Public Document Pack

West Lindsey District Council

Guildhall Gainsborough
Lincolnshire DN21 2NA
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AGENDA

This meeting will be webcast live and the video archive published on our website

Governance and Audit Committee
Tuesday, 20th January, 2026 at 2.00 pm
Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA

Members:	Councillor Stephen Bunney (Chairman) Councillor Mrs Angela Lawrence (Vice-Chairman) Councillor John Barrett Councillor Eve Bennett Councillor Trevor Bridgwood Councillor Christopher Darcel Councillor David Dobbie Councillor Paul Swift
Independent Members:	Alison Adams Alexio Chandiwana Andrew Morriss

1. **Apologies for Absence**

2. **Public Participation Period**
Up to 15 minutes are allowed for public participation. Participants are restricted to 3 minutes each.

3. **Minutes of Previous Meeting** (PAGES 3 - 10)
To confirm and sign as a correct record the Minutes of the Meeting of the Governance and Audit Committee held on 25 November 2025.

4. **Members Declarations of Interest**
Members may make any declarations of interest at this point but may also make them at any point during the meeting.

5. **Matters Arising Schedule** (PAGES 11 - 13)
Matters Arising schedule setting out current position of previously agreed actions as at 12 January 2026.

6. **Public Reports for Consideration**

i) Internal Audit Progress Report (PAGES 14 - 32)

ii) Draft Treasury Management Strategy 2026/27 and Treasury Management Practices (PAGES 33 - 95)

iii) Proposed Amendment to Council Procedure Rules - Recorded Vote Threshold (PAGES 96 - 100)

iv) Workplan (PAGES 101 - 102)

7. **Exclusion of Public and Press**

To resolve that under Section 100 (A)(4) of the Local Go
1972, the public and press be excluded from the me
following item of business on the grounds that it invol
disclosure of exempt information as defined in paragraph
Schedule 12A of the Act.

8. **Exempt Report (s)**

i) Exempt Appendix - Treasury Management Practices (PAGES 103 - 147)

Paul Burkinshaw
Head of Paid Service
The Guildhall
Gainsborough

Monday, 12 January 2026

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 25 November 2025 commencing at 2.00 pm.

Present:	Councillor Stephen Bunney (Chairman)
	Councillor Mrs Angela Lawrence (Vice-Chairman)
	Councillor John Barrett
	Councillor Trevor Bridgwood
	Councillor Christopher Darcel
	Councillor David Dobbie
	Alison Adams
	Andrew Morriss
In Attendance:	
Peter Davy	Director of Finance and Assets (Section 151 Officer)
Lisa Langdon	Assistant Director People and Democratic (Monitoring Officer)
Sue Leversedge	Financial Services Manager (Deputy Section 151)
Debra Chamberlain	Director - KPMG
Badar Abbas	Senior Manager - KPMG
Rob Barnett	Partner - RSM
Katy Allen	Corporate Governance Officer
Caroline Capon	Corporate Finance Team Leader
Darren Mellors	Performance & Programme Manager
Katie Storr	Democratic Services & Elections Team Manager
Apologies:	Alexio Chandiwana

33 PUBLIC PARTICIPATION PERIOD

There was no public participation.

34 MINUTES OF PREVIOUS MEETING

RESOLVED that the minutes of the meeting held on 30 September 2025 be approved and signed as a correct record.

35 MEMBERS DECLARATIONS OF INTEREST

There were no Declarations of Interest at this point.

36 MATTERS ARISING SCHEDULE

The committee received a report outlining the Matters Arising identified at previous meetings.

An update was given regarding the review of phrasing in the Constitution relating to the public right to record in Committee meetings. It was confirmed that necessary amendments had been made to the constitution.

With no further comments or questions, the Matters Arising Schedule, setting out the position of previously agreed actions was **NOTED**.

The Committee, at the request of the Chairman, agreed to a change in order so that Agenda Item 6 (c) be heard before Agenda Item 6 (a).

37 EXTERNAL AUDIT COMPLETION REPORT - ISA260

The Committee gave consideration to the External Audit report on the quality of the Statement of Accounts and Annual Governance Statement 2024/25, as presented by KPMG. Members were provided with a summary of the audit findings, with the auditor highlighting areas such as, the valuation of land and buildings, the valuation of investment properties, and the valuation of pension benefits. It was confirmed that no audit misstatements were identified, and control measures had been recommended if required. The Committee heard that previously recommended control measures had been addressed.

Members were invited to comment. The committee indicated their contentment with the report and detail contained within, therefore, by unanimous assent, it was

> **RESOLVED** that the contents of the External Audit Completion Report – ISA 260, be accepted.

38 AUDITED STATEMENT OF ACCOUNTS 2024/25 SIGN OFF

Prior to introducing the report, the Chairman highlighted there had been a training session for Committee Members ahead of the meeting and reiterated that those who had been unable to attend would not be able to vote on the item. The Committee then heard from the Financial Services Manager who presented the 2024/25 Statement of Accounts for scrutiny and approval.

It was explained that the audited Statements of Accounts 2024/25 had been prepared in accordance with proper accounting practices and the requirements of International Financial Reporting Standards (IFRS). This was intended to provide for comparable accounts across all accounting boundaries, public and private, national and international. The Actual Outturn for 2024/25 reported a surplus of £2.057m, of which £0.931m related to budget provision for projects which had approval for carry forward as they spanned financial years. This left a £1.126m surplus which had been transferred to reserves. Members heard that Capital Investment in the year totalled £17.398m.

In respect of Usable Reserves, the Council remained in a healthy position with balances detailed as follows:

- General Fund working balance total £4.478m, (£3.402m 2023/24)
- General Fund Earmarked reserves total £19.558m, (£20.047m 2023/24)
- Capital receipts total £1.480m (£1.460m 2023/24)
- Capital Grants unapplied £3.070m (£3.577m 2023/24)

A number of financial performance ratios were contained within the report which illustrated that the Council remained in a healthy financial position.

Members were advised that there were two material misstatements identified during the audit which had been corrected by officers. The statements were a classification adjustment to correctly categorise the balance from short-term deposit to cash at bank with an amount of adjustment of £0.5m and a classification adjustment to correctly classify accrued interest on short-term investment from cash and cash equivalents to trade and other receivables, the amount of the adjustment being £0.986m.

The Financial Services Manager explained that whilst the Statement of Accounts was available for inspection by the electorate from 27 June to 7 August 2025, no such requests were made. The Committee Members were asked to review the Statement of Accounts and confirm there were no concerns to be brought to the attention of Council; also to approve the Statement of Accounts for 2024/25; and to permit the Section 151 Officer and the Chairman of the Committee to certify the letter of representation to KPMG.

On inviting comments from the Committee, the Chairman noted a discrepancy between a section of narrative report and contents of the table detailing the combined income and expenditure. It was confirmed that the narrative was yet to be updated, the figures contained within the table were accurate and, subject to Member agreement, the narrative would be updated prior to publication. This was accepted by the Chairman and Committee Members. It was also noted that any other identified typographical errors would also be corrected.

The subsequent discussion factored in the understandability of the report and contents, with Members expressing a wish for an enhanced approach to Member involvement with the Statement of Accounts reporting, prior to it being presented at the Committee meeting. The Chairman confirmed such discussions had been held with Officers, and the approach would be reviewed ahead of the 2025/26 accounts being presented.

In response to a question regarding the balance of earmarked reserves and the prudence of maintaining reserves versus using funds, the Section 151 Officer explained the governance process for such reserves, highlighting that an annual report was presented to the Corporate Policy and Resources Committee for review. He also emphasised the importance of striking a balance between spending and holding monies in reserve, noting there was continuous open dialogue between himself as Section 151 Officer, the Administration Group, and ultimately through the policy committees.

With no further comments or questions, the Chairman read aloud the recommendations contained within the report and repeated only those who had been present at the training would be able to vote. Having been proposed, seconded, and voted upon, it was

RESOLVED that

a) the Statement of Accounts 2024/25 had been reviewed, and it be confirmed there were no concerns arising from the Financial Statements to be brought to the attention of the Council; and

b) the Statement of Accounts for 2024/25 be approved; and

c) the Section 151 Officer and the Chairman of the Governance and Audit Committee be permitted to certify the letter of representation to the Auditor, KPMG.

39 ANNUAL EXTERNAL AUDIT REPORT 2024/2025

Members heard again from KPMG, regarding the Annual External Audit Report 2024/2025. It was explained that the report summarised all external audit work carried out pertaining to the 2024/25 financial statements and other returns. Members were directed through the report, with detail previously discussed earlier in the meeting regarding the ISA260 report being reiterated. It was highlighted that no significant risks or weaknesses had been identified. Members heard that the National Audit Office had not concluded its audit regarding the whole of government accounts, meaning KPMG had been unable to conclude their work in this area, however this would happen in due course. Finally, it was highlighted that there was nothing of attention to be noted regarding the wider powers of the External Auditors.

Members were invited to comment or question, however with Members indicating their approval of the report, and having been proposed and seconded, the Chairman took the vote and it was

RESOLVED that the findings from the Annual Audit Report provided by the External Auditors be noted and endorsed.

40 QUARTER TWO REVIEW OF STRATEGIC RISKS 2025/2026

Members of the Committee were invited to review the register of strategic risks for quarter two of the 2025/26 financial year. It was highlighted that three of the registered risks had undergone a change of risk owner, additionally, the risk score of the council's ability to deliver strategic priorities had reduced from 12 to nine. Members were requested to consider the details of the register, consider whether there were any additional risks of a strategic nature, and whether the controls in place and prepared actions were sufficiently robust.

Members requested that the report content be reviewed in favour of prioritising current situations rather than providing older information. This was noted to be taken forward into future reports. It was also enquired whether the impact of the combined authority, and relationships between other authorities and West Lindsey District Council, would be deemed a strategic risk. The Monitoring Officer highlighted that should those areas become impactful on the Council and delivery of the Corporate Plan, there would be a further review of the risk status.

With no further comments, and having been proposed, seconded, and voted upon, it was

> **RESOLVED** that the strategic risk register had been reviewed, and consideration had been given to additional risks and the robustness of current controls and proposed actions.

41 INTERNAL GOVERNANCE ARRANGEMENTS

Members gave consideration to a report regarding the updated approach to internal governance arrangements, aligned to the refreshed Corporate Plan. Presented by the Performance and Programme Manager, it was explained that the council operated five programme boards to oversee project delivery, each reporting into a bimonthly portfolio board. A 2025 audit rating of substantial assurance demonstrated that the framework was established and functioning, however several challenges remained. These included limited alignment with the Corporate Plan, minimal stakeholder engagement and awareness, and high resource demands. To address these issues, a new governance model was being introduced to be more closely aligned to the refreshed Corporate Plan.

Members heard this would involve the creation of three new programme theme boards, each directly linked to the Corporate Plan's strategic themes. Each board would manage a delivery plan which included, as a minimum, project performance and strategic risks. Each board would be chaired by a Director and be supported by subject matter experts from across the council, and include Member involvement with each board having both a Lead and Deputy Member sponsor. It was anticipated that the new arrangements would be operational for April 2026, with work underway with Officers to develop the delivery plans, and a further report scheduled to be presented to the Corporate Policy and Resources Committee in due course.

The Chairman thanked the Officer for his explanation, and Members welcomed the opportunity to understand how the refreshed arrangements would build into the overall governance of the council. In response to a question regarding the alignment with the strategic risk register, it was explained that not only would the strategic risk register also be reviewed to be aligned with the Corporate Plan, each of the three themed boards would feed into, and receive feedback, in line with those strategic risks. This was an enhanced approached to incorporate the review of risks directly alongside the delivery of strategic priorities.

Members of the Committee discussed specifics of the wider governance approach, including the frequency of meetings, how Member sponsors would be identified, and by which route would the review progress. It was explained that many aspects were in draft element at the current stage, however there would be further work progressed through the Corporate policy and Resources Committee, and ultimately Full Council.

Members expressed their support for the overall approach to streamline the overall governance, also requesting that updates be shared with the Governance and Audit Committee as work progressed. It was highlighted that the committee also had requested to receive programme updates, which would cover areas such as this.

Having been proposed and seconded, the Chairman took the vote and it was

RESOLVED that the update on internal governance arrangements, for successful delivery of the Corporate Plan be accepted.

42 ANNUAL GOVERNANCE STATEMENT AND CODE OF GOVERNANCE

The Chairman invited the Monitoring Officer to present a report for the Committee to consider the final version of the Annual Governance Statement, and the revised Local Code of Governance. It was explained that the Council was legally required to publish an Annual Governance Statement, to be included within the 2024/25 Financial Statement. Whilst there was no legal requirement to have a Local Code of Governance, it was recommended by CIPFA/SOLACE (Delivering Good Governance in Local Government Framework 2016) that local authorities should produce a Code that illustrated how they achieved good governance across the organisation. The previous version had been in place since 2019, and so revisions included updates to current branding.

In response to a question regarding actions arising from the peer review, it was confirmed that actions were ongoing and aligned with the refresh of the Corporate Plan. Additionally the Annual Governance Statement and Local Code of Governance were reported through the Governance and Audit Committee only, with the draft AGS and final version being an annual report, for inclusion in the Statement of Accounts.

In expressing content that matters were being progressed, and the Committee would be kept up to date with actions as required, the recommendations within the report wee duly moved, seconded, and voted upon, and it was

RESOLVED that

a) the updated Annual Governance Statement 2024-25 had been reviewed and its inclusion within the 2024-25 Financial Statement be approved; and

b) the revised Local Code of Governance be approved.

43 COMMITTEE WORKPLAN

A Member of the Committee enquired as to the feasibility of there being something of a pre-meeting for Members of the Committee to review papers with Officers and each other, in terms of looking at specific reports. This was also connected with the committee-specific training and Members being able to attend as far as possible.

The Chairman noted the commitment required for reviewing papers as they were published, accepting some items were large, involved documents. Options for earlier review would be considered, and the Democratic Services and Elections Team Manager also highlighted the importance of items of business being included in the work plan with sufficient notice, as this provided Members advance detail of what was to be addressed at each meeting.

With comments taken on board, and no further questions, the work plan was **DULY NOTED.**

44 INTERNAL AUDIT PROGRESS REPORT

The Committee gave consideration to the final public report, that being the Internal Audit Progress report. It was explained that there were two audits which had been completed however the time scales for sign off meant that only the one, cyber security, was reported to the current meeting. Members heard that the highest level of assurance had been issued, which, for an area of high risk, was an excellent result. Only two management actions had been identified, one of medium importance and one of low importance, which also demonstrated the success of the field of work.

With regards to ongoing audits, it was explained that work was on track to complete the full audit plan according to the specified time frame, with subsequent progress reports scheduled in for upcoming meetings.

Members of the Committee praised the outcome of the cyber security audit and extended thanks to the Head of Digital Data and Technology and his team, noting how appreciative Members were for the diligence of the team.

With no further comments or questions, and having been proposed, seconded and voted upon, it was

> **RESOLVED** that progress to date had been reviewed and the content of the report be agreed.

45 EXCLUSION OF PUBLIC AND PRESS

> **RESOLVED** that under Section 100 (A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

46 PROCUREMENT EXCEPTIONS

The Committee heard from the Director of Finance and Assets (S151 Officer) who presented a list of procurement exceptions granted under delegation between 1 October 2024 and 30 September 2025. It was explained that when procuring and extending contracts, the Council's contract procedure rules set out how this should be done, however, there were rare circumstances where following the procedure rules was not practical or possible. Therefore, depending on the value of a contract, either Committee, Management Team or the Section 151 Officer, could exempt the procurement from the Contract Procedure Rules, allowing for a direct award of choice. It was highlighted that this process should only be by exception rather than rule and a report must be compiled for approval. The Governance and Audit Committee was requested to review the report and note the exemptions made under delegations provided within the Council's constitution.

Members examined the details of the procurement exceptions and enquired as to the specific circumstances. Officers provided additional information and reiterated the requirements of a direct award.

Having reviewed the details, the procurement exemptions made under delegations provided within the Council's constitution were **DULY NOTED.**

The meeting concluded at 3.23 pm.

Chairman

Governance & Audit Committee Matters Arising Schedule

Purpose:
To consider progress on the matters arising from previous Governance & Audit Committee meetings.

Recommendation: That Members note progress on the matters arising and request corrective action if necessary.

Meeting	Governance and Audit				
Status	**Title**	**Action Required**	**Comments**	**Due Date**	**Allocated To**
Black	**Review specific phrasing in the Constitution**	Monitoring Officer to review the phrasing in the Constitution relating to the public right to record in Committee meetings.	**G&A 250121: The Chairman recommended certain sections of the Constitution be reworded to prevent misinterpretation with respect to the rights of the public in Committee meetings.** **Amended Phrasing agreed with Chairman and published**	25/11/25	Lisa Langdon
Black	**One-page summary of the Risk Management Strategy to be produced and shared**	Corporate Governance Officer to produce one-page summary of the Risk Management Strategy to be shared with Council staff and Members.	**G&A 250422: A Member of the Committee praised the document as an excellent management tool. It was suggested that a one-page summary be created for staff and Members to aid readability.**	25/11/25	Katy Allen
Black	**Regular project management updates**	Updates on project management to be shared with the Governance and Audit Committee outlining the control environment.	**G&A 250422: [The Chief Executive] highlighted that Members were only informed on the wellbeing of a project if there were financial or quality problems… It was proposed that… regular updates could be brought to the Committee outlining the control environment…with an initial update expected in November 2025..** **Update submitted to Nov Cttee - Next update will post implementation and will be added to the work plan for June 2026**	25/11/25	Darren Mellors

Black	**Enhanced reporting of outstanding audit actions**	Corporate Governance Officer to coordinate with Internal Audit to enhance the level of detail in audit reports, specifically concerning outstanding actions that had not been completed by their expected implementation dates.	**G&A 250610: Concern was expressed by Members of the Committee over the accumulation of outstanding audit actions.** **Update: To be incorporated into the Internal Audit Follow Up Report due at the 30 September committee meeting.**	30/09/25	Katy Allen
Black	**Report detailing the Council's partnership register**	Report to be compiled and brought before Committee detailing the Council's partnership register. - This is now on the cttees work plan for March 2026	**G&A 250610: The Chairman noted that reliance on [audit] reports from other authorities did not necessarily provide full visibility, and mechanisms for reviewing external partnerships should be strengthened.**	25/11/25	Katy Allen
Green	**Feedback following audit of appraisal process**	Further detail to be provided regarding expected improvements in the appraisal process.	**G&A 241126: At the request of Members to ensure further oversight... appraisal KPIs would be reported to Management Team... and the relevant Committee. NB: suggested route = Joint Staff Consultative Committee**	31/01/26	Lisa Langdon
Green	**Update on the implementation of new procurement rules and regulations**	Chair of G&A requested the Internal Audit team to examine progress made in implementing procurement rules and regulations in a year's time (approximately January 2026).	**G&A 250121: The Chairman requested that a further report from Internal Audit be presented to the Committee in a year's time reporting the progress made in implementing the new procurement rules and regulations.**	31/01/26	Peter Davy
Green	**Development of Delivery Programme**	Newly developed Delivery Programme to be shared with Members in due course, with verbal updates to be provided, in relation to both the Council’s strategic priorities and Local Government Reorganisation (LGR).	**G&A 250422: It was agreed that verbal progress updates would be provided through the Matters Arising item on the Committee agenda, until the Delivery Programme had been fully developed.**	Ongoing	Rachael Hughes

Green	**Provision of financial explanatory guidance documents**	Financial explanatory guidance documents to be issued alongside financial reports to aid understanding for Councillors and members of the public.	**G&A 250610: The Chairman noted that some Councillors, particularly those who expressed a lack of familiarity with financial matters, often found concepts such as materiality, triviality, and misstatements challenging. A request was made regarding the provision of explanatory documents, to ensure Councillors and members of the public had accessible guidance to allow them to fully understand the documents.**	31/01/26	Peter Davy

Agenda Item 6a

Governance and Audit Committee	
20 January 2026	

Subject: Internal Audit Progress Report

Report by:	Assistant Director People & Democratic Services
Contact Officer:	Lisa Langdon Assistant Director People & Democratic Services
Purpose / Summary:	To present Governance and Audit Committee with the Progress report for January 2026 from Internal Audit

RECOMMENDATION(S):

Governance and Audit Committee are asked to review the progress to date and to agree the content of the report.

IMPLICATIONS

Legal: Contents outlines progress made against legal contract with Internal Audit provider.

(N.B.) Where there are legal implications the report MUST be seen by the MO

Financial: FIN/146/26/GA/SL

No financial implications arising from this report.

Staffing : None

(N.B.) Where there are staffing implications the report MUST have a HR Ref

Equality and Diversity including Human Rights : None

Data Protection Implications : None

Climate Related Risks and Opportunities: None

Section 17 Crime and Disorder Considerations: None

Health Implications: None

Title and Location of any Background Papers used in the preparation of this report :

None

Risk Assessment :
None

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**		**No**	**x**

1. Introduction

1.1 Internal Audit for West Lindsey District Council is undertaken by RSM UK Risk Assurance Services LLP. All progress reports and final internal audit reports are reported to Management Team and Governance and Audit Committee.

2. Current Position

2.1 The progress report from Internal Audit for January 2026 outlines the key messages which includes:

- progress against the internal audit plan for 2025/26
- update on key performance indicators

The progress report is attached as Appendix One.

3. Recommendation

3.1 Governance and Audit Committee are asked to review the progress to date and to agree the content of the report.

WEST LINDSEY DISTRICT COUNCIL

Internal Audit Progress Report

20 January 2026

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

CONTENTS

KEY MESSAGES

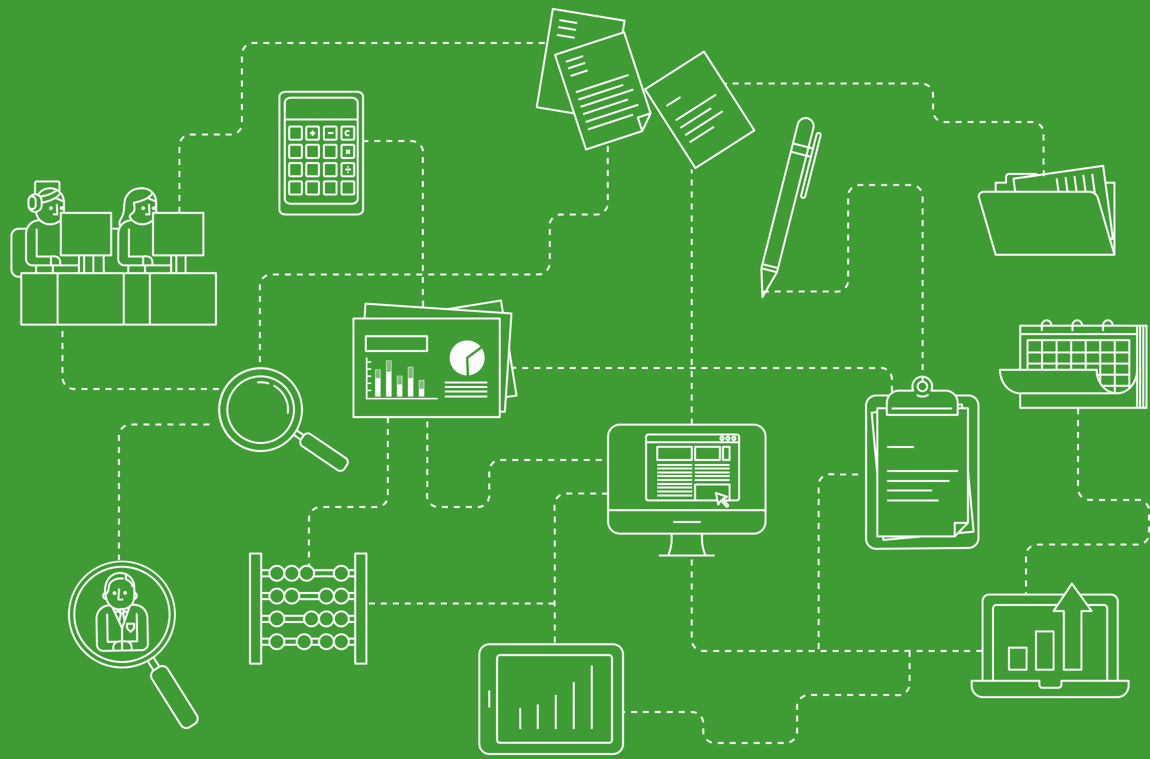
The internal audit plan for 2025/26 was approved by the Governance and Audit Committee at the 11 March 2025 meeting. This report provides an update on progress against the plan and summarises the results of our work to date.

We have issued two reports as final as part of the internal audit plan since the Governance and Audit Committee meeting in November 2025. These are Members Onboarding and Training (4.25/26), and Financial Resilience and Scrutiny (6.25/26).

- We have issued the Grant Funding and Grant Management (5.25/26) report in draft, and audits have been completed for Procurement, Code of Governance, HR System Readiness. At the time of writing these papers, they had not been issued in final to be able to present to this committee. These will now be presented to the March 2026 meeting. **[To note]**
- Details of the progress made against the internal audit plan are included at Appendix A. **[To note]**
- Following discussions with the Chief Executive and Assistant Director People and Democratic Services, it was agreed that the Combined Assurance Audit would be changed to a review of how the council adhere to the Code of Governance. **[To note]**
- Fieldwork dates have been agreed with management for all of the internal audits scheduled for 2025/26 to ensure that all fieldwork will be completed by the end of the year, and our Head of Internal Audit Opinion can be provided at the first meeting of the 2026/27 financial year. Details are included in Appendix B. **[To note]**

Appendices

02



APPENDIX A: PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2025/26

Assignment	Status / Opinion issued	Actions agreed				Target Governance and Audit Committee meeting	Actual Governance and Audit Committee meeting
		Advisory	Low	Medium	High		
Fraud Risk Assessment - Follow Up	Final Report Issued / Reasonable Assurance	0	1	3	0	July 2025	July 2025
Follow Up 1	Final Report Issued / Reasonable Progress	0	3	1	0	September 2025	September 2025
Cyber Security Operations	Final Report Issued / Substantial Assurance	0	1	1	0	November 2025	November 2025
Members Onboarding and Training	Final Report Issued / Substantial Assurance	0	2	0	0	November 2025[1]	January 2026
Grant Funding and Grant Management	Draft Report Issued – Awaiting Finalisation					January 2026[2]	
Financial Resilience and Scrutiny	Final Report Issued / Substantial Assurance	0	1	0	0	January 2026	January 2026
Procurement	Audit Complete					January 2026[3]	
HR System Readiness	Audit Complete					January 2026[3]	
Code of Governance	Audit Complete					January 2026[3]	
Planning Enforcement	Fieldwork commencing 5 Janaury 2026					March 2026	
Emergency Planning / BCP	Fieldwork commencing 26 January 2026					May 2026	
Climate Change Strategy	Fieldwork commencing February 2026					May 2026	
Follow Up 2	Fieldwork commencing 9 March 2026					May 2026	

[1] Although this report has been finalised by management in the specific audit area, this will now be presented to the January 2026 meeting. This is due to the timings of the Management Team meeting to formally approve the report taking place the day before the Chairs Briefing, thus not allowing enough time to be included in the papers.
[2] This audit report had been issued in draft, however, at the time of writing these papers management responses had not been provided to finalise.
[3] This audit had been completed w/c 15th December, however, due to paper deadlines the report was not finalised at the time of the paper deadline.

APPENDIX B: OTHER MATTERS

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

As part of the Quality Assessment and Improvement Programme, none of your files were selected for Internal Quality Monitoring programme during 2024/25. From the results of the reviews undertaken across our client base, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

Post assignment surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Following the completion of each product, we include a link to a brief survey in each report we issue.

APPENDIX C: KEY PERFORMANCE INDICATORS

Delivery	Target	Actual	Notes*	Quality	Target	Actual	Notes*
Audits commenced in line with original timescales*	Yes	Yes		Conformance with PSIAS	Yes	Yes	
Draft reports issued within 10 days of debrief meeting	10 working days	*6 working days (average)*		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 10 days of draft report	10 working days	*11 working days (average)*		Response time for all general enquiries for assistance	2 working days	*2 working days*	
Final report issued within 3 days of management response	3 working days	*2 working days (average)*		Response for emergencies and potential fraud	1 working day	*N/A*	

Notes

This takes into account changes agreed by management and the Governance and Audit Committee during the year. Through employing an agile or a flexible approach to our service delivery we are able to respond to your assurance needs.

FOR FURTHER INFORMATION CONTACT

Rob Barnett, Head of Internal Audit

Email: **Robert.Barnett@rsmuk.com**

Aaron Macdonald, Managing Consultant

Email: **Aaron.Macdonald@rsmuk.com**

AUDIT OUTCOME OVERVIEW – MEMBERS ONBOARDING AND TRAINING

Conclusion: Our audit identified there were controls in place to ensure Members are onboarded effectively and the Democratic Elections Team identify and communicate timely with new Members. We did note areas for improvement which has resulted in the agreement of two low priority actions.

Internal audit opinion:

Minimal Assurance | Partial Assurance | Reasonable Assurance | **Substantial Assurance**

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Audit themes:

Policies and Procedures

- There is no formal policy or procedure setting out staff responsibilities for Member onboarding and training. **(Low)**

Roles and Responsibilities

- There is clarity over the roles and responsibilities for the onboarding and training of new and returning Councillors. The Councillor Induction Programme offers a structured framework that clearly identifies the Democratic Services and Elections Team as the lead coordinator. Supporting documents, including Article 2 of the Constitution and the Final Candidate Letter, reinforce expectations regarding Member conduct, participation in training, and completion of mandatory induction activities. Collectively, these documents demonstrate that appropriate arrangements are in place.

Communication with new Members

- Welcome packs are distributed to each newly elected council Member as election results are announced and these were reviewed as part of the audit. There is also a timetable in place setting out a schedule of onboarding activities which is communicated in a timely manner.

Inductions

- Inductions are expected to be completed within the first six months following an election. It was noted by management that in 2023, the induction process was extended to accommodate the changed demographic of newly elected Councillors, many of whom were in full-time employment and only available during evenings. We had reviewed the Councillor Induction Programme 2023 and were able to confirm that the induction was completed by our sample of 10 new Members.

Committee Specific Training

- As part of our review, a sample of 10 committee Members was selected to verify completion of their specific training requirements for participation in committee meetings.

  For the Governance and Audit Committee, review of three Councillor's training records confirmed that they had attended specific Governance and Audit Committee training.

  For the Licensing Committee, we were able to confirm from our sample of five Councillors, four had attended the sessions with one Council Member providing notice beforehand informing she was unable to attend the required session.

  For the Planning Committee, two sampled Members were identified as having attended the training session.

Member Development Group

- A Member Development Group is in place; however, this meeting has not taken place for over 12 months due to absence and a vacancy of the Member Development Officer. **(Low)**

Code of Conduct

- From our sample of 10 new Members, all 10 ,embers had accepted the code of conduct and signed the declaration of office within the stipulated timeframes.

Feedback

- The Council has established structured mechanisms to gather feedback from Members and uses this feedback to improve the Member Induction and Development Programme. Review of the evidence confirmed that the May 2023 induction programme was revised in response to Member feedback, including adjustments to delivery methods (video briefings, hybrid workshops, e-learning), reorganisation into themed modules, evening session scheduling, and the introduction of feedback tools such as surveys and comment functionality. Feedback from the Member/Officer Away Day (July 2023) was also used to identify barriers to attendance and develop more flexible training formats. The Member Development Group reviews feedback at the end of each training theme to inform future plans, and individual feedback forms allow Members to provide suggestions for improvement.

Attendance

- While processes are in place to monitor attendance at training sessions and meetings, Officers do not have the authority to compel Members to attend. A performance measure previously existed to track participation; however, there is currently no mechanism to enforce attendance or apply sanctions. Management acknowledge that there are limited measures to encourage participation and no legal power to mandate it. In addition, it was confirmed by the Democratic Elections Team's Manager that attendance is recorded at the start of each session and uploaded to the system, where it populates individual training records in mod.gov. This was confirmed from our review.

SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as:

High	Medium	Low
Immediate management attention is necessary.	Timely management attention is necessary.	There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
1	Management will document clear guidance for wider staff to follow regarding the Member onboarding and Member training processes. This will include the relevant steps that non-democratic team Members need to be aware of, defined timescales, and clarification of their roles and responsibilities within the process.	**Low**	Democratic Elections Team Manager	31 December 2025
2	Management should ensure that the Member Development Group is formally reconvened following the recruitment of the new Member Development Officer. Regular meetings should be scheduled to provide ongoing oversight of Councillor training and development activities, helping to ensure that training needs are being proactively identified.	**Low**	Democratic Elections Team Manager	31 January 2026

AUDIT OUTCOME OVERVIEW – FINANCIAL RESILIENCE AND SCRUTINY

Conclusion:

Overall, we found there was a well-established control framework relating to financial resilience and scrutiny which was designed effectively and was being applied consistently. Testing was conducted to confirm that financial plans were in place, based upon approved and reasonable assumptions, and departments across the Council have regular input and involvement with the setting and monitoring processes.

We have identified scope for improvement in one area which management have agreed with, relating to the training for Budget Managers. While training is conducted, this is not formalised or consistently recorded, reducing assurance that all relevant officers have received and understood the required guidance. This resulted in the agreement of one low priority management action.

Internal audit opinion:

Minimal Assurance | Partial Assurance | Reasonable Assurance | **Substantial Assurance**

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Audit themes:

Policies and Procedures

- The Council has an established and actively maintained framework for budgeting, forecasting and financial monitoring, supported by clear procedural, operational and governance documents. Financial Procedure Rules and budget monitoring processes are reviewed annually, with updates approved through the Governance and Audit Committee, ensuring controls remain current and aligned to legislative and operational changes. Through this document and supporting documents, roles and responsibilities are clearly defined.

Training

- Although training materials are available to Budget Managers and training is provided to new Budget Managers, training is often informal or not recorded consistently, and as such there is a risk that not all Budget Managers have received training, or have been involved in regular refresher training. **(Low)**

Tracking and Monitoring of Financial Planning

- The Council operates a structured and cyclical financial planning and monitoring process with an annual timetable for quarterly financial reviews and approval through the Corporate Policy and Resources (CPR) Committee, supported by monthly and quarterly reports to senior management and the Chief Executive/Section 151 Officer.

Forecast performance, treasury activity, capital monitoring and reserve movements are consistently tracked, with period-to-period comparisons and reconciliations back to prudential indicators. Variances are reviewed early through management briefings, enabling timely escalation and corrective action to be taken.

Approval and Support of Financial Assumptions

- The Council maintains a consolidated and documented record of key financial assumptions underpinning the 2025/26 Medium-Term Financial Plan. The Assumptions Total 25–26 spreadsheet includes detailed workings for staffing, reserves, income and other core budget areas, and is subject to internal review and formal approval by the Section 151 Officer. This demonstrates that assumptions are scrutinised and endorsed before being incorporated into draft budget reports for committee and Full Council review.

Scrutiny and Approval of Financial Budgets and Plans

- Responsibilities for approving financial budgets and plans are clearly delegated across the committees and Full Council, with each playing a defined role in the scrutiny and approval of budgets and the Medium-Term Financial Plan. Our testing confirmed the financial budgets and plans were approved at the required meetings, in line with delegated authorities.

Stress Testing Aligned to Financial Plans

- Our review confirmed that financial stress testing is embedded within the Council's quarterly monitoring and Medium Term Financial Plan processes. Significant variances, reserve movements and the General Fund Balance are reviewed each quarter, with modelling of key risks including pay, inflation, interest rates, business rates volatility and income fluctuations formally documented within the MTFP and supported by the Section 151 Officer's statutory assessment. The MTFP includes a detailed risk register, sensitivity analysis and defined minimum reserve levels, while scenario modelling demonstrates the potential impact of adverse financial conditions.

Monitoring of Trigger Points

- Financial trigger points are defined and consistently monitored as part of the Council's Medium Term Financial Plan and quarterly reporting cycle. Key thresholds, including minimum General Fund Balance requirements and the levels of key reserves, are embedded within the financial planning framework and subject to regular review by the CPR Committee. A structured reporting schedule ensures timely oversight, with triggers monitored through both automated RAG ratings within the budget monitoring system and manual financial review by Finance Business Partners and the Finance Manager.

Ongoing Stress Testing

- We confirmed that the Council undertakes regular stress testing throughout the year, supported by quarterly monitoring of revenue, capital, reserves and key financial risks. Quarterly reports to Management Team and the CPR Committee allow early identification of pressures, with mitigation through reserve use or in-year savings where required. An annual review of Earmarked Reserves further assesses the adequacy and purpose of reserves, confirming minimum General Fund Balance levels and the role of key reserves such as the Budget Stability Reserve and Business Rates Volatility Reserve. These arrangements are subject to member scrutiny and approval, ensuring oversight and alignment with the Council's financial resilience strategy.

Reforecasting

- We identified that in-year financial reforecasting is undertaken three times per year, supported by quarterly Budget and Treasury Monitoring reports to Management Team and the CPR Committee. Mid-year forecasts assess expected outturns for revenue, capital and treasury activity, with variances analysed by service cluster and supported by detailed narrative and corrective actions where required. Comparisons between budgeted and actual outturns are presented, demonstrating how pressures and gains impact the overall financial position. External reports, including the Mid-Year Review and Investment Analysis, enhance treasury monitoring by providing market insights and benchmarking.

Savings Programme

- The Council has established governance arrangements for a Savings Board, formally referred to as a Working Group, designed to support financial sustainability should a savings programme be required. The draft Terms of Reference, approved by the CPR Committee, set out a defined purpose focused on reviewing delivery of the Medium Term Financial Strategy, identifying potential savings and income opportunities, and strengthening member understanding of financial decision making.

Decision Making

- The Council has an iterative financial planning process that supports informed service-level decision making. Budget Managers work with Finance Business Partners to develop proposals for the Medium Term Financial Plan, drawing on historical performance, in-year monitoring and financial implications from governance reports. Pressures and savings are captured through routine mechanisms and incorporated into a central model, with internal mitigations expected before escalation. Unavoidable pressures are formally reviewed by Management Team, which determines whether they are built into the base budget, declined or funded from reserves. Member scrutiny is then applied through the Prosperous Communities Committee and the CPR Committee, with final approval by Full Council.

Financial Performance Reporting

- Our review confirmed that financial performance and resilience are reported regularly through the governance framework that provides oversight at both management and committee levels. Management Team receives frequent updates and reviews key financial issues, while the CPR Committee considers detailed quarterly reports covering revenue and capital forecasts, reserves, carry forwards and income projections. Additional performance reporting, including Progress and Delivery updates, informs the Medium Term Financial Plan and supports evidence-based decision making. The Prosperous Communities Committee further contributes to scrutiny through its review of fees, charges and service budgets. Full Council approval of the MTFP provides final assurance.

SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as:

High	Medium	Low
Immediate management attention is necessary.	Timely management attention is necessary.	There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
1	Management will introduce a formal training process for Budget Managers. This should include: • A standardised induction covering financial planning and budget monitoring; and • A central record of training completion.	**Low**	Financial Services Manager	31 March 2026

Governance and Audit Committee
20 January 2026

Subject: Draft Treasury Management Strategy 2026/27 and Treasury Management Practices

Report by:	Director of Finance and Assets (Section 151 Officer)
Contact Officer:	Caroline Capon Corporate Finance Team Leader caroline.capon@west-lindsey.gov.uk
Purpose / Summary:	To seek approval for the Treasury Management Strategy, Prudential Indicators, Minimum Revenue Provision Policy and Capital Investment Strategy to facilitate effective financial management and planning

RECOMMENDATION(S):

1. **That the Committee review, comment on and scrutinise the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision (MRP) Policy 2026/27 and recommend to the Council for approval.**

2. **To review, comment on and scrutinise the Capital Investment Strategy in conjunction with the Treasury Management Strategy.**

3. **Approval of any changes to the Capital Strategy and Minimum Revenue Provision (MRP) Policy and Prudential Indicators be delegated to the Section 151 Officer in consultation with the Chair of the Governance and Audit Committee, prior to the final strategy being presented to Council in March.**

4. **That the Committee review, comment on and scrutinise the Treasury Management Practices and recommends to Council for approval.**

Public Interest Test:

The Proper Officer has determined in preparing this report that paragraph 3 should apply to **Appendix 2**. The view on the public interest test was that while they was mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money the right of a third party to the privacy of their financial/business affairs outweighed the need for that information to be made public.

This information is not affected by any other statutory provision which requires the information to be publicly registered.

On that basis it was felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when excluding the public from the meeting for any discussion regarding Appendix 2.

IMPLICATIONS

Legal:

The Local Government and Finance Act 2003, the Prudential Code and the Treasury Management Code of Practice and Sectorial Guidance include a key principal that an organisations appetite for risk is included in their annual Treasury Management Strategy and this should include any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing.

Financial: FIN/137/26/MT/CC

There are no direct financial implications arising from this report.

Staffing:

None from this report.

Equality and Diversity including Human Rights:

None from this report.

Data Protection Implications:

None from this report.

Climate Related Risks and Opportunities:

The strategy includes for investment in Environmental, Social and Governance (ESG) financial instruments where such factors are taken into account when choosing investment products.

Section 17 Crime and Disorder Considerations:

None from this report.

Health Implications:

None from this report.

Title and Location of any Background Papers used in the preparation of this report:

Prudential Code for Capital Finance in Local Authorities 2021

Treasury Management Code of Practice and Cross-Sectorial Guidance Notes 2021

Treasury Management in Public Services: Guidance Notes 2021

All papers are located in the Financial Services section, Guildhall

Risk Assessment:

Interest Rate Risk: A rise in interest rates may lead to capital investment loss due to the inverse price and yield relationship and vice versa.

Inflation Risk: Real returns can be eroded if inflation is expected to or rises during the term of the investment, therefore capital value may be reduced

Re-Investment Risk: the effect of changing interest rates on re-investment before maturity.

Credit Risk: The value of an investment can be affected by the credit quality/rating of the issuer.

Default Risk: Possibility that total principal may not be returned before maturity, or partially returned.

Net Cost of Services Risk: Under the IFRS9 amendments in 2018/19 there is a risk that adverse fair value valuations for some investments (such as the Property Fund) would have a direct negative impact on the Comprehensive Income and Expenditure Statement for Net Cost of Services. A statutory over-ride is currently in place which is due to end on 31st March 2029.

Risks associated with investing for longer periods, and in instruments/assets where the values can go down as well as up, will require mitigation as there will be increased risk to the security and liquidity of investments.

Mitigation of these risks will be undertaken by defining the restrictions of time and maximum value of investment made and with appropriate financial appraisals being undertaken for each investment. Close monitoring of the investment performance will also be undertaken. Risk to the Net cost of services due to

IFRS9 will be mitigated through the maintenance of a reserve for Investments Volatility Reserve, this will prevent any adverse change in valuation have a direct impact on the Comprehensive Income and Expenditure Statement. Ongoing review and maintenance of this reserve will be required each year.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e., is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**x**	**No**	

Executive Summary

1.1 The Council is required to approve a Treasury Management Strategy Statement for 2026/27 before 1 April 2026. In accordance with the constitution the Governance and Audit Committee are responsible for the scrutiny of the Council's Treasury Management Strategy and Policies. The Treasury Management Strategy is attached in Appendix 1 for this purpose. The Capital Investment Strategy, which has direct links to the Treasury Management Strategy is also provided for scrutiny. In addition, the Treasury Management Practices have been reviewed and is attached in Appendix 2.

1.2 The Council is required by statutory provision and regulation to 'have regard to' the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003

1.3 By using the Prudential Code Framework, the Council ensures that the following objectives are met: -

- capital expenditure plans and investment plans are affordable and proportionate
- all external borrowing and other long-term liabilities are within prudent and sustainable levels
- the risks associated with investments for commercial purposes are proportionate to their financial capacity, and
- treasury management decisions are taken in accordance with good professional practice.

The Borrowing Strategy

1.4 HM Treasury announced reforms on Public Works Loan Board (PWLB) borrowing in November 2020, in that it would no longer support borrowing for the acquisitions of new investment assets purchased primarily for yield (Non-Treasury Activity i.e., Commercial property investment). In addition, the Prudential Code 2021 now precludes the use of any type of borrowing for primarily for a financial return (including internal borrowing) for this purpose. The Borrowing Strategy therefore no longer includes borrowing for this purpose.

However, borrowing is allowable to enable the effective management of the Property Portfolio.

The key objectives of the Council's Borrowing Strategy are.

- To ensure that future external debt is affordable and sustainable within the long term within the revenue budget constraints.
- To support schemes with a socio-economic value i.e., for the regeneration and growth of the district.
- To support significant service investment where the cost of borrowing will be offset by efficiencies and/or cost savings and/or income.
- All external debt undertaken will be repaid at loan maturity

The Investment Strategy

1.5 The main objective of the strategy is the security, liquidity and finally yield of the investment, in the context of the Councils risk appetite and through the mitigation of risks.

1.6 The Council has a Climate Change strategy. As the Council will be interested in undertaking actions to reduce climate change, the Council as an ethical investor will consider the environmental, social and governance issues (ESG) when making treasury investment decisions.

1.7 The Treasury function is controlled by statute and professional guidance and its main priorities must remain as security, liquidity and yield.

1.8 Consideration of ESG will be undertaken when considering new investment opportunities and will be in accordance with our counterparty limits and rating criteria.

The Minimum Revenue Provision Policy (MRP)

1.9 The Council will repay an element of prudential borrowing annually.

The MRP Policy is as detailed below.

- Asset Life Method – debt repaid over the life of the asset
- Loan Principal repayment will be used to reduce the capital financing requirement instead of MRP. Where no repayment is made MRP will be charged.
- Where the Council has previously borrowed for the acquisition of Investment Properties the Asset Life Method will be used to calculate the MRP charge applicable on an annual basis. The maximum life that is used for this class of asset is fifty years.

Commercial Investments (Property Portfolio)

1.10 Whilst it is appreciated that these properties will be subject to wear and tear, all leases are fully insuring and repairing leases, with the liability for maintaining the asset at its current state being the responsibility of the Lessee.

1.11 The transactional costs of acquisition of these properties have been capitalised. Investment Properties will be revalued annually as at the Balance Sheet date.

1.12 Full MRP will be provided on investment properties in line with the latest government guidance. These amounts are factored into the Medium Term Financial Plan.

1.13 MRP Overpayments – The current DLUHC MRP Guidance allows that any charges made over the statutory minimum revenue provision (MRP) i.e., voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

1.14 Up until the 31 March 2025 the total Voluntary Revenue Provision (VRP) overpayments have been £1,081k however this relates to payments to reduce prudential borrowing against the Commercial Investments Property Portfolio and is therefore not deemed an overpayment.

1.16 To provide transparency the Treasury Management Strategy includes at 4.7 the (Non-Treasury) Investment Strategy in the context of the investing in commercial activity to ensure services can be maintained as government funding reduces and as previously approved by Corporate Policy and Resources Committee. Expert and legal advice will always be sought to ensure that any additional purchases, or replacement purchases are within our powers.

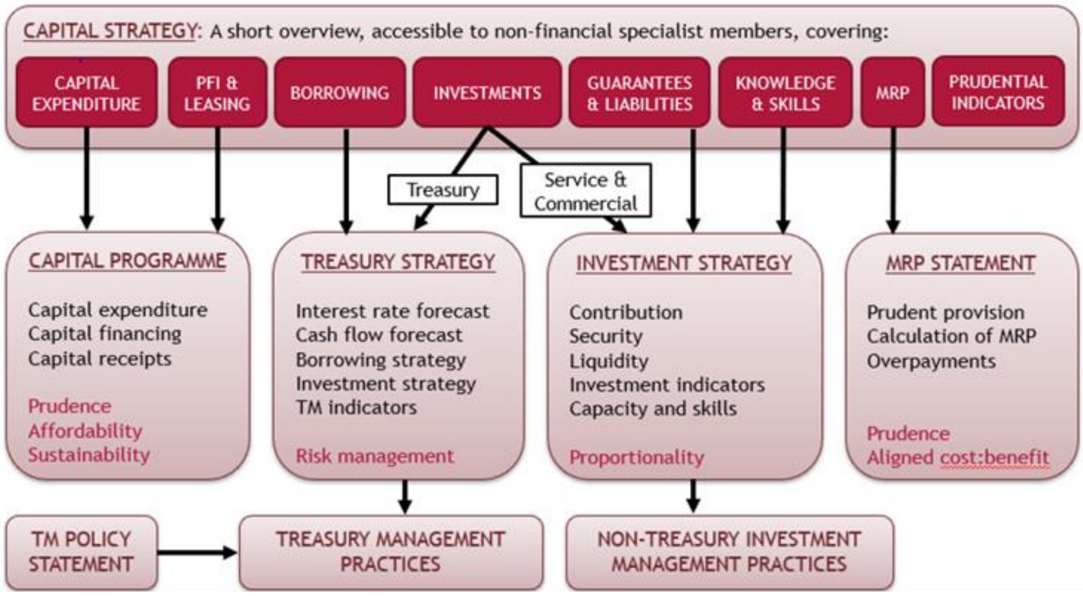
1.17 The Treasury Management Strategy including the Borrowing Strategy, Investment Strategy and Minimum Revenue Provision Policy are detailed below.

1.18 The Capital Investment Strategy is an appendix at the end of the Treasury Management Strategy. The Capital Investment Strategy forms a key part of the Council's overall Corporate Planning Framework. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's over-arching corporate priorities and objectives over a medium term (five year) planning horizon.

1.19 The Capital Investment Strategy provides a framework to enable both revenue and capital investment decisions which contribute to the achievement of the Council's priorities and objectives as set out in the Corporate Plan.

1.20 The strategy defines how the capital programme is to be formulated, and it identifies issues and options that influence revenue and capital spending and sets out how the resources will be managed.

The framework below illustrates the Prudential Framework.



1.21 Prudential indicators are designed to provide support and record local decision making and not as comparative performance indicators. These are contained within the Treasury Management Strategy. As we await the final finance settlement, indicators will be finalised prior to submission to Council for approval.

1.22 The draft strategy is attached at Appendix 1 and Members are asked to review, comment on and scrutinise the Strategy, Prudential Indicators and Minimum Revenue Provision (MRP) Policy 2026/27 and recommend to the Council for approval. To also review, comment on and scrutinise the Capital Investment Strategy in conjunction with the Treasury Management Strategy. Finally, that any changes to the Capital Strategy and Minimum Revenue Provision (MRP) Policy and Prudential Indicators be delegated to the Director of Finance and Assets (Section 151 Officer) in consultation with the Chair of the Governance and Audit Committee, prior to the final strategy being presented to Council in March.

Treasury Management Practices

1.23 The Council is required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (The Code) as revised in 2021. To comply with the key requirements of the Code, the Council should create and keep under review, suitable Treasury Management Practices setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

1.24 Only TMP1, Treasury Risk Management requires approval each year. This is because TMP1 includes how our counterparty framework will be managed and therefore needs Members affirmative action to proceed. Other TMPs focus more on day-to-day operation and general principles and practice which may remain unchanged between years. A full review of the TMPs has been completed in November 2025, the key changes are:

- TMP 1 to reference Environmental, Sustainability and Governance (ESG) considerations in credit and counterparty policies.
- TMP 10 to include the addition of a Knowledge and Skills Schedule informed by a Member self-assessment exercise. Audit & Governance Committee members to completed this assessment during January 2026.
- The addition of the Liability Benchmark
- Revisions to reflect changes in the management structure and job roles responsible for the treasury management function.

External Oversight

1.25 MUFG Corporate Markets are our Treasury Advisors during 2025. The Treasury Management Strategy 2026/27 and the Treasury Management Practices (updated November 2025) have been reviewed by MUFG to ensure compliance with the Treasury Management Code of Practice and Sectorial Guidance 2021.

TREASURY MANAGEMENT STRATEGY
Minimum Revenue Provision Policy and Annual Investment Strategy 2026/27

INDEX

1. INTRODUCTION

1.1 Background

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.

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

The Council's Corporate Plan identifies the Corporate Objectives of the Council, and which then informs capital investment requirements. The 2026/27 to 2030/31 Capital Programme includes capital investment which will require resourcing, from revenue, earmarked reserves, capital receipts, grant income, and borrowing.

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

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.

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

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

The treasury management activity involves substantial sums of money, which it borrows and invests. This exposes the Council to potential large financial risk, which can include the loss of invested funds, or the revenue consequence of changes in interest rates. Therefore, the successful identification, control and monitoring of risk are integral to this function and include credit and counterparty risk, liquidity risk, market or interest rate risk, refinancing risk and legal and regulatory risk.

1.2 Reporting Requirements

1.2.1 Capital Investment Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all Local Authorities to prepare a capital investment strategy report, which will provide the following:

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

The aim of this capital strategy is to ensure that members of the Governance and Audit Committee understand the overall long-term policy objectives and resulting capital investment strategy requirements, governance procedures and risk appetite.

This capital investment strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures 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. The capital investment strategy shows:

- The corporate governance arrangements for these types of activities.
- Any service objectives relating to the investments.
- The expected income, costs and resulting contribution.
- The debt related to the activity and the associated interest costs.
- The payback period (MRP policy).
- For non-loan type investments, the cost against the current market value.
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital investment strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2 Treasury Management Reporting

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

a) **Prudential and treasury indicators and treasury strategy** (this report) The first and most important report is forward looking and covers:
   - The capital plans, (including prudential indicators)
   - A Minimum Revenue Provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
   - The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
   - An Investment Strategy (the parameters on how investments are to be managed).

b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Corporate Policy and Resources Committee will receive quarterly update reports.

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

Scrutiny

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

Quarterly Reports

In additional to the three major reports detailed above, quarterly reports at the end of June and December are also required. As the Council's quarter one end is at the end of May then this represents the end of June report. These reports are included within the quarterly reports which are considered by the Corporate Policy and Resources committee.

1.3 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

Capital issues

- The Capital expenditure plans and the associated prudential indicators.
- The Minimum Revenue Provision (MRP) policy.

Treasury management issues

- The current treasury position.
- Treasury indicators which limit the treasury risk and activities of the Council.
- Prospects for interest rates.
- The borrowing strategy.
- Policy on borrowing in advance of need.
- Debt rescheduling.
- The investment strategy.
- Creditworthiness policy; and
- The policy on use of external service providers.

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

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

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

- Record attendance at training and ensure action is taken where poor attendance is identified.

- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).

- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

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

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained by Financial Services. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by Financial Services.

1.5 Treasury Management Consultants

The Council uses MUFG Corporate Markets as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council currently uses Bruton Knowles in relation to this activity.

2. 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.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans which are included in the approved Capital Programme, and which are the key drivers to treasury management activity. The output of the programme is reflected in the Council's prudential indicators, which are designed to provide Members with an overview and Members are asked to approve the capital expenditure forecasts:

Capital Expenditure By Cluster £'m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Our People	6.642	4.606	2.958	2.888	0.837
Our Place	10.592	8.093	0.476	0.479	0.979
Our Council	0.164	1.263	0.124	0.075	0.141
Total	**17.398**	**13.962**	**3.558**	**3.442**	**1.957**

Capital expenditure can be financed from a range of external and internal sources. External sources include private sector contributions i.e., S106 developer agreements, as well as government grants. Internal sources include capital receipts, earmarked reserves, and revenue contributions.

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.

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital Receipts	0.119	0.205	0.090	0	0
External Grants	14.840	4.781	3.174	2.888	0.837
S106	0.434	0.426	0	0	0
Earmarked Reserves	1.987	8.407	0.294	0.554	1.120
Revenue Resources	0.018	0	0	0	0
Net borrowing need for the year	0.000	0.143	0.000	0.000	0.000
Total Financing	**17.398**	**13.962**	**3.558**	**3.442**	**1.957**

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements which already include borrowing instruments.

2.2 The Council's Borrowing Need (The Capital Financing Requirement)

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

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

The CFR includes any other long-term liabilities (e.g., finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, 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.

The Council is asked to approve the CFR projections below:

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Adjustment A	1.065	1.065	1.065	1.065	1.065
Finance Leases	0.013	0.155	0.081	0.006	0.003
Prudential Borrowing	35.007	34.173	33.188	32.257	31.347
Total CFR	**36.085**	**35.393**	**34.334**	**33.328**	**32.415**
Of which: Commercial Investment Property	19.099	18.661	18.224	17.786	17.348
Movement in CFR	**-0.938**	**-0.692**	**-1.059**	**-1.006**	**-0.913**
Movement in CFR represented by					
Net borrowing need for the year (above)	0.000	0.143	0.000	0.000	0.000
Less MRP and other financing movements	-0.923	-0.820	-1.044	-0.991	-0.898
Capital Receipts from Loan Principal repaid	-0.015	-0.015	-0.015	-0.015	-0.015
Movement in CFR	**-0.938**	**-0.692**	**-1.059**	**-1.006**	**-0.913**

2.3 Liability

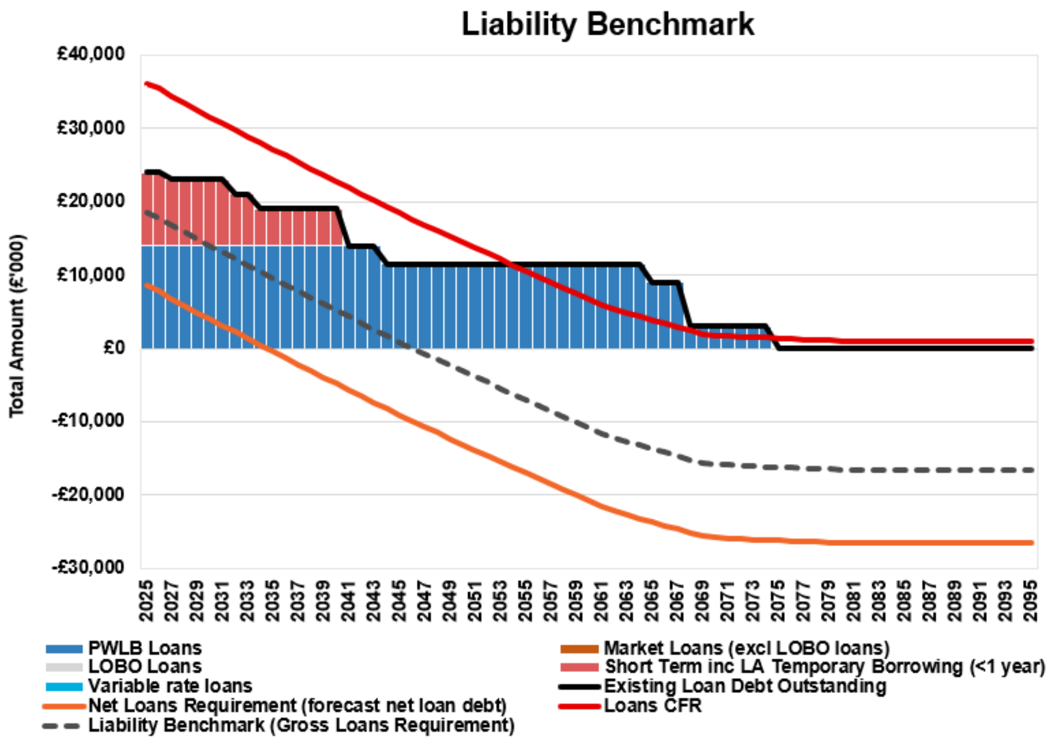
The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years as a minimum. This has been produced to show the full debt maturity profile of the Council. There are four main components of the liability benchmark as follows:

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.

2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

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



2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
CFR	36.085	35.393	34.334	33.328	32.415
Less Leases	-0.013	-0.155	-0.081	-0.006	-0.003
Borrowing CFR	**36.072**	**35.238**	**34.253**	**33.322**	**32.412**
General Fund Balance	-4.478	-2.504	-2.188	-2.188	-2.188
Earmarked Reserves	-19.558	-12.370	-11.636	-11.761	-11.672
Capital receipts	-1.479	-1.462	-0.301	-0.329	-0.369
Capital Grants Unapplied	-3.070	-3.470	-3.470	-3.470	-3.470
Provisions	-0.546	-0.546	-0.546	-0.546	-0.546
Total Core Funds	**-29.131**	**-20.352**	**-18.141**	**-18.294**	**-18.245**
Under/over Borrowing (-)	12.072	11.238	10.253	10.322	9.412
Working capital*	-6.321	-5.000	-5.000	-5.000	-5.000
Expected investments (-) /Borrowing	**-23.380**	**-14.114**	**-12.888**	**-12.972**	**-13.833**

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

2.5 Minimum Revenue Provision (MRP) Policy Statement

The Council is recommended to approve the following MRP Statement:

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset life method (straight line)

Regulation 27(3) allows a local council to charge MRP in the financial year following the one in which capital expenditure finance by debt was incurred.

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.

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 based on the lifespan of the loan.

Share Capital

Where an 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 a 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.

Cumulative VRP overpayments made to 31.03.25 are £1.081m.

3. BORROWING

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

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.3.25 and for the position as at 30.11.26 are shown below for both borrowing and investments.

Treasury Portfolio				
	Actual 31.03.25	Actual 31.03.25	Current 30.11.26	Current 30.11.26
Treasury Investments	**£'000**	**%**	**£'000**	**%**
Banks	549	3	551	4
Local Authorities	0	0	0	0
Money Market Funds	19,280	88	13,990	90
Total Managed in House	**19.829**	**91**	**14,541**	**94**
Property Funds	2,000	9	1,000	6
Total Managed Externally	**2,000**	**9**	**1,000**	**6**
Total Treasury Investments	**21,829**	**100**	**15,541**	**100**
Treasury External Borrowing				
Local Authorities	10,000	42	5,000	26
PWLB	14,000	58	14,000	74
Total External Borrowing	**24,000**	**100.0**	**19,000**	**100**
Net Treasury Investments/ (Borrowing)	**(2,171)**		**(3,459)**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), and internal borrowing as a percentage of the CFR.

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt*					
Debt on 1 April	-24.000	-24.000	-24.000	-24.000	-23.000

Expected change in Debt	0.000	0.000	0.000	1.000	0.000
Gross external debt on 31 March	**-24.000**	**-24.000**	**-24.000**	**-23.000**	**-23.000**
Internal Borrowing (on 31 March)	-12.072	-11.238	-10.253	-10.322	-9.412
The Borrowing Capital Financing Requirement	**-36.072**	**-35.238**	**-34.253**	**-33.322**	**-32.412**
Internal Borrowing %	33%	32%	30%	31%	29%

**Excluding Leases*

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

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

3.2 Treasury Indicators: Limits to Borrowing Activity

The operational boundary. This is the limit beyond which external debt is not normally expected to be exceeded. 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 £m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt	24.000	24.000	23.000	23.000
Operational Boundary	**35.000**	**34.000**	**33.000**	**32.000**

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a 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.

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

2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Gross Debt	24.000	24.000	23.000	23.000
Authorised Limit*	**40.000**	**39.000**	**38.000**	**37.000**

*The Authorised limit allows for external borrowing in advance of need for up to a maximum of two years and includes additional headroom for unexpected cashflow movements.

3.3 Prospects for Interest Rates

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

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

- *Additional notes by MUFG Corporate Markets on this forecast table: - Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.*

- *Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.*

- *Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".*

- *Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.*

- *As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party If so, how will gilt markets react to these variables…and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.*

- *Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.*

- *Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.*

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

Gilt yields and PWLB rates

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

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

Borrowing advice: Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested **budgeted earnings rates for investments** up to about three months' duration in each financial year are set out below.

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

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

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

3.4 Borrowing Strategy

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

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

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

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

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

3.5 Policy on Borrowing in Advance of Need

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

3.6 Debt Rescheduling

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

However, if rescheduling is to be undertaken, it will be reported to the Council, at the earliest meeting following its action.

3.7 New Financial Institutions as a Source of Borrowing

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

- Local authorities (primarily shorter dated maturities out to three years which are generally still cheaper than the PWLB Certainty Rate).

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)

- Municipal Bonds Agency

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

3.8 Approved sources of Long- and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Combined Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local Temporary	●	●
Local Bonds	●	
Overdraft (Notified in Advance)		●
Internal (capital receipts & revenue balances)	●	●
Finance Leases	●	●

ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

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

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, liquidity second, 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 with 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.

The above guidance from the MHCLG and CIPFA places 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: -

1. 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.

2. **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.

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

4. 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 D under the categories of 'specified' and 'non-specified' investments.

   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.

   - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 40%.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This council will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

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

12. As a result of the change in accounting standards under IFRS 9, the 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.

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

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

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. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- 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 covering the maximum principal sums invested.

The Director of Finance (s.151 Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by MUFG Corporate Markets, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality **–** the Council will only use banks which:
    1. are UK banks; and/or
    2. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA

and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

i. Short Term – F1

ii. Long Term – A

- Banks 2 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - The Council will use all societies which meet the ratings for banks outlined above.
- Money Market Funds (MMFs) CNAV – *AAA*
- Money Market Funds (MMFs standard) LNVAV – *AAA*
- Money Market Funds (MMFs enhanced) VNAV – *AAA*
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc.
- Housing associations
- Supranational institutions
- Local Authority Property Asset Fund (CCLA)
- Local/Community Bonds
- Corporate Bond Funds
- Covered Bonds

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments). It should be noted that in the case of Lloyds Bank, our current bankers, that as well as allowing £7.5m fixed term investment in that one institution that there is flexibility to hold, in current account balances at Lloyds Bank, up to £2m 'cash' on any one day:

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Banks 1 – up to 1 year	F1	P1	A1	£7.5m per counterparty at Group level	1 year
Banks 1 – over 1 year	AA	Aa2	AA	£2m maximum exposure	1 year to 5 years
Banks 2 – UK part nationalised				£5m per counterparty at Group Level	1 year
Banks 3 – Council's own bank if not covered by 1 or 2				£1m	1 Day
Other Local Authorities				£5m per counterparty	5 years
Housing Associations				£1m maximum exposure	6 mths
Bank of England DMADF				No limit	6 mths
Gilts/Treasury Bills – where no loss of principal if held to maturity				£5m maximum exposure	5 years
Supranational				£5m per counterparty	1 year
Quality Corporate Bonds Funds				£2m	5 years
Local Authority Property Asset Funds				£4m	Reviewed as a minimum every 5 years
Certificates of Deposit				£2m	5 years
Covered Bonds				£1m	5 years
	Fund rating			Money and/or %	Time Limit

				Limit	
Money market funds CNAV	**AAA**			**£7.5m per counterparty**	**Overnight**
Money market funds LVNAV (standard)	**AAA**			**£7.5m per counterparty**	**Overnight**
Money market funds VNAV (Enhanced)	**AAA**			**£5m**	**5 years**

4.3 Other Limits

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

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 40% of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix E. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) Other limits. In addition:

- No more than £2m will be placed with any non-UK country at any time.
- Limits in place above will apply to a group of companies.
- Sector limits will be monitored regularly for appropriateness

4.4 Investment Strategy

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

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

- If it is thought that 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.

Investment Returns Expectations.

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

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

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

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

CCLA Property Fund Issues

The Property Fund has increased its redemption period to six months whereas previously it has been 90-day notice period for redemptions which will have to be taken into account when assessing the Council's cashflow forecasting.

The income from the fund still remains attractive in this current economic climate.

Ethical Investing

The Council continues to develop its strategy in relation to Sustainability, Climate Change and Environment. As the Council will be interested in undertaking actions to reduce climate change, the Council as an ethical investor will consider the environmental, social and governance issues (ESG) when making treasury investment decisions.

Investments will be in accordance with counterparty and creditworthiness (as detailed at 4.2

Treasury Investment Portfolio

The Council is expecting to have an average investment portfolio of £14m throughout 2026/27 and expects to receive investment income totalling £0.499m as shown below:

Treasury Investment Portfolio	Average Portfolio £m	Interest Rate %	Interest £m
Liquidity Investments	13.000	3.56	0.463
Long Term Investments	1.000	3.55	0.036
Total Investment Income (2026/2027)	**14.000**	**3.56**	**0.499**

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

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested for longer than 365 days			
£m	2026/27	2027/28	2028/29
Principal sums invested > 365 days	5.0	5.0	5.0

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

4.5 Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.06% historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Council seeks to maintain:

- Liquid short-term deposits of at least £4m available with a week's notice.
- Weighted average life benchmark is expected to be 0.25 years, with a maximum of 1 years.

Yield - local measures of yield benchmarks are.

- Investments – internal returns above the 7-day Sterling Overnight Index Average (SONIA) compounded rate

And in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	**0.07%**	**0.19%**	**0.36%**	**0.55%**	**0.77%**

Note: This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

4.6 End of Year Investment Report

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

4.7 Non-Treasury Investments (Commercial Property)

The Council has invested £21.666m (£30m budget approved) in creating a Commercial Property Portfolio, to generate a revenue return to support the future sustainability of the Council and therefore protecting the services as government funding was reduced. The net return was estimated to be £600k p.a. based on the approved £20m investment limit. The first acquisition was made in October 2017. The Council's portfolio currently consists of 6 acquired properties, (£20.500m excluding costs) and 6 recategorized assets as investment properties. The gross return for 2025/26 is estimated to be 7.89%.

It is no longer anticipated that additional assets will be acquired. However, the portfolio will be managed within the current values and replacement properties acquired if existing properties are sold ensuring income levels are maintained.

The Council has a Commercial Contingency Budget of £0.100m to mitigate the risk of rental losses, and a Valuation Volatility Reserve to mitigate the risk of capital loss on disposal.

Non Treasury Investments Strategy

Future additional property investments can no longer be funded from borrowing, and our own resources must be utilised to fund any acquisitions. Currently there is no expectation that any additional properties will be acquired but should this change the following strategy will be applied:

1. To acquire an investment portfolio of commercial property assets in lot sizes of £1.0m to £10.0m, targeting an average lot size of circa £3.5m to £4m across the portfolio and total investment of £30.0m.

2. Authority to complete on acquisitions should be delegated to the Chief Executive in consultation with the Chief Finance Officer and Leader of the Council, provided that the purchase is within agreed criteria. All assets will be assessed against these criteria and the Chief Executive will have delegated Authority to complete on the acquisition of assets which score 50 or more out of 70. Any asset which falls below this threshold or registers a zero against any criteria may still be considered but specific justification will need to be provided and the decision to proceed taken to the Corporate Policy and Resources Committee for approval.

3. Reserves will be utilised to fund any further acquisitions. Business case modelling will be developed using an opportunity cost of capital based on debt funded through Prudential Borrowing. The business case will be made on the basis of borrowing the full amount each time to ensure that resources are able to be recycled.

4. All assets will be acquired against a target hold period of 5 to 10 years with consideration given to asset management to enhance/protect value over the period of ownership (and any additional resource required/expected in this respect) and risks relating to disposal after the proposed hold period. A proportion of the income will be allocated for risk provision. Further returns would depend on investment performance relative to target and might be achieved through release of the risk provision and/or capital returns.

5. The financial position will be thoroughly monitored throughout the hold period and adequate response made to any change in market conditions and portfolio performance. Decisions regarding the funding of acquisitions will be made by the Director of Finance (s.151) and will be based on:

    - An analysis of disposal value risk after an assumed hold period

- The expectation that the asset will generate a capital return that tracks inflation or better with a provision for risk should this not be achieved

6. Access to suitably qualified/experienced resource is essential for successful delivery and management of the risks involved. Resources should be identified and ring-fenced to the activity. The property and asset team has been restructured to ensure that sufficient resources available to manage the existing assets and the new additions that would be acquired in line with this strategy.

4.8 Commercial Income as a Percentage of Net Revenue Expenditure

The Council receives income from investment properties which contribute towards achieving a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet service delivery objectives is dependent on achieving income from these properties over the Medium-Term Financial Plan period.

%	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Net Revenue Expenditure £m	20.676	21.046	20.971	20.907	22.091
Commercial Income £m	1.601	1.778	1.805	1.881	1.895
Ratio	**8%**	**8%**	**9%**	**9%**	**9%**

4.9 Capital Investment Strategy

The Capital Investment Strategy forms a key part of the Council's overall Corporate Planning Framework. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's over-arching corporate priorities and objectives over a medium term (five year) planning horizon. The Strategy has direct links to the Treasury Management Strategy, and it is therefore appropriate that the Governance and Audit Committee scrutinise and provide assurance to Council on both policies. The Capital Investment Strategy is attached at Appendix H.

5 APPENDICES to the Treasury Management Strategy

A Prudential and Treasury Indicators
B Interest rate forecasts
C Economic background
D Treasury management practice 1 – credit and counterparty risk management
E Approved countries for investments
F Treasury management scheme of delegation
G The treasury management role of the section 151 officer

APPENDIX A

THE CAPITAL PRUDENTIAL AND TREASURY 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

Capital Expenditure

Capital Expenditure By Cluster £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Our People	6.642	4.606	2.958	2.888	0.837
Our Place	10.592	8.093	0.476	0.479	0.979
Our Council	0.164	1.263	0.124	0.075	0.141
Total	**17.398**	**13.962**	**3.558**	**3.442**	**1.957**

Affordability Prudential Indicators

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

a. Ratio of Financing Costs to Net Revenue Stream

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

%	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Net Revenue Expenditure £m	**20.676**	**21.046**	**20.971**	**20.907**	**22.091**
Interest Payable £m	0.686	0.759	0.839	0.738	0.674
MRP £m	0.977	0.984	0.931	0.910	0.880
Capital Financing Charges	**1.663**	**1.743**	**1.770**	**1.648**	**1.554**
Ratio	**8%**	**8%**	**8%**	**8%**	**7%**

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

Maturity Structure of Borrowing

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

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

£m	2026/27	2027/28	2028/29
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates: • **Debt only** • **Investments only**	100% 75%	100% 75%	100% 75%
Limits on variable interest rates • **Debt only** • **Investments only**	25% 100%	25% 100%	25% 100%
Maturity structure of fixed interest rate borrowing 2026/27			
		Lower	**Upper**
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	50%
Maturity structure of variable interest rate borrowing 2026/27			
		Lower	Upper
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	0%
5 years to 10 years		0%	0%
10 years to 20 years		0%	0%
20 years to 30 years		0%	0%
30 years to 40 years		0%	0%
40 years to 50 years		0%	0%

APPENDIX B

PWLB forecasts shown below are based on PWLB certainty rates.

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

APPENDIX C

ECONOMIC BACKGROUND (to 23 December 2025)

- The first half of 2025/26 saw:
  - A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
  - The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
  - CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
  - The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
  - The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 - 2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was only 0.1% q/q.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but headwinds are gathering.
- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since

records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

- Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nearly all the months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

- A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September (still at that level in November). The rate for the private sector has slipped just below 4% as the year end approaches.

- CPI inflation remained at 3.8% in September but dropped to 3.2% by November. Core inflation also fell to 3.2% by November while services inflation fell to 4.4%. Nonetheless, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the

10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the “Liberation Day” tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves’ future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK’s fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by late December had fallen back again to a little over 4.50%.
- The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900. By late December, the index had clung on to most of those gains standing at 9,870 on 23 December.

MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025

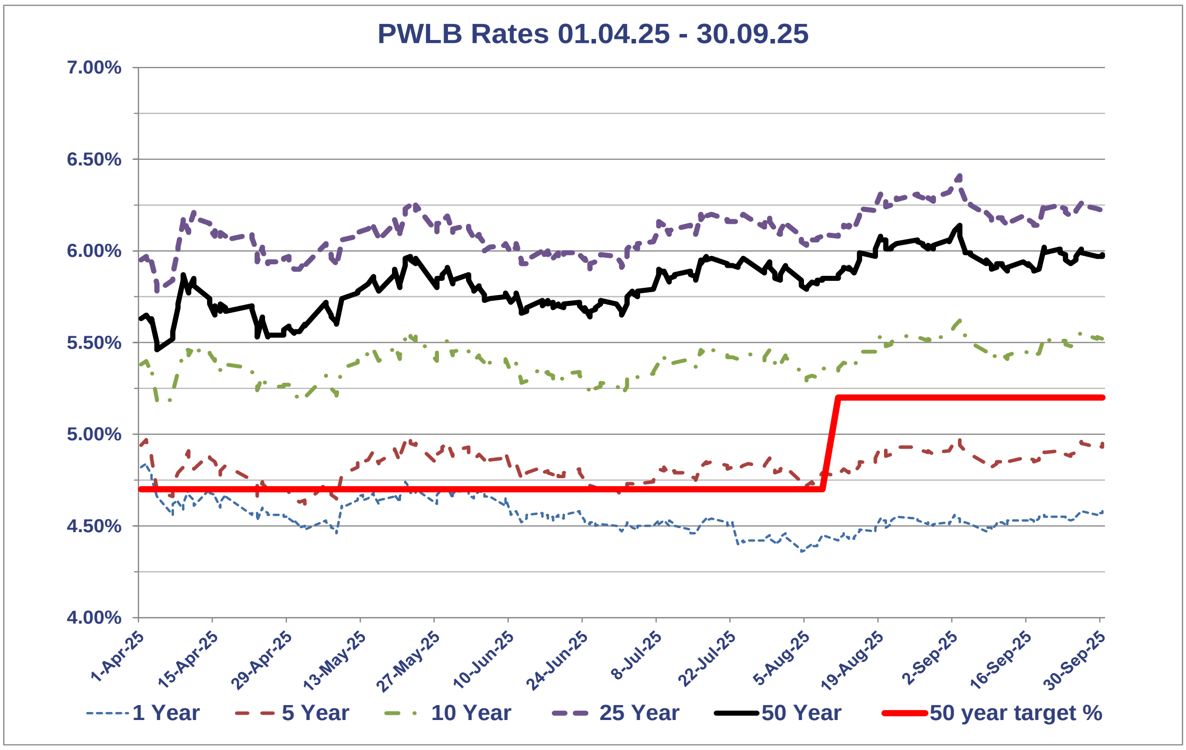
- There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

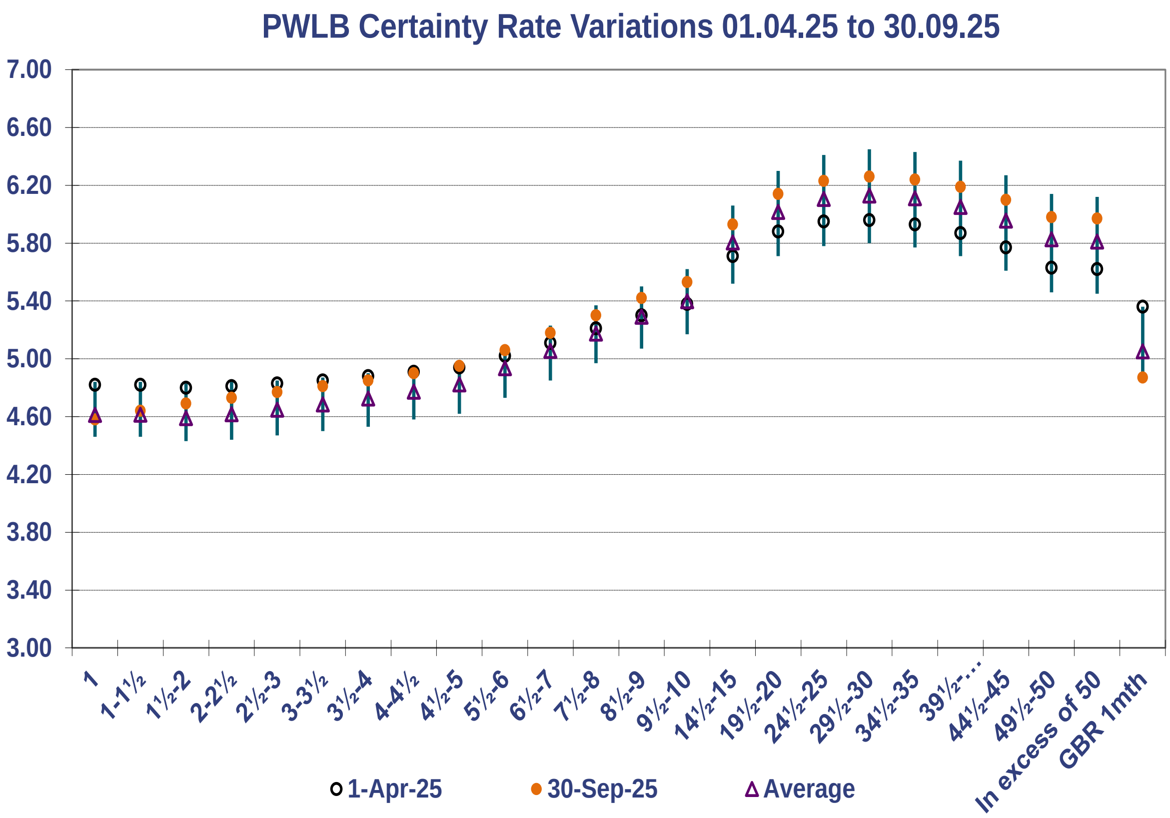
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 22 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

PWLB RATES 01.04.25 - 30.09.25





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HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

APPENDIX D

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the code on 01/03/2010 and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1 (1) covering investment counterparty policy requires approval each year.

Annual investment strategy – The key requirement of both the Code and investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments which includes the Council being an ethical investor who will give consideration to the environmental, social and governance issues (ESG) when making treasury investment decisions
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e., high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:-

1) The UK Government (such as Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2) Supranational bonds of less than one year's duration
3) A local authority, housing association, parish council or community council
4) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard & Poors, Moody's and/or Fitch rating agencies

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and number of monies which will be invested in these bodies. These criteria are set out in the main report.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investment would include any sterling investments with:

	Non-Specified Investment Category	Limit £
A	**Gilt Edged Securities** with a maturity of greater than one year. These are Government Bonds and so provide the highest security of investment and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£5m
B	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as possible	£1m
C	**Any Bank or Building Society** that has a minimum long term credit rating of AA, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£2m
D	Enhanced Money Market Funds AA rated	£2m
E	Corporate Bond Funds	£2m
F	Local/Community Bonds	£2m
G	Local Authority Property Asset Fund	£4m

H	Certificates of Deposit	£2m
I	Covered Bonds	£1m
J	Property Funds – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Council will seek guidance on the status of any fund it may consider using	£4m

This Council will seek further advice on the appropriateness and associated risks with investments in these categories.

The monitoring of investment counterparties – The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Treasury Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

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

APPENDIX E

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 23.12.25)

AAA

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

AA+

- Canada
- U.S.A.

AA

- Abu Dhabi (UAE)
- Finland
- Qatar

AA-

- **U.K.**

A+

- Belgium
- France

APPENDIX F

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual Treasury Management Strategy and Mid-Year Review Treasury Management Indicators.

(ii) Corporate Policy and Resources Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- 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.
- Mid-Year Review of Treasury Management Indicators

(iii) Governance and Audit Committee

- Review and scrutiny of the Treasury Management Strategy, policy and procedures and making recommendations to the full Council.

APPENDIX G

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The s.151 (responsible) officer

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budgets 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 an council
- Ensuring that the council has adequate expertise, either in house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.

    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken.

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

APPENDIX H

CAPITAL INVESTMENT STRATEGY 2026/27 – 2030/31

1. Introduction

The Council is required to approve a Capital Investment Strategy in accordance with the Prudential Code for Capital Finance in Local Authorities.

The Capital Investment Strategy provides a high-level overview of how capital investment, capital financing and treasury management activity supports the provisions of services. It considers associated risks and how they are managed and ensures that future financial implications are identified to inform future year's budgets and financial sustainability.

The Strategy forms part of the Council's overall Corporate Planning Framework. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's corporate priorities and objectives over a medium term (five year) planning horizon and ensures that the revenue implications of investments are both affordable and sustainable.

The strategy provides a framework for determining the relative importance of individual capital projects. It defines how the capital programme is to be formulated, and it identifies issues and options that influence revenue and capital spending and sets out how the resources will be managed.

Key elements of the strategy.

- Ensures investments meet our Corporate Plan objectives
- Incorporates the requirements of the Asset Management Plan
- Enables the development of a Capital Investment Programme over the medium term (5 years)
- A framework which will identify priorities for the use of resources for investment.
- Decisions are based on sound business cases.
- Risks are identified and mitigated where possible
- Directly links to the Treasury Management Strategy ensuring an affordable and sustainable Capital Investment Programme in adherence to legislation and the Prudential Code.
- Informs the Medium-Term Financial Plan by identifying the revenue impacts of investment decisions.
- Incorporates an annual review to ensure the programme still meets our priorities.
- Considers innovative solutions to funding.

2. Principles Supporting the Capital Investment Strategy

a) Strategy Principles

- The investment programme will support the Council's strategic priorities, therefore, the capital investment programme will link to all key strategic planning documents: specifically the Corporate Plan, Executive Business Plan, Medium Term Financial Plan and the Asset Management Plan.

- Schemes within the programme will be prioritised on a council wide basis and the process of assessing investments, against specific criteria, will optimise the benefit and relative importance of potential schemes.

- Responsible Investing (RI) - investing in opportunities that seek to generate both financial value and sustainable growth,

- Socially responsible investing (SRI), also known as sustainable, socially conscious, "green" or ethical investing (ESG), as well as any investment strategy which seeks to consider both financial return and social good.

b) Capital Investment Policy

The Capital Investment Strategy will be underpinned by a Land and Property Investment Policy. The policy does not describe detailed operational investment activity but does describe the framework, and principal [underlying] considerations, which the Council will follow when reviewing and subsequently agreeing investment opportunities. It is designed to support the goals and objectives as outlined in the Corporate Plan, the general objectives of a UK public sector service provider and the very specific aims; goals and aspirations of the Council members; executive officers and their teams.

c) Finance Principles

- The overarching principal is the commitment to achieve affordable capital investments over the longer term.
- To pursue all available external funding options and opportunities for leverage of external resources.
- Ensure evaluation for value for money investments by whole life costing (where applicable) and by having robust Business Cases with full financial modelling, and appropriate due diligence in estimates in order to inform the full financial implications
- To develop partnerships, including the pursuit of shared services, joint ventures and community arrangements, where appropriate, to achieve the Council's investment aspirations and value for money.
- Monitoring and evaluation of approved budgets will form part of the quarterly budget monitoring reports.
- Monitoring and evaluation of approved Programmes and projects will form part of Performance Management.
- Encourage community engagement by informing on priorities and consultation on proposals.

- To invest in non-treasury activities to support ongoing sustainability in the delivery of services.
- Regularly review Business Cases as schemes are developed and update financial models to inform future budget impacts.

d) Asset Management Principles

The Asset Management Policy ensures that.

- We will take all reasonable and practical steps to ensure the health, safety and wellbeing of staff, visitors and contractors who use or visit our buildings, land or property and who use or are in contact with supporting asset infrastructure.

- We will ensure that all our buildings and land and property assets are fully compliant with current legal requirements, are fit for purpose and managed and maintained in accordance with best practice.

- We will ensure that infrastructure supporting our physical assets is safe and fully compliant with relevant legislative and regulatory requirements.

- All activity on our assets will be carried out in compliance with relevant legislative and statutory requirements.

- We will assess asset related risks and manage such risk in accordance with our corporate risk management policy or in accordance with procedures relevant to the specific asset, its use and function.

- We will retain and/or acquire physical assets which are appropriate to our business and function and dispose of those assets which are not fit for purpose, or which cannot support our business or investment criteria.

- We shall continue to actively develop our asset management systems; processes and procedures in a way which is appropriate; efficient; transparent and sustainable and which supports the best management outcomes for our physical assets.

- We shall continue to train and develop staff across the asset management discipline and apply technology and innovation where practical.

- We shall seek continual improvement of our management capability and activities to ensure value for money for all stakeholders.

3. Capital Investment Priorities

The Council’s proposed Capital Investment Programme 2026/27 will support the Corporate Plan’s key themes.

- **Our People** – Health and Wellbeing, Leisure, Skills, Vulnerable Groups and Communities

- **Our Place** – Economic Growth, External Investment, Social Regeneration, Infrastructure, Enhanced Environment

- **Our Council** – Finances, Structures, Partnerships, Policies, Governance

The Council's financial planning process ensures that the decisions about the allocation of capital and revenue resources are taken to achieve a corporate and consistent approach. The key corporate documents and relevant linkages with this strategy include.

- The Corporate Plan – priorities for the medium term
- The Medium-Term Financial Plan - incorporates the Financial Strategy, revenue budget financial impacts of capital investment decisions.
- The Reserves Strategy- prioritises the use of reserves for capital and revenue purposes.
- The Treasury Management Strategy (including Investment Strategy) informs the affordability and sustainability of prudent investment decisions.
- The Commercial Portfolio Strategy – informs how acquisitions of investment properties will be made on a risk-based approach
- The Value for Money Strategy – Ensuring VFM is achieved from investment decisions.
- The Housing Strategy – Supporting housing growth and regeneration within the district.
- The Land and Property Investment Strategy -
- The Asset Management Policy – Investment needs of our own land and property holdings
- Service Plans – Investment need for delivery of quality services

4. The Capital Investment Strategy Process

The strategic approach to revenue and capital investment decisions needs to be formalised to ensure that our resources are directed to the most appropriate schemes which both deliver our corporate priorities, and which are based on sound business cases. Assessment and prioritisation of capital investments schemes are based on uniform criteria.

Therefore, the Capital Investment Strategy Process has been developed which will ensure that prioritisation of investments is directed to deliver Corporate Objectives and delivery of the Executive Business Plan and Service Business Plans in addition to generating returns to support delivery of core services.

The process for includes:

- Review existing Capital Programme, timing, budget requirements etc.
- Annual review of existing Projects
- Asset Management Plan – detailed costs of required investment in property portfolio and property assets to be disposed.
- Review of asset replacement programmes

- Consideration of financing availability i.e., Earmarked Reserves, Grant funding, Capital Receipts and Prudential Borrowing
- Business Planning – identifying new schemes and projects for evaluation both capital and revenue.
- Evaluation of all proposed schemes against scoring matrix.
- Consider core service funding requirements and opportunities to invest in non-Treasury assets to generate returns

The final approved Capital Investment Programme and its financial implications are included within the Medium-Term Financial Plan, submitted to the Council annually in March for approval.

Fully costed and appraised business cases for each scheme will be presented to a relevant Board for consideration prior to any decision being made.

The Capital Programme consists of 4 levels of activity.

Pre-Stage 1 – Business Case in preparation
Stage 1 – Budget approved – requires full business case
Stage 2 – Business case approved in principal or awaiting funding
Stage 3 and Business as Usual (BAU) – Approved to spend and funding secured

The investment and the ongoing revenue implications of each scheme are ascertained from the financial implications and appraisals within the business case.

The Capital Investment Value is assessed against the capital definition, and deminimis limits (£10k).

Revenue Implications – include the impact on revenue budgets for running costs/additional staffing etc. and the impact of the cost of borrowing or loss of investment interest if capital receipts and revenue reserves are to be utilised.

5. Governance of the Capital Investment Programme

In accordance with the Constitution and governance arrangements, the Council reviews its capital requirements and determines its Capital Programme within the framework of the MTFP and as part of the annual budget process. Resource constraints mean the Council continually needs to prioritise expenditure in light of its aims and priorities and considers alternative solutions.

To ensure that available resources are allocated optimally, capital programme planning is determined in parallel with service and revenue budget planning processes within the framework of the MTFP.

New programmes of expenditure will be appraised following a clearly defined Business Case gateway process.

The Council will approve in principal the Capital Investment Programme, and will approve the release of funding for replacement and renewal programmes.

This is undertaken annually in March as part of budget setting and the approval of the Medium-Term Financial Plan.

The Governance and Audit Committee will provide assurance on this Capital Investment Strategy.

Corporate Policy and Resources Committee will be responsible for approving release of funding for the Capital Investment Programme and will therefore receive reports for each scheme detailing the business case, cost, proposed funding and revenue implications.

Corporate Policy and Resources Committee will receive quarterly monitoring and update reports which may include details of.

- New capital investment schemes
- Slippage in programme delivery
- Programmes removed or reduced
- Virements (budget movements) between schemes
- Revisions in spend profile
- Overspending
- Capital acquisitions and disposals
- Loan advances and outstanding loan balances

Progress on specific programmes will also be monitored in relation to projects through the Performance Monitoring reporting framework.

The Programme Board will receive monthly highlight reports

The Management Team will receive quarterly monitoring reports and any exception reporting.

Budget Managers will receive monthly monitoring reports.

6. Capital Financing

The funding of Capital schemes can come from a number of resources, the use of external resources will take precedent.

- Prudential borrowing
- Revenue contributions and Earmarked Reserves
- Capital Receipts
- External grants and contributions (including S106 and Community Infrastructure Levies (CiL))
- Leasing
- Other sources – i.e., partnerships or private sector involvement

This strategy, the outcomes of which will inform the MTFP, is intended to consider all potential funding options available to the Council and to maximise the financial resources available for investment in corporate priorities and service provision and improvement.

To deliver our strategic objectives, especially in relation to economic and housing growth, regeneration, in addition to investment in commercial property, which is designed to provide a revenue return, significant levels of investment will be required, which will result in a borrowing need.

7 Prudential Borrowing

The Council has discretion to undertake Prudential borrowing to fund capital projects with the full cost of that borrowing (interest and minimum revenue provision) being funded from Council revenue resources and/or capital receipts. This discretion is subject to complying with the Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable. Prudential borrowing provides an option for funding additional capital development however it has to be funded each year from within the revenue budget and by generating additional ongoing income streams from the investment.

Given the pressure on the Council's revenue budget in future years, prudent use will be made of this discretion in cases and only where there is a clear financial benefit, such as "invest to save", "invest to earn". Consideration will only be given to commercial investments where returns are expected to be higher than the revenue costs of the debt, provision of loans where principal repayments will be utilised as proxy for MRP, borrowing or major regeneration schemes which do not increase revenue expenditure levels in the longer term but provide a beneficial economic and or social impact.

The Council will remain cautious and prudent in the extent of prudential borrowing undertaken to fund new capital investment.

Where prudential borrowing is utilised to fund Capital Investment, financial implication considerations will be provided including the risks and opportunities of the investment over both the payback period and over the repayment period of any debt taken out.

8 Revenue Contributions and Earmarked Reserves

Our continued prudent approach is to set aside revenue resources to fund capital replacement programmes and asset management funding.

We will consider future Earmarking of Reserves for service investment needs, invest to save and invest to earn projects and enhancements to our own property assets, in addition to consideration of revenue contingencies, volatility and budget smoothing.

Our own resources will therefore be utilised to fund those schemes which provide a Socio-Economic return on investment, invest to save schemes which achieve efficiencies, and investment in our operational service asset needs.

9 Capital Receipts

Capital receipts generated from the following sources and where appropriate utilised as detailed.

- Loans principal repayments – used to repay prudential borrowing
- Receipts from Asset Disposal (operational property assets or surplus land)
- Commercial Portfolio Properties – repayment of borrowing
- Share of RTB Housing Transfer Agreement – future investment
- Insurance settlements – replacement of asset

10 External Grants and contributions (incl S106 and Community Infrastructure Levy (CiL))

The Council will actively pursue grants and contributions and other innovative solutions to funding of capital investment schemes. This funding will be utilised in the first instance.

11 Leasing

The use of leasing will be undertaken where alternative funding is not available for vehicles or minor equipment and the revenue budget does not allow for a full capital repayment. Where there is a robust business case then the option of leasing may be considered.

12 Other Sources of Funding

There are a range of other potential funding sources which may be generated locally either by the Council itself or in partnership with others i.e., a growing number of private organisations are showing interest where clear joint benefits exist. Each case will be subject to specific financial appraisals and appropriate governance arrangements.

13. Investment in Commercial Properties (Non-Treasury Investments)

Any acquisition of Commercial Properties will be in accordance with the Commercial Portfolio Strategy and are being acquired to support delivery of services in a financially sustainable organisation. Up to £30m has been approved for investment in Commercial Property in support and protection of Council Services.

Appropriate experts are engaged as required.

All assets will be assessed against a set criteria and the Chief Executive and the Leader of the Council have delegated authority to complete on the acquisition of assets which score 50 or more out of 70. Any asset which falls below this threshold or registers a zero against any criteria may still be considered but specific justification will need to be provided and the decision to proceed taken to the Corporate Policy and Resources Committee for approval.

An annual review will be undertaken of the Commercial Property Portfolio to ascertain whether its fair value is sufficient to provide security against loss against the capital investment, and therefore adequate to meet the cost of outstanding borrowing.

Under the Minimum Revenue Provision (MRP) Policy, there will be an annual MRP charge for borrowing undertaken to finance Commercial Properties in line with the latest guidance from MHCLG.

A Commercial Contingency revenue base budget is also included within the MTFP to mitigate the risk of not achieving the desired level of yield from the Portfolio in year.

These investment assets are not deemed to be liquid over the short term but are likely to be held for the medium term of 5-10 years.

A number of prudential indicators in relation to these investments are contained within the Treasury Management Strategy and will be monitored throughout the year.

14. Risk

All capital projects have a risk register, with all risks affecting the project considered.

A specific risk of capital investment is the impact on the Council's VAT partial exemption (recovery of exempt VAT up to 5% of overall VAT). If exempt VAT exceeds 5% the whole amount is then irrecoverable. Each scheme is therefore assessed for its impact

15. Conclusion

The Capital Investment Strategy is a working document, which enables the Council to make informed rational capital investment decisions to achieve its corporate priorities and objectives. It provides a framework for determining the relative importance of individual projects.

The strategy will be reviewed annually to ensure that it remains relevant and effective.

Governance and Audit Committee	
Tuesday, 20 January 2026	

Subject: Proposed Amendment to Council Procedure Rules - Recorded Vote Threshold

Report by:	Monitoring Officer
Contact Officer:	Lisa Langdon, Assistant Director People and Democratic (Monitoring Officer), Katie Storr Democratic Services & Elections Team Manager lisa.langdon@west-lindsey.gov.uk, katie.storr@west-lindsey.gov.uk
Purpose / Summary:	To consider an amendment to Council Procedure Rules to increase the threshold at which Members may request a full recorded vote on a Council decision following a benchmarking exercise.

RECOMMENDATION(S):

(1) That Members, having considered the report, recommend to Council that the threshold at which Councillors can request a full recorded vote against a Council decision be amended, and determine the appropriate threshold to be recommended

IMPLICATIONS

Legal:

Under Section 9P of the Local Government Act 2000, councils are legally required to maintain an up-to-date constitution that includes Procedure Rules

Many rules within Council Procedure rules are a legal requirement under acts such as the Local Government Act 1972 and the Local Government Act 2000.

Financial :

There are no financial implications arising from this report

Staffing :

There are no staffing implications arising from this report

Equality and Diversity including Human Rights :

There are no implications arising from this report

Data Protection Implications :

There are no implications arising from this report

Climate Related Risks and Opportunities :

There are no implications arising from this report

Section 17 Crime and Disorder Considerations :

There are no implications arising from this report

Health Implications:

There are no implications arising from this report

Title and Location of any Background Papers used in the preparation of this report:

Constitutions of Lincolnshire Council's – located on their websites.

Risk Assessment :

n/a

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)	**Yes**		**No**	**x**

Key Decision:

A matter which affects two or more wards, or has significant financial implications	**Yes**	**x**	**No**	

1 Background and Introduction

1.1 Council procedure rules (often referred to as standing orders) are a core component of a local authority's constitution. They exist to provide a formal framework for how a council operates, ensuring that its business is conducted in a lawful, transparent, orderly and efficient manner.

1.2 The Procedure rules govern the technical conduct of meetings, such as the order of business, time limits for speeches, and how to handle motions or procedural points of order. They control how the meeting proceeds, allowing for structured debate and efficient handling of complex business, preventing unending discussions. Council Procedure Rules should also seek to ensure all councillors have a chance to speak, ask questions, and participate in decisions, protecting minority views and ensuring robust debate.

1.3 Under Section 9P of the Local Government Act 2000, councils are legally required to maintain an up-to-date constitution that includes Procedure Rules

1.4 Many rules within Council Procedure rules are a legal requirement under acts such as the Local Government Act 1972 and the Local Government Act 2000. They ensure the council acts within its legal powers and follows mandatory procedures for meetings and financial management.

1.5 While incorporating mandatory rules, there is provision for councils to adapt non statutory parts to suit their specific needs and local circumstance.

1.6 One example of this being the threshold at which a full recorded vote will be taken against a Council decision.

1.7 West Lindsey District Council's Constitution currently states: -

> **Rule - *14.4 If any two Members present at the meeting demand it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. (this is also the threshold applied to Committee meetings)**

1.8 Officers have been asked to review the threshold for a recorded vote and as part of that have undertaken benchmarking of the thresholds applied by other Lincolnshire councils for requiring recorded votes on Council decisions.

1.9 It is not proposed that there will be any change to the threshold for recorded votes at Committee meetings which is 2 members.

1.10 It should also be noted that changing the threshold for a full recorded vote would not affect a Councillor's right to require that their individual vote be recorded against any decision made as set out in Rule 14.5.

Rule 14.5* Where any Member requests it immediately after a vote is taken, his/her vote will be so recorded in the minutes to show whether he/she voted for or against the motion or abstained from voting.

2 Benchmarking Results

2.1 The table below sets out, for each Council in Lincolnshire, their total number of councillors, and the number of councillors who must request a recorded vote (for a Council decision) as set out in their respective constitutions.

Council	Total No Of Cllrs	No. of Cllrs required to request a recorded vote	As a %
City of Lincoln	33	10	30.3
North Kesteven	43	9	20.9
East Lindsey	55	10	18.2
South Kesteven	56	10	17.9
Lincolnshire County	70	12	17.1
South Holland	39	5	12.8
Boston Borough	30	2	6.7
West Lindsey	**36**	**2**	**5.6**

2.2 As can be demonstrated from the benchmarking above, West Lindsey's threshold for its Members requesting a recorded vote is set at a lower rate than other Lincolnshire Councils.

2.3 The committee is asked to determine the proposed threshold and make a recommendation to Full Council.

3 Recommendation

(1) That Members, having considered the report, recommend to Council that the threshold at which Councillors can request a full recorded vote against a Council decision be amended, and determine the appropriate threshold to be recommended.

Governance and Audit Committee Work Plan (as at 31 December 2025)

Purpose:
This report provides a summary of items of business at upcoming meetings.

Recommendation: That members note the contents of the report.

Date	Title	Lead Officer	Purpose of the report	Date First Published
20 JANUARY 2026				
20 Jan 2026	Treasury Management Practices	Caroline Capon, Corporate Finance Team Leader	To report on Treasury Management Practices updated as at November 2025	
20 Jan 2026	Draft Treasury Management Strategy 2026/2027	Caroline Capon, Corporate Finance Team Leader	To seek approval for the Treasury Management Strategy, Prudential Indicators, Minimum Revenue Provision Policy and Capital Investment Strategy to facilitate effective financial management and planning	
20 Jan 2026	Internal Audit Progress Report	Katy Allen, Corporate Governance Officer	To present Governance and Audit Committee with the Progress report for January 2026 from Internal Audit	
20 Jan 2026	Proposed Amendment to Council Procedure Rules - Recorded Vote Threshold	Katie Storr, Democratic Services & Elections Team Manager	To consider and amendment to the Procedure Rules in respect of recorded votes.	
10 MARCH 2026				
10 Mar 2026	Partnership Register Report	Katy Allen, Corporate Governance Officer	Report to be compiled and brought before Committee detailing the Council's partnership register.	
10 Mar 2026	Quarter Three Strategic Risks	Katy Allen, Corporate Governance Officer	To consider the Quarter Three Strategic Risks	

10 Mar 2026	Revised Member Officer Protocol	Katie Storr, Democratic Services & Elections Team Manager	To consider a revised protocol.	
10 Mar 2026	Internal Audit Plan 2026/2027	Katy Allen, Corporate Governance Officer	To receive the Internal Audit Plan for the year 2026/2027	
21 APRIL 2026				
21 Apr 2026	Strategic Risk Register	Katy Allen, Corporate Governance Officer	Year end review of the Strategic Risk Register	09 April 2025
21 Apr 2026	Annual Review of the Constitution	Lisa Langdon, Assistant Director People and Democratic (Monitoring Officer)	To receive the Annual Review of the Constitution.	
21 Apr 2026	Monitoring Officer Annual Report	Katie Storr, Democratic Services & Elections Team Manager	To consider the Annual Report of the Monitoring Officer	
21 Apr 2026	Accounts Closedown 2025/26 Accounting Matters	Caroline Capon, Corporate Finance Team Leader	To consider a report in respect of the Accounts Closedown	

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