below.

Purpose of Loan	PWLB Loan £'000
General Fund Regeneration Assets	**1,756**
HRA	
Decent Homes	38,320
Self-Financing	207,911
Total HRA Loans	**246,231**
Total PWLB Debt at 31st December 2024	**247,987**

5.1.2 Borrowing balances in this report reflect the position as at 31 December 2025. PWLB borrowing of £12M has been agreed with PWLB and will be remitted to Stevenage on 26th January 2026. This has been taken to re-finance HRA internal borrowing. Remaining planned borrowing in the capital programme is being kept under regular review because of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

5.1.3 General Fund external borrowing and finance leases are: -

- PWLB borrowing of £1.8Million
- Local Enterprise Partnership (LEP) borrowing £6.57Million, repayable in 2030.
- A finance lease of £15.9Million (Aviva) for Queensway entered into in 2018/19 for 37 years and immediately sublet to Queensway Properties (Stevenage) LLP for 37 years, and
- A finance lease of £1Million in relation to Boston House (indoor market).

5.1.4 The HRA has external borrowing from PWLB of £246Million

- £7.763Million from pre-2012,
- £4.010Million taken out in 2019/20,
- £10.0 Million taken out in 2020/21,
- £9.047Million taken out in 2021/22,
- £7.5Million taken out in 2023/24 and
- £13Million taken out in 2024/25.

The remainder of £194.911 Million relates to HRA self-financing payment made to central government in 2012.

5.1.5 The target average borrowing rate in the latest HRA MTFS is 4.8% in 2025/26 and 4.8% in 2026/27.

5.1.6 The HRA BP includes a heightened reserves provision going forward to mitigate the risk associated with having a higher borrowed BP. It is currently forecast that the HRA outstanding debt will be repaid in full by 2055/56, including period of re-financing.

5.1.7 Finance leases entered between the HRA and Marshgate Ltd during 2021/22 and 2022/23, the Council's Wholly Owned Housing Company, relating to 10 residential dwellings, leased for 25 years amounted to £1.3Million.

5.2 Borrowing Strategy

5.2.1 The Council is currently maintaining an under-borrowed (non-fully funded) position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council'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 once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if further rate cuts arise.

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

5.2.3 Borrowing may be taken to facilitate investment in regeneration and/or economic improvements for the town. This may include investment in special purpose vehicles owned by the Council to facilitate regeneration aspirations. Any such investments will be presented to Members.

5.3 Policy on Borrowing in advance of Need

5.3.1 It is the Council's intention not to borrow more than or in advance of its needs purely 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.

5.3.2 In determining whether borrowing will be undertaken in advance of need the Council will.

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

5.4 Rescheduling

5.4.1 Rescheduling of current borrowing in the 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.

5.5 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

5.5.1 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:

5.5.2 Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).

5.5.3 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).

5.5.4 The Council's advisors will keep us informed as to the relative merits of each of these alternative funding sources.

5.5.5 The latest list of approved borrowing sources is in Appendix E. These options allow flexibility if funds are required for the short or medium term in order to minimise costs where possible.

5.6 Annual Investment Strategy

5.6.1 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).

5.6.2 In managing the TM function other areas kept under review include:

- Training opportunities available to Members and officers (the most recent training for Members took place on 22 January 2026)
- That those charged with governance are also personally responsible for ensuring they have the necessary skills and training
- A full mid-year review of the TMS will be reported in 2026/27.

5.6.3 The 2026/27 Strategy uses the credit worthiness service provided by MUFG the Council's treasury advisors. This service uses a sophisticated modelling approach which utilises credit ratings from the three main credit rating agencies and is compliant with CIPFA code of practice.

5.6.4 While MUFG may advise the Council, the responsibility for treasury management decisions always remains with the Council and officers do not place undue reliance on the external service advice.

5.6.5 The TM limits for 2026/27 (Appendix C) have been reviewed. No changes are considered necessary since that agreed as part of the Mid-Year Review of 2025/26.

5.6.6 The latest list of “Approved Countries for Investment” is detailed in Appendix E. This lists the countries that the Council may invest with providing they meet the minimum credit rating of AA-. The Council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues.

5.7 Non-Treasury Investments

5.7.1 The CIPFA Prudential and Treasury Codes recommend that authorities’ capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local authority investment:

- Treasury management investments, which are taken to manage cashflows and as part of the Council’s debt and financing activity
- Commercial investments (including investment properties), which are taken mainly to earn a positive net financial return (previously purchased commercial investments only as Council’s are no longer permitted to access PWLB rates if they invest in commercial investments primarily for gain.
- Service investments, which are taken mainly to support service outcomes

5.7.2 Details of the Annual Investment Strategy can be found in Appendix A.

5.8 Investment returns expectations

5.8.1 The current BOE base rate of 3.75% is expected to reduce during 2026 to 3.25% by March 2027. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2026/27	3.5%
2027/28	3.0%
2028/29	3.0%
Years 5+	3.0%

5.8.2 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

5.8.3 Against this view the forecast of interest earned on Treasury investments in 2026/27 is £1.7Million based on average balances of £49Million.

5.8.4 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, to benefit from the compounding of interest.

5.9 Changes of investment strategy

5.9.1 There are no proposed changes to the Strategy for 2026/27.

5.10 OTHER ISSUES

5.10.1 **UK Sovereign rating and investment criteria:** The UK sovereign rating is currently on the lowest acceptable level suggested for approved countries as set out in Appendix E. The Council's investment criteria only use countries with a rating of AA- or above. The UK rating will be exempt from the sovereign rating investment criteria so in this event if it were to result in the UK being downgraded below AA- it would not impact on the Council's ability to invest with UK institutions. Other investment criteria will be considered in this event to ensure security of funds for the Council.

5.10.2 **Queensway Properties (Stevenage) LLP:** In December 2018, the Council entered into a 37-year agreement with Aviva to facilitate the regeneration of Queensway in the town centre. A separate legal entity, Queensway Properties (Stevenage) LLP, was incorporated to manage the rental streams and costs associated with the scheme.

6 IMPLICATIONS

6.1 Financial Implications

6.1.1 This report is of a financial nature and reviews the treasury management function for 2025/26 to date. Any consequential financial impacts identified in the Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

6.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury management practices.

6.2 Legal Implications

6.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.

6.2.2 There have been no changes to PWLB borrowing arrangements or changes to the Prudential and Treasury Management codes since the last Treasury report.

6.3 Risk Implications

6.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. As these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

6.3.2 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

6.3.3 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to consider the relative risk of investments and to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

6.3.4 There is a risk to the HRA BP's ability to fund the approved 30-year spending plans if interest rates rise above planned rates - this will be included in future revisions to the BP.

6.4 Equalities and Diversity Implications

6.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.

6.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

6.5 Climate Change Implications

6.5.1 The council's investment portfolio is invested in sterling investments and not directly in companies. These investments are short term and mainly used for working capital purposes. The council uses mainstream rating agencies to assess counterparty creditworthiness – they now incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. In this way the TM team aligns with the Councils ambition to attempt to be carbon neutral by 2030.

APPENDICES

- Appendix A Treasury Management Strategy (TMS) 2026/27
- Appendix B Minimum Revenue Provision Policy 2026/27
- Appendix C Specified and Non-Specified Investment Criteria
- Appendix D Approved Countries for investment

Part I
Release to Press

- Appendix E Approved Sources of Long and Short-term Borrowing 2026/27

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Appendix A Treasury Management Strategy 2026/27

1. Treasury Management Policy Statement

1.1. The Council defines its treasury management activities as: "*The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*".

1.2. The 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.

1.3. The 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.

1.4. This Strategy has been prepared in accordance with the CIPFA Treasury Management Code 2021. The Code requires the Council to approve the Treasury Management Strategy annually and to produce a mid-year and annual report. In addition, Members in both Executive and Scrutiny functions receive monitoring reports and regular reviews. 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 regarding delegation and reporting.

1.5. The Act requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy to set out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

2. Annual Investment Strategy

2.1. Investment Policy – Management of Risk

2.1.1. 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 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 regarding 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.

2.1.2. The 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: -

a. 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.

b. **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”** and overlay that information on top of the credit ratings.

c. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d. 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 C 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.
- **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.

The Council has determined that it will limit the maximum total exposure to non-specified investments as detailed in Appendix C.

e. **Lending limits and Transaction Limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix C and will consider investments longer than 365 days

f. This Council has engaged **external consultants**, MUFG Corporate Markets Treasury Limited (MUFG – formerly Link Asset Services), 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.

g. All investments will be denominated in **sterling**.

h. The Council only invests in counterparties with a high credit quality in the UK or other countries meeting minimum AA- sovereign rating. The Council understands that changes have taken place to the ratings agencies and that their new methodologies mean that sovereign ratings are now of lesser importance in the assessment process. However, the Council continues to specify a minimum sovereign rating as the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution (see Appendix D).

i. As a result of the change in accounting standards under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. Subsequently, a further extension to the over-ride to **31.3.29** was agreed by Government but only for those pooled investments made before 1st April 2024.

j. 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. Regular monitoring of investment performance will be carried out during the year.

2.2. **Creditworthiness policy**

2.2.1. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. Based on this this main principle, the Council will ensure that:

- It maintains a policy covering the categories of financial instruments it will invest in, maximum investment duration, criteria for choosing counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's Prudential indicators of the maximum principal sums invested more than 364 days.

2.2.2. The Director of Finance will maintain a counterparty list in compliance with the criteria in the Strategy for Specified and Non-Specified Investment and will revise the criteria and submit them to Council for approval as necessary.

2.2.3. In determining the credit quality, the Council uses the Fitch credit ratings, together with Moody and Standard & Poor's equivalent where rated. Not all counterparties are rated by all three agencies and the Council will use available ratings.

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

- Credit watches and credit outlooks from credit rating agencies.
- Credit Default Swap (CDS) spreads. A CDS is a contract used to insure the holder of a bond against default by the issuer. A CDS can act as an indicator of default risk and provide an early warning of likely changes in credit ratings.

- Sovereign ratings to select counterparties from only the most creditworthy countries.

MUFG modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the product 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.

2.2.5. Credit ratings will be monitored whenever an investment is to be made, using the most recent information. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG 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 the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data daily via its Passport website, provided exclusively to it by MUFG Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

2.2.6. Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data including information on government support for banks and the credit ratings of that government support.

2.2.7. The Council receives updates from MUFG on future changes to Money Market Funds (MMF) that might affect the liquidity or risk of the fund. The Council is likely to change its approach to the use of MMF should liquidity or risk be adversely affected.

2.2.8. There are alternatives to the PWLB for borrowing, for both the General Fund and the HRA, including the UK Municipal Bonds Agency. The UKMBA provides funding through three lending programmes. Current UKMBA trading levels in the market, inclusive of all fees, are lower than the PWLB Certainty rate at like maturities.

- Proportionally guaranteed, pooled loans of £1 million or more for maturities greater than one year.
- Standalone loans to a single local Council for £250 million or more for maturities greater than one year. These loans are outside of the proportional guarantee and are guaranteed solely by the borrower, who must obtain an external credit rating from one or more of the major credit rating agencies.
- Short term, pooled loans, outside of the proportional guarantee for maturities of less than one year.

To date the borrowing rates available were lower than those offered for comparable loans available from the Public Works Loans Board (PWLB) at the time of issuance. The Council may make use of this alternative source of borrowing as and when appropriate.

2.3. **Investment Strategy**

2.3.1. **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements, anticipated capital financing 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. While most cash balances are required 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.

- If it is thought that Bank of England base rate (Bank Rate) is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

3. Country limits

3.1. The Council has determined that it will only use approved counterparties from UK or selected countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). This is part of the criteria used to produce the Council's Counterparty List.

4. Borrowing Strategy and Policy on Borrowing in Advance of Need

4.1. 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 Council's reserves, balances and cash flow has been used as a temporary measure. The current strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels as current high inflation rates are expected to continue to reduce throughout 2025/26.

4.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Assistant Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. When prudent to do so "internal borrowing" will be replaced with external borrowing in order to reduce interest rate risk.

4.3. Borrowing may be taken to facilitate investment in regeneration and/or economic improvements for the town. This may include investment in special purpose vehicles owned by the Council to facilitate regeneration aspirations. Any such investments will be presented to Members.

4.4. The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

4.5. In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear MUFG between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need

- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

4.6. Borrowing may be taken to facilitate investment in regeneration and/or economic improvements for the town. This may include investment in special purpose vehicles owned by the Council to facilitate regeneration aspirations. Any such investments will be presented to Members.

5. End of year investment report

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

6. Policy on the use of external service providers

6.1. In October 2023, the Council reappointed MUFG Asset Services (formerly Link) as its treasury management advisors on a three-year contract. The new contract commenced on 1 November 2023.

6.2. The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon our external service providers.

6.3. It also recognises that there is value in employing external providers of treasury management services 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.

7. Scheme of Delegation and Role of Section 151 officer

7.1. **The Council has the role of:**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

7.2. **The Audit Committee** has the role of reviewing the policy and procedures and making recommendations to Council.

7.3. **The Section 151 Officer** has the role of:

- 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
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring 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 a 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 (covered in Annual Capital Strategy Report).

In addition, high value and/or urgent payments can be made by CHAPS by the Treasury Team, however as these can have a material impact on cash flows on the day, authorisation for this type of payment must be obtained from the S151 or deputy S151 Officer.

7.4. Reporting arrangement to the Council and the Audit Committee is as below:

Area of Responsibility	Council Committe	Frequency
Treasury Management Policy Statement (revised)	Council	Initial adoption in 2010

Area of Responsibility	Council Committe	Frequency
Treasury Management Strategy / Annual Investment Strategy / Prudential Indicators and Minimum Revenue Provision (MRP) policy	Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / Prudential Indicators and MRP policy – mid-year report	Council	Annually before the end of the year
Treasury Management Strategy / Annual Investment Strategy / Prudential Indicators and MRP policy – updates or revisions at other times	Council	As required.
Annual Treasury Outturn Report	Council	Annually by 30th November
Scrutiny of Treasury Management Strategy	Audit Committee	Annually before the start of the year
Scrutiny of Treasury Management performance (mid year)	Audit Committee	Annually by 31st December

Appendix B

Minimum Revenue Provision Policy Statement 2026/27

From 2013/14, the council has not had a fully funded capital programme, and although there has not been a need to borrow in full externally, due to the use of investment balances, it is necessary to make adequate provision for the repayment of debt in the form of Minimum Revenue Provision.

The **preferred method for existing underlying borrowing is Option 3 – the Asset Life Method** (out of 4 allowable options – the council can use a mixture of options), whereby the MRP will be spread over the useful life of the asset which range. Useful life is dependent on the type of asset and was reviewed in 2019/20. Following that review asset lives now ranges from 7 years (ICT equipment) to 50 years (Investment properties, regeneration sites and carparks for example).

In applying the new asset lives historic MRP had been overpaid and in accordance with current MHCLG MRP Guidance can be reclaimed in future years. The council has a policy to ring fence costs and income associated with regeneration assets and as such has shown these MRP changes separately, see table below. The overpayment of £1,057,660.39 resulted in no MRP needing to be charged to the accounts for the regeneration assets until 2025/26, when a partial charge will be applied, utilising the remainder of the overpayment balance.

voluntary MRP made	
	Regeneration
2012/13	£46,929.65
2013/14	£140,788.95
2014/15	£163,165.30
2015/16	£141,355.30
2016/17	£141,355.30
2017/18	£141,355.30
2018/19	£141,355.30
2019/20	£141,355.30
cumulative total	**£1,057,660.39**

Use of overpayment	
	Regeneration
2020/21	£193,703.12
2021/22	£193,703.12
2022/23	£193,703.12
2023/24	£193,703.12
2024/25	£193,703.12
2025/26	£89,144.79
cumulative total	**£1,057,660.39**

Capital expenditure financed by borrowing in 2025/26 will not be subject to an MRP charge until 2026/27, or in the financial year following the one which the asset first becomes available for use.

The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

Leases - the adoption of International Financial Reporting Standard 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value.

Regarding MRP in respect of assets acquired either under leases where a right-of-use asset is on the balance sheet or where on-balance sheet PFI contracts are in place, the prudent charge to revenue is measured as being equal to the element of the rent/charge that goes to write down the balance sheet liability.

Investment property - MRP is chargeable in respect of investment properties where acquisition results in an increase to the CFR.

Capital Loans

Where the Council has issued capital loans that are categorised as **non-commercial**, and have not been subject to a recognised credit loss in the current or any previous financial year, the provision of MRP will not apply on the following basis:

(a) the loan is treated as capital expenditure in accordance with regulation 25(1)(b),
(b) the loan is not a commercial loan, and
(c) the local council has not recognised, in accordance with proper practices(c), any expected or actual credit loss in respect of that loan.

For capital loans which are classed as **commercial** then the Authority will provide MRP over a maximum of the useful life of the assets purchased by the third party.

A commercial loan is defined in regulation 27(5) as a loan from the council to another entity for a purpose which, if the council were to undertake itself, would be primarily for financial return; or, where the loan is itself, capital expenditure undertaken primarily for financial return.

Capital receipts received from the non-commercial and commercial loan repayments in the financial year will be used to reduce the debt liability i.e. the capital receipts will be used in lieu of MRP to reduce the CFR.

For capital loans to third parties granted before 7 May 2024 - Where those loans have been subject to an actual or expected credit loss in the current or any previous financial year then MRP will be provided over the useful life of the assets purchased by the third party.

For capital loans to third parties granted on or after 7 May 2024 - Where those loans are subject to an expected or actual credit loss, then the MRP charge will be at least the amount of the recognised credit loss for the financial year, after adjusting for any previous MRP or capital receipts applied to the loan.

The Council has determined that MRP is not required for borrowing or credit arrangements used to finance capital expenditure on housing assets and accounted for within the Housing Revenue Account (HRA) as it has determined, through its duty to charge depreciation and hold a Major Repairs Reserve, that prudent provision has been made.

Capital Receipts - for capital expenditure on loans to third parties where the principal element of the loan has been repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged using the Asset Life Method.

Share Capital - where a Council incurs expenditure that is capitalised on or after April 2008, which is financed by borrowing for the acquisition of share capital, Regulation 25(1)(d) Acquisition of share capital sets out the maximum period for an council to provide MRP of 20 years.

MRP Overpayments - under the MRP guidance, charges made in excess of the statutory MRP can be made and are 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.

Appendix C

Specified and Non-specified Investment Criteria (including Treasury Limits and Procedures)

Table 1

Specified Investments are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR Part-nationalised or Nationalised UK banking institutions (subject to regular reviews of government share percentage).	Maximum duration as per Treasury Advisor's (MUFG's) colour coded Credit List, and less than one year
	Notice Account		
	Short Term Deposit		
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access or with Notice	AAA rated	Instant Access or notice period up to one year

Table 2

Non-Specified Investment are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (MUFG's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

Table 3

Treasury Limits

<table>
<tr><th rowspan="2">Investment Instrument</th><th>Cash balances less than £30Million</th><th>Cash balances higher than £30Million</th></tr>
<tr><th>Limits</th><th>Limits</th></tr>
<tr><td>Variable Rate Investments (Excluding Enhanced Cash Funds)</td><td>Maximum holding £30M</td><td>Maximum holding 100%</td></tr>
<tr><td>Counterparty limits (to encompass all forms of investment)</td><td>Maximum £5M</td><td>Maximum £10M</td></tr>
<tr><td>Instant Access Or Overnight Deposit</td><td colspan="2">Maximum holding 100%</td></tr>
<tr><td>Fixed Rate less than 12 month maturity</td><td colspan="2">Maximum holding 100%</td></tr>
<tr><td>Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits)</td><td>Maximum £5M</td><td>Maximum £10M</td></tr>
<tr><td rowspan="2">Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)</td><td>Maximum £5M per MMF</td><td>Maximum £10M per MMF</td></tr>
<tr><td colspan="2">No limit on total cash held</td></tr>
<tr><td>Enhanced Cash Funds</td><td colspan="2">Maximum £3M</td></tr>
<tr><td>Certifcates of Deposits</td><td colspan="2">Maximum £5M</td></tr>
<tr><td>Property Funds</td><td colspan="2">Maximum of £3M - No durational limit. Use would be subject to consultation and approval</td></tr>
</table>

Procedures of Applying the Criteria and Limits
Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1 Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by MUFG Corporate Markets (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2 If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3 Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

Appendix D

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 creditworthiness service.

Based on lowest available rating (as at 13.11.25)

AAA

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

AA+

- Canada
- U.S.A.

AA

- Abu Dhabi (UAE)
- Finland

AA-

- **U.K.**

A+

- Belgium
- France

The UK is exempt from the sovereign rating criteria as recommended by MUFG. The UK sovereign rating is currently AA-.

The above list includes the possible countries the Council may invest with. Not all of these countries are used or will be used in treasury management investments

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Approved Sources of Long and Short-term Borrowing 2026/27

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

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Whistleblowing Policy

Document	Date	Officers
New Policy- v.1		AD Finance (Brian Moldon)
Revised Version 2	Dec 2025	AD Finance & Deputy S151 (Atif Iqbal) & Monitoring Officer (Victoria Wilders)

Contents

Statement from the Chief Executive

“At Stevenage Borough Council, we are committed to fostering a culture of openness, integrity, and accountability. We want all individuals whether staff, contractors, or partners to feel confident and safe in raising concerns without fear of retaliation. This Whistleblowing Policy exists to reassure everyone that speaking up is not only acceptable but encouraged. We value early reporting of concerns, even if they are not yet substantiated, as it allows us to address issues proactively and responsibly.”

Tom Pike, Chief Executive

1. Introduction

1.1 This Policy applies to anyone working with or for the Council, including permanent staff, agency workers, contractors, and those on flexible or fixed-term contracts. For simplicity, all are referred to as 'employees' in this document.

1.2 The Policy is to be used to raise any concerns about the conduct or actions of another person in their role as an Employee of the Council. The Council has policies to deal with a variety of concerns and some of these are mentioned in section 6.3. It is not possible to provide an exhaustive list to cover every circumstance and if you are not sure you should initially talk to your line manager or the Human Resources (HR) Team who will be able to advise you further.

1.3 All of us at one time or another have concerns about what is happening at work. Usually these are easily resolved. However, when they are about unlawful conduct, financial malpractice, or dangers to the public or the environment, it can be difficult to know what to do.

1.4 You may be worried about raising such a concern and may think it best to keep it to yourself feeling it is none of your business or that it is only a suspicion. You may feel that raising the matter would be disloyal to co-workers, managers or to the Council or that you may get in trouble at a later stage if your concerns prove to be unfounded and your co-workers or manager(s) find out it was you who raised the concern. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.

1.5 Stevenage Borough Council (the Council) is committed to running the organisation in the best way possible and to do so we need your help. The Council has updated this policy to reassure you that it is safe and acceptable to speak up and to enable you to raise any concerns you may have about unlawful conduct, financial malpractice or dangers to the public or the environment, at an early stage, in the right way and, if you request it, in confidence. Rather than wait for proof, the Council would prefer you to raise the matter when it is still a concern.

1.6 If something is troubling you which you think the Council should know about or look into, please use this, Policy. If you wish to make a complaint about your employment or how you have been treated, please use the Grievance Procedure and/or Dignity at Work Policy (available on the Intranet). This Whistleblowing Policy is primarily for concerns where the interests of others or of the Council itself are at risk.

If in doubt – Report it!

2. Our Assurance to You

Your safety

2.1 The Senior Leadership Team are committed to this policy.

2.2 If you raise a concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result, provided you are acting in good faith (**a Genuine Concern**). It does not matter if, following the investigation, you are mistaken about your concern.

2.3 This assurance does not extend to cases where a concern is raised maliciously or with intentional lie.

Your confidence

2.4 The Council will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, the Council recognises that you may nonetheless want to raise a concern in confidence under this Policy. If this is the case, please say so at the outset.

2.5 The Council is committed to ensuring this policy is accessible and supportive for all, regardless of background.

2.6 If you ask the Council to protect your identity, we will not disclose it without your consent. If the situation arises where the Council is not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court) the Council will discuss with you whether and how we can proceed.

2.7 Please remember that, if you do not tell us who you are, it will be much more difficult for the Council to look into the matter, protect your position or to give you feedback. Accordingly, while we will consider anonymous reports, this policy is not well suited to concerns raised anonymously. If you do wish to raise a concern anonymously, you can do so by using the secure email address as per paragraph 3.3 below.

2.8 With these assurances we hope you will raise your concern openly. If you are unsure about raising a concern you can get independent advice from Protect (formerly Public Concern at Work, see contact details under Independent Advice below).

3. How to Raise a Concern Internally

3.1 Please remember that you do not need to have firm evidence of malpractice before raising a concern. The Council asks that you explain as fully as you can the information or circumstances that gave rise to your concern.

3.2 If you have a concern about malpractice the Council hopes, you will feel able to raise it first with your Line Manager or Assistant Director. This may be done orally or in writing.

3.3 If you feel unable to raise the matter with your manager or Assistant Director for whatever reason, please contact:

whistleblowing@stevenage.gov.uk

This email address is confidential and monitored by the Council's whistleblowing reporting officer, Strategic Director and S151 Officer who is the primary contact. The Assistant Director Finance & Deputy S151 officer has delegated authority to manage whistle blowing allegations when Strategic Director and S151 officer is not available. An acknowledgment will be provided within 5 working days of the concern being received in most cases, however if the matter is complex or requires further assessment before meaningful feedback can be provided, the response period may be extended. Updates will be communicated wherever possible.

4. How the Council will Manage the Matter

4.1 Once you have told The Council of your concern, it will assess it and consider what action may be appropriate. This may involve an informal review, an internal inquiry, or a more formal investigation. The Council will tell you: who will be managing the matter, how you can contact them and what further assistance it may need from you. If you ask, the Council will write to you summarising your concern and setting out how we propose to manage it. If the Council has misunderstood the concern or there is any information missing, please let the allocated officer know.

4.2 When you raise the concern, it will be helpful to know how you think the matter might best be resolved. If you have any personal interest in the matter, the Council asks that you say so at the outset. If the Council thinks your concern falls more properly within the Grievance Policy, or Dignity at Work Policy, or another relevant policy or procedure, you will be told.

4.3 While the purpose of this policy is to enable the Council to investigate possible malpractice and take appropriate steps to deal with it, the Council will give you as much feedback as it properly can. If requested, the Council will confirm its response to you in writing. Please note, however, that the Council may not be able to tell you the precise action it takes where this would infringe a duty of confidence owed by us to someone else.

4.4 Although the Council cannot guarantee that it will respond to all matters in the way that you might wish, we will strive to manage the matter fairly and properly. By using this policy, you will help to achieve this.

5. Independent Advice

5.1 If you are unsure whether to use this policy or you want confidential advice at any stage, you may contact:

- Your union (your union representative may be able to provide assistance); or

- The independent charity Protect (formerly Public Concern at Work), https://protect-advice.org.uk.Tel: 020 3117 2520, Email: whistle@protect-advice.org.uk or use website's contact form. Their advisors can talk you through your options and help you raise a concern about malpractice at work.

6. External Contacts

6.1 The Council hopes this policy gives you the reassurance you need to raise your concern internally, but the Council recognises that there may be circumstances where you can properly report a concern to an outside body such as a Key Regulator. This option should be used as last resort but provided you are acting in good faith the Council would rather you raised a matter with the appropriate regulator than not at all.

6.2 Your rights to raise such concerns are established within the Public Interest Disclosure Act 1998. Protect (formerly Public Concern at Work) or your union will be able to advise you on the circumstances in which you can safely contact an outside body.

6.3 Listed here are the Regulators most likely to be linked to Local Government: it is not exhaustive, and a full listing can be found on the PCaW website.

- Health and Safety Executive- Health and safety matters. Tel: 0845 345 0055, website www.hse.gov.uk/workers/whistleblowing

- Environment Agency- Environment matters.
  Tel: 0800 807060, website www.environment-agency.gov.uk

- The Commissioners for his Majesty's Tax related matters e.g. VAT Government Revenue & Customs.
  Tel: 0900 595 000, website customs.confidential@hmrc.gov.uk

- Information Commissioner-Compliance with data protection or FOI. Tel: 01625 545700, website www.informationcommissioner.gov.uk

- External Auditors Azets. Tel: 02074, 031877, website https://www.azets.com/en-uk

- Hertfordshire Shared Anti-Fraud Service (SAFS)
  Direct Dial: 0300 123 4033, e-mail: fraud.team@hertfordshire.gov.uk

7. Monitoring/Review

7.1 This Policy provides protection under Part IVA of the Employment Rights Act 1996. The Councils HR Team will keep it under review and ensure it is made available to and shared with all Employees.

7.2 This Policy will be reviewed every two years, or as required by legislation by the Councils HR Team

8. Quick Reference Guide

8.1 If you have a concern, raise it with your Line Manager or Assistant Director (orally or in writing).

8.2 If you feel unable to do so, email: whistleblowing@stevenage.gov.uk confidentially.

8.3 You do not need proof, just a genuine concern raised in good faith.

8.4 You can report anonymously, but feedback and investigation may be limited.

8.5 Support is available from HR (using normal email address hradvice@stevenage.gov.uk) , your union, or Protect (formerly Public Concern at Work), https://protect-advice.org.uk ,Tel: 020 3117 2520, Email: whistle@protect-advice.org.uk

8.6 The Council is committed to promoting equality, diversity, and inclusion in all whistleblowing matters. We provide support to anyone who raises a concern, and we do not tolerate retaliation or victimisation against whistleblowers.

Stevenage Borough Council
Audit Committee

3 February 2026
Shared Internal Audit Service – Progress Report

Recommendations

Members are recommended to: a) Note the Internal Audit Progress Report b) Note the Status of Critical, High, and Medium Priority Recommendations c) Note the Briefing Paper – Global Internal Audit Standards - Domain III.

Contents

1 Introduction and Background

Purpose of Report

1.1 To provide Members with:

a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2025/26 Internal Audit Plan to 16 January 2026.
b) The findings for the period 18 October 2025 to 16 January 2026.
c) Details of any changes required to the approved Internal Audit Plan.
d) The implementation status of previously agreed audit recommendations.
e) An update on performance management information to 16 January 2026.

Background

1.2 Internal Audit's Annual Plan for 2025/26 was approved by the Audit Committee at its meeting on 25 March 2025. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the third update report for 2025/26.

1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

2.1 As of 16 January 2026, 69% of the 2025/26 Internal Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).

2.2 The following final reports have been issued since 18 October 2025:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Equalities, Diversity & Inclusion	Nov 2025	Substantial	One Low Priority
Housing Register & Allocations	Nov 2025	Reasonable	One Medium & One Low Priority
Risk Management	Nov 2025	Substantial	One Advisory Action
Review of Audit Committee	Dec 2025	Reasonable	Two Medium & One Low Priority
Housing Benefits	Jan 2026	Substantial	One Low Priority
Housing Safety Compliance	Jan 2026	Substantial	None

See definitions for the above assurance levels and recommendation priorities at Appendix D.

2.3 The table below summarises the position regarding delivery of the 2025/26 approved projects to 16 January 2026. Appendix A provides a status update on each individual project within the 2025/26 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	12	40%
Draft Report Issued	4	13%
In Fieldwork/Quality Review	6	20%
In Planning/Terms of Reference Issued	6	20%
Allocated	2	7%
Not Yet Allocated	0	0%
Cancelled/Deferred	0	0%
Total	**30**	**100%**

Internal Audit Plan Changes

2.4 There has not been any Internal Audit Plan changes since it was approved by this Committee on 25 March 2025.

Critical and High Priority Recommendations

2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.

2.6 The schedule attached at Appendix B details any outstanding Critical, High, and Medium priority audit recommendations. Three new Medium Priority recommendations are shown in the schedule. These recommendations are from audits of Housing Register & Allocations (one) and Review of Audit Committee (two).

Performance Management

2.7 The 2025/26 annual performance indicators were approved at the SIAS Board meeting in March 2025.

2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Performance Target for 31 March 2026	Profiled Performance 16 Jan 2026	Actual Performance 16 Jan 2026	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	74%	69%	201 days delivered out of the current 292 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2026	90%	63%	53%	16 projects to draft or final report from the 30 planned
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	90%	100%	100%	Based on the results of the 6 completed questionnaire received (from the 14 issued)
4. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	N/A	N/A	No High Priority recommendations have been made during 2025/26

* Based on Audit Plan 'deliverables' at draft and final stage, and items carried forward from 2024/25 that were not at draft report stage by 31 March 2025.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2025/26 as the audit plan for the financial year 2025/26 was presented to the Audit Committee in March 2025.

- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects.

- **7. Chief Audit Executive's Annual Report** – presented at first 2025/26 meeting of the Audit Committee. This indicator was achieved for 2025/26 as the Client Audit Manager's Annual Report (for 2024/25) was presented to the June 2025 meeting of this committee.

2.10 We currently report no risks to the delivery of a robust annual assurance opinion. However, it should be noted that SBC Plan delivery is currently behind the planned profile. This is a result of the following factors, with the position expected to be recovered during quarter four:

a) Some audits being pushed back at client request, thereby altering the profile of delivery.
b) Vacancies at Assistant Manager and Senior Auditor positions.
c) Delays in our external co-sourced partner being able to commence some of their allocated audits.
d) Some low-level anecdotal evidence of senior staff at partners experiencing capacity challenges linked to LGR. This is a known risk talking to Heads of Internal Audit who have already been through this process.

In respect of the existing gap between profiled and actual performance, this is largely attributable to delays in completing fieldwork on Cyber Security, Damp & Mould and Social-Media / Communication audits. The audit sponsors for these audits are aware of this position.

<u>Global Internal Audit Standards - Domain III</u>

2.11 A briefing paper on the duties and expectations of the Audit Committee under Domain III of the Global Internal Audit Standards (GIAS) is attached at Appendix E. The Committee was previously advised about the Standards and that changes were proposed and being implemented. Members should therefore note the guidance provided regarding the duties and expectations of the Audit Committee under Domain III of the GIAS.

2025/26 Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 75 days									
Business Rates (shared with EHC)						74	Yes	31	Draft Report Issued
Council Tax (shared with EHC)							Yes		In Fieldwork
Housing Benefits (shared with EHC)	Substantial	0	0	0	1		Yes		Final Report Issued
Treasury Management							Yes		ToR Issued
Debtors							Yes		In Planning
Creditors							Yes		ToR Issued
Payroll							Yes		In Fieldwork
Insurance	Substantial	0	0	0	2		Yes		Final Report Issued
Housing Rents							Yes		ToR Issued
Cash & Banking							Yes		ToR Issued
Operational Services – 87 days									
Housing Repairs						15	Yes	14.5	Draft Report Issued
Housing Safety Compliance		0	0	0	0	6	Yes	6	Final Report Issued
Recycling						10	Yes	3	In Fieldwork
Park & Open Spaces						10	Yes	9.5	Draft Report Issued
Follow Up Audit Provision						5	Yes	0	Allocated
Housing Register & Allocations		0	0	1	1	10	Yes	10	Final Report Issued
Building Security	Reasonable	0	0	3	1	11	Yes	11	Final Report Issued
Damp & Mould						10	Yes	3.5	In Fieldwork
Garages	Reasonable	0	0	2	1	10	Yes	10	Final Report Issued
Corporate Services/Themes – 63 days									
Review of Audit Committee	Reasonable	0	0	2	1	6	Yes	6	Final Report Issued
Transformation/Change Management						6	Yes	0	Allocated

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Risk Management	Substantial	0	0	0	1	6	Yes	6	Final Report Issued
Corporate Governance						6	Yes	1	ToR Issued
SHDF Grant Audit	Unqualified	0	0	0	0	6	Yes	6	Final Report Issued
Equality, Diversity & Inclusion	Substantial	0	0	0	1	7	Yes	7	Final Report Issued
Social Media/Communications						8	Yes	5.5	In Fieldwork
Procurement Act						10	Yes	9.5	Draft Report Issued
Ombudsman Referrals	Substantial	0	0	0	2	8	Yes	8	Final Report Issued
IT Audits – 6 days									
Cyber Security – Reliance on Alternative Assurance						6	Yes	2.5	In Fieldwork
Completion of 2024/25 Projects – 10 days									
ICT Hardware Inventory	Reasonable	0	0	2	0	10	Yes	10	Final Report Issued
Contingency – 8 days									
Contingency						8		0	Through Year
Strategic Support – 51 days									
Head of Internal Audit Annual Report						3	Yes	3	Complete
Audit Committee & Recommendation Follow Up						12	Yes	9	Through Year
Client Engagement & Adhoc Advice						8	Yes	7	Through Year
2026/27 Audit Planning						6	Yes	5	In Fieldwork
SIAS Service Development						10	Yes	8	Through Year
Plan & Progress Monitoring						12	Yes	9	Through Year
SBC TOTAL		**0**	**0**	**10**	**11**	**300**		**201**	

* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority

APPENDIX B: IMPLEMENTATION STATUS OF HIGH AND MEDIUM PRIORITY RECOMMENDATIONS

The following appendix provides Audit Committee Members with a summary of the most recent update provided by management in respect of any outstanding critical, high and medium priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
1.	**ICT Hardware Inventory 2024/25.**	**Medium Priority Recommendation:** To address audit findings that relate to governance. We recommend that the Asset Management and Mobile Development Policy, currently being developed, clearly sets out the roles and responsibilities incumbent on officers managing, disposing of and checking IT assets. **Agreed Management Actions(s):** Management is committed to developing a comprehensive Asset Management & Mobile Device Policy by March 2026 to ensure secure, consistent, and appropriate use of mobile devices across the organisation. This will involve a phased approach including initial scoping, staff and union engagement, policy drafting, and formal approval. Key areas such as security, use of personal devices, and staff responsibilities will be addressed, including the disposal and compliance of assets. The policy will be developed collaboratively with trade unions and other stakeholders at both councils, ensuring transparency and alignment with organisational standards and regulatory requirements, supported by clear communication and training during rollout.	**Responsible Officer:** ICT Service Delivery Manager. **Due Date:** 31/03/2026.	January 2026. Work in Progress	Not Yet Due.
2.	**ICT Hardware Inventory 2024/25.**	**Medium Priority Recommendation:** To address audit findings that relate to record keeping. We recommend that a system of cross-referencing between asset registers and other records, such as inventory lists, purchase orders or delivery notes, is implemented. This should provide the Service with more certainty regarding the location and status of assets. **Agreed Management Action(s):** A review of current asset management practices will be undertaken, and updated procedures will be rolled out as part of our wider governance and compliance improvements. In particular, bridging the gap between Intune Asset inventory to assets returned for disposal, assets purchased, creating an inventory list within Manage Engine.	**Responsible Officer:** ICT Service Delivery Manager. **Due Date:** 31/03/2026.	January 2026. Work in Progress.	Not Yet Due.
3.	**Building Security**	**Medium Priority Recommendation:** To address audit findings that relate to security policy.	**Responsible Officer:**	January 2026. Work in Progress.	Not Yet Due.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
		We recommend that the Council implements a formal, Council wide Security Policy with clear processes and defined roles and responsibilities, supported by a governance structure that ensures accountability, oversight, and continuous staff awareness of security issues across all Council owned buildings. **Agreed Management Action(s):** A draft Security Policy is already in progress. This will be finalised and reviewed with input from key stakeholders, then presented for approval. The policy will set out governance structures, accountability, and staff responsibilities across all Council owned buildings.	Facilities & Compliance Manager. **Due Date:** 31/03/2026.		
4.	**Building Security**	**Medium Priority Recommendation:** To address audit findings that relate to buildings inventory. We recommend that the Council should establish and maintain a comprehensive and detailed inventory of all Council owned buildings. This inventory should include accurate property records and incorporate references to periodic security needs assessments to ensure alignment with risk management practices. **Agreed Management Action(s):** A central master record will be created in collaboration with Estates and Facilities. This will consolidate property data into one central system (e.g. Estates spreadsheet), with fields for security requirements and risk assessment references.	**Responsible Officer:** Facilities & Compliance Manager. **Due Date:** 31/05/2026.	January 2026. Work in Progress	Not Yet Due.
5.	**Building Security**	**Medium Priority Recommendation:** To address audit findings that relate to security risk assessments. The Council should implement a formal process for conducting periodic security risk assessments for all Council owned buildings. The frequency of these assessments should be proportionate to the level of security risk associated with each property (e.g. higher risk sites like Daneshill House should be assessed more frequently than lower risk sites). All assessments should be documented, with clear identification of risks and corresponding action plans. **Agreed Management Action(s):** A rolling programme of security risk assessments will be introduced. High-risk sites (e.g. Daneshill House, Cavendish Road Depot) will be prioritised for early completion, with remaining	**Responsible Officer:** Facilities & Compliance Manager. **Due Date:** 31/08/2026.	January 2026. Work in Progress.	Not Yet Due.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
		buildings assessed in line with agreed risk-based frequencies. Results will be logged and monitored against action plans.			
6.	**Housing Register & Allocations**	**Medium Priority Recommendation:** To address audit findings relating to information sharing. We recommend that: a) The Referral to Letting Process' is updated to ensure that following completed assessments, when an applicant is contacted to explain the reasons why they are not suitable b) Lettings are also directly informed of this. c) Housing IT assess whether Lettings can be granted view only access to the TILS arm of NEC. d) Housing IT further identify if there is an opportunity to add a notification / flag in Lettings work tray for unsuitable Independent Living applications to ensure all applications are followed through no matter the status. **Agreed Management Action(s):** a) Referral to letting process. Since 3 October 2025 we introduced outcome letters for successful and unsuccessful applicants explaining the reason if unsuccessful. This has been added to the process as well as updating the lettings team via email. b) We met with Housing I.T to discuss access and whilst it can be granted we agreed it would be better for the lettings team to see the signed assessment saved in IAW. c) We have agreed the security level for the document and are arranging access and training to implement imminently. Once in place the process 6.2 will be updated again. d) No possible functionality to add a flag to work in tray for the lettings team, however, feel it would be covered by the notification from specialist support to lettings following every assessment.	**Responsible Officer:** Specialist Support Services Manager & Lettings Manager, Community Advice & Support. **Due Date:** Immediate.	January 2026. This is a new recommendation and therefore the latest position.	Implemented.
7.	**Review of Audit Committee**	**Medium Priority Recommendation:** To address audit findings relating to statistics on Member training. We recommend that arrangements for the retention of information relating to Member induction training for the Audit Committee are reviewed and emphasised to the responsible officers. **Agreed Management Action(s):**	**Responsible Officer:** Assistant Director of Finance & Deputy S151 Officer.	January 2026. This is a new recommendation and therefore the latest position.	Not Yet Due.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
		HR and L&D teams will be contacted to ensure that any induction of Audit Committee members is kept and provided when required. Also, any bespoke trainings for example SIAS/SAFS and Treasury training records will also be kept.	**Due date:** Prior to the first meeting of new municipal year.		
8.	**Review of Audit Committee**	**Medium Priority Recommendation:** To address audit findings relating to completing an annual self-assessment. We recommend that the arrangements regarding the annual self-assessment, particularly the retention and accessibility of its results, are reviewed and strengthened to ensure that any risks identified because of the exercise can be monitored and managed appropriately. **Agreed Management Action(s):** The Annual Self-Assessment exercise was not completed due to the departure of the previous Assistant Director of Finance & Deputy S151 Officer. The new postholder will ensure this is incorporated into the work programme going forward so that it is completed each year as part of our governance and assurance processes.	**Responsible Officer:** Assistant Director of Finance & Deputy S151 Officer. **Due date:** March each year.	January 2026. This is a new recommendation and therefore the latest position.	Not Yet Due.

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<u>**APPENDIX C: INTERNAL AUDIT PLAN 2025/26 – PLANNED AUDIT START DATES**</u>

April	May	June	July	August	September
IT Hardware Inventory (c/f from Q4 2024/25) Final Report Issued	Building Security Final Report Issued	SHDF Grant Audit Final Report Issued	Ombudsman Referrals Final Report Issued	Equality, Diversity & Inclusion Final Report Issued	Housing Safety Checks Final Report Issued
Insurance Final Report Issued	Garages Final Report Issued		Review of Audit Committee (c/f from May) Final Report Issued	Housing Repairs (c/f from June) Draft Report Issued	Cyber Security In Fieldwork
			Parks & Open Spaces Draft Report Issued		Housing Register & Allocations Final Report Issued
					Damp & Mould In Fieldwork
October	**November**	**December**	**January**	**February**	**March**
Procurement Act (c/f from June) Draft Report Issued	Business Rates Draft Report Issued	Council Tax In Fieldwork	Debtors In Planning	Creditors ToR Issued	Transformation/Change Management Allocated
Risk Management Final Report Issued	Housing Benefits Final Report Issued	Treasury Management ToR Issued	Payroll In Fieldwork	Housing Rents ToR Issued	
Social-Media / Communication (c/f from August) In Fieldwork	Cash & Banking ToR Issued	Recycling (c/f from September) In Fieldwork	Corporate Governance ToR Issued	Follow Up Audit Allocated	

APPENDIX D - ASSURANCE / RECOMMENDATION PRIORITY LEVELS

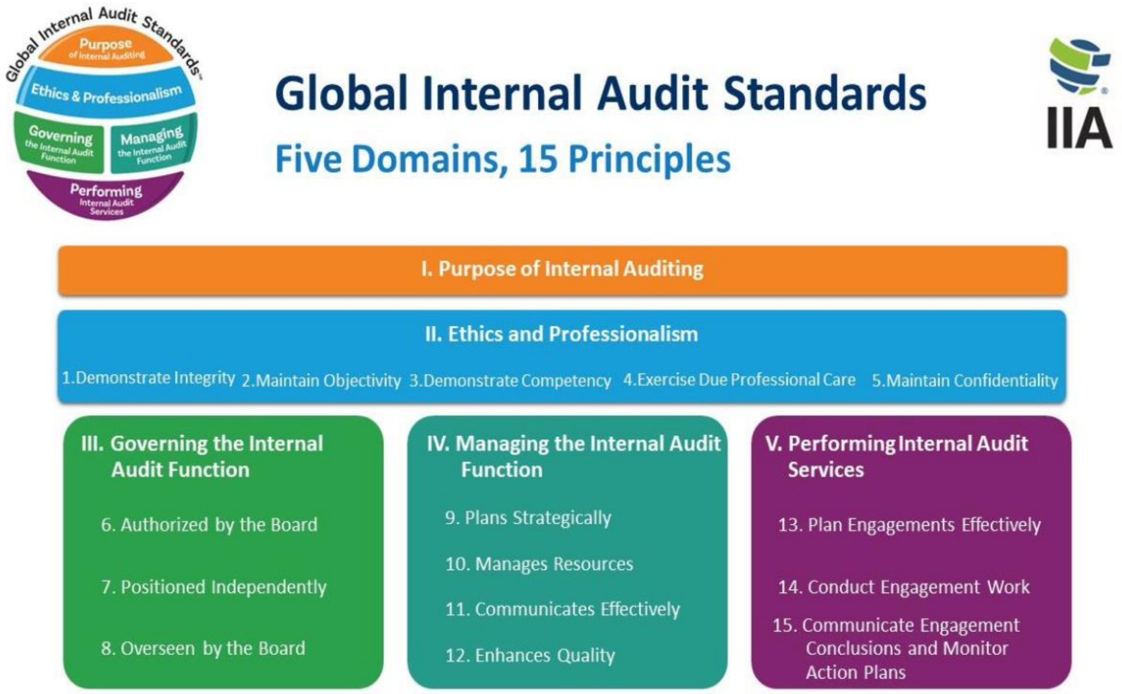
Audit Opinions	
Assurance Level	**Definition**
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, 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 is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Recommendation Priority Levels		
Priority Level		**Definition**
Corporate	**Critical**	Audit findings which, in the present state, represent a serious risk to the organisation, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

1. The purpose of this briefing paper is to serve as a reminder of the duties and expectations of the Audit Committee under Domain III of the GIAS. The GIAS are arranged into five Domains (sections), as also outlined in the image below:

The Global Internal Audit Standards – Domains and Principles



2. Domain III explicitly sets out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform with to demonstrate compliance with the standards. These are further supplemented or interpreted by the Application Note for the GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government.

3. The images below depict the three principles and nine standards of Domain III that specifically relate to arrangements that should be in place to formalise key governance structures, authority, independence and oversight mechanisms.

6. Authorised by the Board

The Board establishes, approves and supports the mandate of internal audit

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

7. Positioned Independently

The Board establishes and protects the internal audit function's independence and qualifications

7.1 Organisational independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The Board oversees the internal audit function to ensure the functions effectiveness

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessments

4. While the Chief Audit Executive (CAE) has responsibilities to communicate effectively and provide the board (Audit Committee) with information, the Audit Committee also has a role and responsibilities that are key to the internal audit function's ability to fulfil the Purpose of Internal Auditing.

Principle 6: Authorised by the Board (Audit Committee)
(To be effective and to meet the requirements of professional standards, internal audit's authority needs to be established.)

Standard 6.1 Internal Audit Mandate

5. The authority, role, and responsibilities of the internal audit function are defined in the Internal Audit Mandate and the Internal Audit Charter. In local government in England, internal audit's authority has statutory backing through the Accounts and Audit Regulations 2015.

Standard 6.2 Internal Audit Charter

6. The mandate and charter empower the internal audit function to enhance the Council's success by providing senior management and the Audit Committee with objective, risk-based assurance and advice. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes throughout the Council.

Standard 6.3 Board (Audit Committee) Support

7. Internal audit's activities require access to and support from senior management, the Audit Committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.

What do Standards 6.1 to 6.3 look like in practice for the Audit Committee?

<table>
<tr><th>Standards 6.1 and 6.2</th></tr>
<tr><td><u>The Audit Committee should:</u>

• Approve the Internal Audit Charter and comment / query or challenge as necessary.</td></tr>
<tr><th>Standard 6.3</th></tr>
<tr><td><u>The Audit Committee</u>:

Should work collaboratively / individually with senior management (as necessary and where not already happening) to support internal audit or obtain assurance that appropriate arrangements are in place as follows:

• Champion the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.

• Facilitate access to senior management, the Audit Committee and the authority's external auditor.</td></tr>
</table>

- Assist, where possible, with access to external providers of assurance such as regulators, inspectors and consultants.
- Engage constructively with internal audit's findings, opinions and advice.
- Build awareness and understanding of the importance of good governance, risk management and internal control as well as internal audit's contributions.
- Ensure there are organisational structures where the CAE reporting line is not lower than a member of the senior management team, has access to all members of the senior management team, and the CAE should be a senior manager, providing them with the necessary profile to fulfil the function's mandate.
- Where internal audit is outsourced / delivered through a partnership arrangement, ensure there is a nominated CAE, and client responsibility lies with a member of senior management.
- The organisational position of the chief audit executive should be supported by direct reporting to the Audit Committee.

<u>Specific actions that the Audit Committee are solely responsible for are to:</u>

- Enquire of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively. (SIAS report on this to the Audit Committee as part of the Annual Assurance Opinion and Internal Audit Annual Report).
- Consider and approve the Audit Plan / Planning Strategy.
- Meet at least annually with the CAE in sessions without senior management present.

Principle 7: Positioned Independently
(On behalf of those charged with governance and the Audit Committee, senior management establishes and protects the internal audit function's independence and qualifications.)

Standard 7.1 Organisational Independence

8. The Audit Committee is responsible for ensuring the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner. Independence is established through accountability to the Audit Committee, access to relevant resources, and freedom from interference.

Standard 7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications

9. CAEs must be suitably qualified, i.e., CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience. In local government, matters around the appointment,

removal, remuneration and performance evaluation of an in-house chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit.

What do Standards 7.1 to 7.2 look like in practice for the Audit Committee?

Standards 7.1 and 7.2

The Audit Committee should:

- Provide feedback on the proposed job description (when recruiting) and the performance evaluation of the CAE should include feedback from the Chair of the Audit Committee. In shared or outsourced arrangements, the Audit Committee should provide feedback on the operation of the contract.

- Support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the CAE.

- Escalate any concerns about internal audit independence to those charged with governance.

- Support the CAE's right of access to the chair of the Audit Committee at any time.

- Receive and consider the CAE's disclosure or confirmation annually whether there have been any restrictions on independence that limit internal audit's ability to carry out its responsibilities effectively (achieved through the Committee receiving and considering the Annual Assurance Opinion and Internal Audit Annual Report).

The Audit Committee should also understand Senior Managements / SIAS Boards role to:

- Ensure internal audit's access to staff and records.
- Ensure that the CAE reports to the audit committee on the work of internal audit.
- Provide opportunities for the CAE to meet with the audit committee without senior management present (at least annually).
- Work with the CAE to remove or minimise actual or potential impairments to the independence of internal audit, and ensure safeguards are operating effectively.
- Recognise that if the CAE has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the CAE and the views of the Audit Committee sought.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

Principle 8: Overseen by the Board
(To ensure the effectiveness of internal audit, it should be overseen by the Audit Committee on behalf of those charged with governance.)

Standard 8.1 Board Interaction

10. Audit Committee oversight is essential to ensure the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the Audit Committee and the CAE.

Standard 8.2 Resources

11. The Audit Committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS in the UK public sector. Where the function is outsourced or shared, the focus should be on the budgeted contract.

Standard 8.3 Quality and Standard 8.4 External Quality Assessment

12. The Audit Committee receives assurance about the quality of the performance of the CAE and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.

What do Standards 8.1 to 8.4 look like in practice for the Audit Committee?

Standard 8.1

The Audit Committee:

- Should follow the CIPFA Audit Committee guidance for the oversight of internal audit.
- Must agree its work plan with the Chief Audit Executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas.
- Should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports within its annual workplan. The Committee should also oversee the tracking and implementation of internal audit recommendations.
- Must familiarise itself with the authority's assurance framework and approach to governance, risk management and internal control arrangements to fulfil the wider terms of reference of the committee (see AGS and Code of Corporate Governance). This understanding will facilitate its interactions with internal audit.
- Should have oversight of the annual governance statement before final approval. Audit Committee familiarity with these will support their effective interaction with internal audit.
- Review and support progression of instances where internal audit considers the management of risk or proposed actions in response to audit engagements

represent an unacceptable level of risk to the authority.

Standard 8.2

The Audit Committee should:

- Confirm that if resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.
- Confirm that where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns are formally recorded and reported to those charged with governance.
- Understand that decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives.
- Receive the CAE's disclosure or confirmation at least annually or as necessary whether there has been any human, technological or human resource matters that have adversely affected internal audit's ability to carry out its responsibilities effectively (done with the Annual Assurance Opinion and Internal Audit Annual Report, and Annual Audit Plan).

Standard 8.3

The Audit Committee should:

- Review annually the results of the CAEs assessment of conformance against GIAS in the UK public sector, including any action plan.
- Review the CAE's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.
- Review in-year updates and make appropriate enquiries if there are concerns about internal audit performance.
- Satisfy itself on the effectiveness of internal audit to meet the requirements of the mandate for internal audit. They should consider conformance with the standards, interactions with the committee, performance and feedback from senior management.
- Report conclusions to those charged with governance, for example as part of the Audit Committee's Annual Report.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

Standard 8.4

The Audit Committee:

- Must receive the complete results of the EQA and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.

The Audit Committee must also understand senior management's / SIAS Board's role to ensure that:

- Internal audit has an external quality assessment (EQA) at least once every five years of its conformance against GIAS in the UK public sector, including the CIPFA Code.
- Discuss the CAE's plan for the EQA and report the options, suggested timing and their recommendation to the Audit Committee.
- Where the authority is the client of an internal audit provider, (shared, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements. This is agreed through the SIAS Board before reporting to the respective Audit Committees.
- Where the authority commissions the EQA, the proposals for the scope, method of assessment and assessor should be brought to the Audit Committee for agreement.

13. Since the implementation of the GIAS, SIAS has ensured that key documents and reports provided to the Audit Committee have been updated to reflect the requirements of the Standards, for example, the Internal Audit Strategy, Internal Audit Charter and Mandate, Audit Plan Reports, Progress Update Reports, Annual Assurance Opinion and Internal Audit Annual Reports.

14. However, it is important for Audit Committee members to remain aware of their responsibilities for reviewing and interpreting this information and seeking wider assurance that the Council maintains an effective, appropriately resourced and independent internal audit function, and that outcomes from the work of internal audit are appropriately acted upon by senior management. The GIAS, Application Note for the GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government provide a timely reminder of the Audit Committee's responsibilities in this regard, and how they can be exhibited in practice.

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