



Meeting	Audit and Governance Committee
Date and Time	Thursday, 27th November, 2025 at 6.30 pm.
Venue	Walton Suite, Guildhall, Winchester and streamed live on YouTube at www.youtube.com/winchestercc

Note: This meeting is being held in person at the location specified above. Members of the public should note that a live video feed of the meeting will be available from the council's YouTube channel (youtube.com/WinchesterCC) during the meeting.

A limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting. Please note that priority will be given to those wishing to attend and address the meeting over those wishing to attend and observe

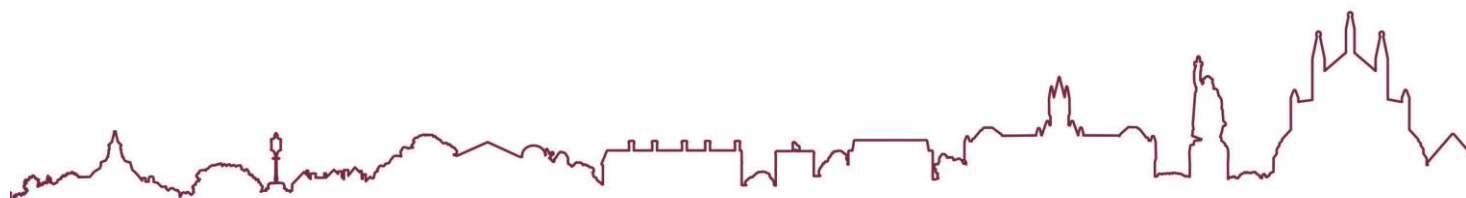
AGENDA

PROCEDURAL ITEMS

- 1. Apologies**
To record the names of apologies given.
- 2. Disclosure of Interests**
To receive any disclosure of interests from councillors or officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests (DPIs), other registerable interests (ORIs) and non-registerable interests (NRIs) in accordance with the Council's Code of Conduct.
- 3. Chairperson's announcements**

BUSINESS ITEMS

- 4. To note the Audit & Governance work programme 2025/26** (Pages 5 - 6)
- 5. Minutes of the previous meeting held on 17 July 2025** (Pages 7 - 14)



6. **Public Participation**

– To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee.

NB members of the public are required to register with Democratic Services three clear working days before the meeting (see below for further details).

Members of the public and visiting councillors may speak at this Committee, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on Friday 21 November 2025** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

- 7. **Final Report and Pay Policy Statement 2026/27 (AG170)** (Pages 15 - 40)
- 8. **Treasury management mid-year report 25/26 (AG179)** (Pages 41 - 60)
- 9. **External auditors verbal update**
- 10. **Internal Audit Progress Report 2025/26 (AG172)** (Pages 61 - 78)
- 11. **External Quality Assessment (AG176)** (Pages 79 - 98)
- 12. **Internal Audit Strategy 2025-2028 (AG177)** (Pages 99 - 112)
- 13. **Q1 /Q2 Governance Monitoring 25/26 (AG171)** (Pages 113 - 132)

Laura Taylor
Chief Executive

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19 November 2025

Agenda Contact: Nancy Graham, Senior Democratic Services Officer
Tel: 01962 848 235 email: ngraham@winchester.gov.uk

**With the exception of exempt items, Agenda, reports and previous minutes are available on the Council's Website www.winchester.gov.uk*

MEMBERSHIP:

Councillors

Chairperson: Morris (Liberal Democrats)

Vice Chairperson: Chamberlain (Liberal Democrats)

Conservatives

Godfrey

Liberal Democrats

Brophy
Pinniger
Power

Green

Bailey-Morgan

Conservatives

Bolton and Miller

Deputy Members Liberal Democrats

Aron and Bennett

Green

Lee and Wallace

Quorum = 4 members

PUBLIC PARTICIPATION

Representations will be limited to a maximum of 3 minutes, subject to a maximum 15 minutes set aside for all questions and answers. To reserve your place to speak, you are asked to **register with Democratic Services three clear working days prior to the meeting** – please see public participation agenda item for further details.

People will be invited to speak in the order that they have registered, subject to the maximum time period allowed for speaking not being exceeded. Public Participation is at the Chairperson's discretion.

FILMING AND BROADCAST NOTIFICATION

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WINCHESTER CITY COUNCIL – AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – UPCOMING ITEMS

	Item	Lead Officer	Date of Meeting
1	Final Report and Pay Policy Statement 2026/27	Manjit Sandhu	27 Nov 2025
2	Treasury management mid-year report 25/26	Neil Aitken	27 Nov 2025
3	External auditors verbal update	Liz Keys	27 Nov 2025
4	Internal Audit Progress Report 2025/26	Liz Keys	27 Nov 2025
5	External Quality Assessment	Liz Keys	27-Nov-2025
6	Internal Audit Strategy 2025-2028	Liz Keys	27 Nov 2025
7	Q1 & Q2 Governance Monitoring 25/26	Simon Howson	27 Nov 2025
8	24/25 Auditor's Annual Report	Liz Keys	29 Jan 2026
9	2024/25 Auditors Annual Results Report	Liz Keys	29 Jan 2026
10	Audited Annual Financial Report 2024/25	Liz Keys	29 Jan 2026
11	Certification of claims & returns annual report 2024/25	Terri Horner	29 Jan 2026
12	Q3 Governance Monitoring 25/26	Simon Howson	5 Mar 2026
13	Local Code of Corporate Governance	Simon Howson	5 Mar 2026
14	Risk Management Policy 2026/27	Gareth John	5 Mar 2026
15	Further review of outcome of Standards investigation into complaints against Denmead Parish Council (date tbc)	Gareth John	

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AUDIT AND GOVERNANCE COMMITTEE

Thursday, 17 July 2025

Attendance:

Councillors
Morris (Chairperson)

Bailey-Morgan
Brophy
Chamberlain

Godfrey
Pinniger
Power

Members in attendance who spoke at the meeting

Councillors Lee and Cutler (Cabinet Member for Finance and Transformation)

[Video recording of this meeting](#)

1. **APOLOGIES**

Apologies were noted from Councillor Becker, Cabinet Member for Healthy Communities.

2. **DISCLOSURE OF INTERESTS**

There were no disclosures of interest made.

3. **APPOINTMENT OF VICE-CHAIRPERSON**

RESOLVED:

That Councillor Chamberlain be appointed Vice-Chairperson of the Committee for the 2025/26 municipal year.

4. **CHAIRPERSON'S ANNOUNCEMENTS**

Councillor Morris announced that the previously scheduled meeting for 25 September 2025 had been cancelled as the agenda only contained two items which were not time sensitive and could be deferred to the next scheduled meeting. A concern was raised about the potential impact on the business to be considered at other meetings of this committee. The Director (Legal) confirmed the situation would be kept under review and further meetings arranged if considered necessary. It was noted that the receipt of disclaimed audits had impacted on the usual amount of business considered by the committee throughout the year.

5. **AUDIT & GOVERNANCE WORK PROGRAMME 2025/26**

It was queried whether the auditor's annual report would be available in time for consideration at the 27 November meeting. Simon Mathers (EY) advised that the new National Audit Office Code of Audit Practice required that the report be provided by late November. He gave assurances that the Value for Money (VFM) procedures for the report would be completed in time for the November meeting, even if financial statements procedures were not fully concluded.

RESOLVED:

That the work programme for 2025/26 be noted.

6. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held 25 February 2025 be agreed as a correct record.

7. **PUBLIC PARTICIPATION**

Ian Tait spoke as summarised briefly below.

He raised concerns regarding the continuing collection of Winchester street market fees by the Market Manager in cash, despite a new contract for the market operation coming into force earlier this year. He believed this practice posed a significant fraud risk and queried why this had not been highlighted by the auditors as such.

The Director (Finance) responded to the comments made including highlighting that the Internal Audit plan 2025/26 considered later in the agenda (AG165 Appendix B refers) included an internal audit review to gain assurance over the market management under the new arrangements, including income collection, and banking processes.

8. **EXTERNAL AUDITOR'S REPORT 2023/24**
(AG168)

Simon Mathers (EY) introduced the report and highlighted it was largely unchanged since the Audit Results report considered at the previous committee meeting (report AG154 refers).

At the invitation of Councillor Morris, Councillor Lee addressed the committee as summarised briefly below.

Councillor Lee believed the use of the term "to note" in many of the audit reports was inappropriate as it implied passive receipt of information rather than active oversight. He questioned how the council effectively managed risk given the identified weaknesses set out in the report and whether changes to the council's governance arrangements would be sought. He also asked about the potential worst-case implications of the disclaimed audit opinion for future accounts due to delays and unresolved

valuation concerns. He highlighted Housing Revenue Account (HRA) governance failures and whether the committee would monitor the effectiveness of new arrangements.

The Director (Finance), Mr Mathers and Councillor Cutler responded to the comments made.

Mr Mathers responded to questions from members including on the methodology used for the valuation of properties and in relation to the level of fees charged for 2023/24. He emphasised that EY had undertaken the majority of work usually required for an audit and that the disclaimer opinion for the 2023/24 accounts had been issued because of the disclaimer opinion that had been issued for the 2022/23 accounts and its effect on the opening balances for 2023/24. The Director (Finance) advised that she had disputed an element of the scale fee adjustment with EY and it would be for the Public Sector Audit Appointments (PSAA) to determine the final fee payable.

Members requested that a representative from the PSAA be invited to a future committee meeting to provide further information on setting of audit fees and the Director (Finance) agreed to extend an invite.

RESOLVED:

That the Annual Audit Report 2023/24 be accepted.

9. **EXTERNAL AUDIT PLAN 2024/25**
(AG169)

Simon Mathers (EY) introduced the report and confirmed that a modified audit report was still expected for 2024/25 due to national audit reset and recovery arrangements, with a statutory backstop date of 27 February 2026. The aim was to complete the work by the end of November 2025 to provide more timely assurance. He outlined the key financial statement audit risks for 2024/25 as set out in the audit plan.

At the invitation of Councillor Morris, Councillor Lee addressed the committee as summarised briefly below.

Councillor Lee expressed concern about the impact of local government reorganisation (LGR) on officers being required to divert their focus from core audit work. He questioned whether the 2024/25 statutory audit backstop date might shift. He also asked if the proposed creation of local audit offices would increase costs for the council due to competition for auditors and if this should be recognized as a risk. He welcomed EY's inclusion of climate-related risks in the audit scope and queried if the council's own arrangements should be strengthened to reflect increasing climate-related risks and the CIPFA code of practice.

Simon Mathers (EY) and the Director (Finance) responded to questions from members on the report including explaining that the 2025/26 audit was expected to be modified in some way as a return to unqualified opinions was not expected until 2026/27 at the earliest. In addition, it was confirmed that approving the

2024/25 indicative fee did not impact the disputed 2023/24 scale fee adjustments.

RESOLVED:

1. That the external auditor's Audit Strategy for 2024/25 and the impact of the disclaiming of the 2023/24 audit opinion be noted.
2. That the indicative 2024/25 annual audit fee be approved.

10. **TREASURY MANAGEMENT OUTTURN 24/25**
(AG166)

Daniel O'Rourke (HCC) introduced the report and responded to questions from members thereon.

RESOLVED:

That the Annual Treasury Outturn Report 2024/25 be noted.

11. **WORKFORCE REPORT 24/25**
(AG163)

The Service Lead: Human Resources introduced the report and drew attention to changes since the last report in 2023/24.

At the invitation of Councillor Morris, Councillor Lee addressed the committee as summarised briefly below.

He suggested that more information on workforce deployment be provided to assist assessment of workforce wellbeing and identifying potential risks, specifically a breakdown of full-time and part-time roles by function, along with absentee rates. He raised concerns about the planning and enforcement function and requested that relevant workforce and governance data for this service area be examined.

The Service Lead: Human Resources and the Director (Finance) responded to the comments made. The Service Lead also responded to questions from members of the committee.

RESOLVED:

That the report be noted.

12. **ANNUAL INTERNAL AUDIT CONCLUSION 2024/25**
(AG164)

Antony Harvey (SIAP) introduced the report and drew attention to the specific matters detailed in the report in relation to developer contributions and the council's referral to the Regulator of Social Housing (RSH), in addition to those relating to anti-fraud and corruption. However, overall his conclusion was that the framework of governance, risk management and control were 'reasonable', and audit testing has demonstrated controls to be working in practice.

Mr Harvey and the Director (Finance) responded to questions from members including confirming that a draft report with a management action plan had been finalised in relation to Community Infrastructure Levy (CIL) and Section 106 monies and an update would be brought to a future committee.

RESOLVED:

That the Chief Internal Auditor's annual conclusion report for 2024-25 be noted as attached as Appendix A to the report.

13. **INTERNAL AUDIT CHARTER AND RISK BASED PLAN 2025/26**
(AG165)

Antony Harvey (SIAP) introduced the report and highlighted that it had been updated to reflect the new Global Internal Audit Standards. The Risk Based Internal Audit Plan for 2025/26 was developed through an extensive process, including incorporating strategic and service risk registers and discussions with the senior management team.

Mr Harvey responded to questions from members including confirming that the plan included provision for housing reviews in relation to the on-going work with the Regulator for Social Housing if required. He believed the plan was adequately resourced but it would be kept under review and any changes reported back to the committee.

RESOLVED:

That the Internal Audit Charter 2025-26 (Appendix A to the report) and the Internal Audit Risk Based Plan 2025-26 (Appendix B to the report) be approved.

14. **Q4 GOVERNANCE MONITORING 24/25**
(AG160)

The Senior Policy and Programme Manager introduced the report and highlighted that at the end of March 2025 there was only one overdue action. Actions related to the information governance records retention audit had been completed, and a follow-up review concluded with a reasonable assurance opinion.

The Senior Policy and Programme Manager and Director (Finance) responded to questions from members.

The committee commended officers for the significant progress made in their working relationship with the internal auditors in addressing outstanding actions.

RESOLVED:

That the content of the report including the progress against the internal audit management actions be noted.

15. **EQUALITY, DIVERSITY & INCLUSION - ANNUAL EQUALITY REPORT 2024/25**
(AG161)

The Senior Policy and Programme Manager introduced the report and highlighted that an updated EDI framework, strategy, and action plan had been adopted by the committee in February.

RESOLVED:

That council's equality work undertaken during the past year and the progress achieved towards the council's Equality, Diversity Action Plan which moves the council forward towards reaching the 'achieving' standard of the LGA Equality Framework be noted.

16. **ANNUAL GOVERNANCE STATEMENT 24/25**
(AG162)

The Senior Policy and Programme Manager introduced the report and highlighted the two issues identified for inclusion in the statement as requiring consideration and action during 2025/26, namely the self-referral to the Regulator of Social Housing (RSH) and Local Government Reorganisation.

The Senior Policy and Programme Manager, the Director (Finance) and Councillor Cutler responded to questions from members, including confirming that the majority of actions required to ensure compliance with the RSH would be completed by the end of 2026.

RESOLVED:

1. That the annual governance statement for 2024/25 be approved as set out in Appendix 1 of the report for inclusion in the Annual Financial Report 2024/25.

2. That the issues arising, and actions identified in Appendix 1 of the report be noted and that progress against the actions be brought back to the Audit and Governance Committee as an appendix to the quarterly governance monitoring report.

17. **ANNUAL FINANCIAL REPORT 24/25**
(AG167)

The Director (Finance) introduced the report which was for information purposes only at this stage. Training to assist understanding of the financial statement would be provided for committee members before the Statement of Accounts 2024/25 was submitted for approval at the 27 November 2025 meeting.

Members congratulated the officer team for their work in publishing the draft Statement of Accounts by the statutory deadline of 30 June 2025.

RESOLVED:

That the council's Draft Statement of Accounts for 2024/25 be noted.

The meeting commenced at 6.30 pm and concluded at 9.20 pm

Chairperson

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REPORT TITLE: PAY POLICY REPORT AND STATEMENT 2026/27

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

Contact Officer: Manjit Sandhu Tel No: Email: msandhu@winchester.gov.uk

WARD(S): ALL

PURPOSE

This Pay Policy Statement is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually from 1 April each year.

The Pay Policy Statement sets out Winchester City Council's policies relating to the pay of its workforce for the financial year 2026/27, in particular:

- the remuneration of its Chief Officers;
- the remuneration of its "lowest paid employees"; and
- the relationship between:
 - the remuneration of its Chief Officers and
 - the remuneration of its employees who are not Chief Officers.

The purpose of the statement is to provide an open and transparent framework that ensures clarity, fairness and consistency in the remuneration of Chief Officers. It also ensures that employees at all levels of the Council are remunerated on a fair and equitable basis in accordance with equality legislation.

RECOMMENDATIONS:

1. That the Pay Policy Statement for the financial year 2026/27 is recommended to Council for adoption.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Publishing an Annual Pay Policy Statement demonstrates an open and transparent approach to determining how council employees are remunerated. Defining key principles of how remuneration is determined contributes to the objective of achieving a balanced budget and stable council finances.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no additional financial implications for the council in adopting this Pay Policy Statement. The proposed 2026/27 budget fully reflects the assumptions in the Pay Policy Statement.
- 2.2 The level of remuneration is a very important factor in both recruitment and retention of staff. There is a need to balance affordability and value for money with creating a reward framework that ensures the council can recruit, retain, motivate and develop employees who have the skills and capabilities necessary to ensure the continued provision of high quality services.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Pay Policy Statement 2026/27 takes full account of the Secretary of State's guidance in relation to open and transparent reporting of senior level pay in addition to relevant legislative requirements. This includes ensuring that there is an appropriate relationship between the remuneration levels of our senior managers and of all other employees.
- 3.2 The Pay Policy Statement 2026/27 takes account of:
- the Local Government Transparency Code 2015 issued by the Department for Communities and Local Government in February 2015
 - Openness and Accountability in Local Pay: Guidance under S40 of Localism Act 2011 issued in February 2012
 - Openness and Accountability in Local Pay: Guidance under S40 of Localism Act 2011 Supplementary Guidance issued in February 2013
 - guidance issued by the Joint National Council (JNC) for Local Authority Chief Executives on pay policy statements, published in November 2011 and supplementary notes published in January and March 2012
 - employment and equalities legislation affecting local authority employers, where relevant.
- 3.3 The Council's current Contract Procedure Rules encourages existing contractors to apply the Living Wage Foundation rates of pay and for new contractors to submit a plan on how they will implement the Living Wage

foundation rates of pay should they be awarded the contract when bidding for contracts.

4 WORKFORCE IMPLICATIONS

- 4.1 The overall approach to the remuneration for all employees, including senior management is based on:
- compliance with equal pay, discrimination and other relevant employment legislation such as the Equality Act 2010; and
 - ensuring that our overall remuneration packages position the council as an “employer of choice” and that as such our “total reward package” is competitive within the local government and public sector markets.
- 4.2 In the application of the remuneration framework, the council takes into account market rates, individual performance and the need for consistency in the way remuneration bandings are applied. All remuneration differentials can be objectively justified using job evaluation mechanisms that directly establish the relative levels of posts in remuneration bands according to the requirements, demands and responsibilities of the post.
- 4.3 In determining remuneration, the council recognises the need to exercise the greatest care in managing scarce public resources while securing and retaining high quality employees. The principle of fair pay is important to the provision of well-managed services and the council is committed to ensuring fairness and equity in its remuneration practices.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Localism Act 2011 requires the Council to publish a Pay Policy Statement on an annual basis. There are no material changes to the provisions set out in previous policy statements and there is therefore no requirement to consult on this policy wider than the scrutiny by the Audit & Governance Committee.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 There is no differential impact on a specified group as all HR matters are applied consistently.
- 8.2 As required nationally, the council reports on any potential discrepancies in pay, based on gender (“Gender Pay Gap” reporting), in accordance with the statutory timeframe.

- 8.3 An equality impact assessment (EIA) has been completed on the implementation of the Pay Policy Statement and no negative impacts from the policy have been identified. The EIA will be reviewed annually alongside the Pay Policy Statement.
- 8.4 As requested at the February 2021 meeting of the Audit and Governance Committee, the distribution of gender by grade is now provided in the annual report (Appendix 2).

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 This report does not contain confidential data and so there is no need to undertake a Data Protection Impact Assessment.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure <i>Failure to recruit / retain necessary, high-quality employees leading to increased costs of employing locum / agency staff</i>	Assessment of market rates and individual performance combined with consistent application of remuneration bandings. Revisions to the pay grades implemented in recent years improved the Council's position within the employment market which should aid recruitment and retention.	Positioning the council as an Employer of Choice.
Exposure to challenge <i>Failure to comply with the publication requirements of the Localism Act 2011, resulting in adverse local media coverage or legal challenge</i>	Pay policy review is embedded within the committee work programme to ensure annual publication.	
Reputation <i>Failure to recruit / retain necessary, high-quality employees leading to service delivery delays / failures.</i>	Assessment of market rates and individual performance combined with consistent application of remuneration bandings. Revisions to the pay grades implemented in recent years improved the Council's position within	

	the employment market which should aid recruitment and retention.	
Other <i>Potential increase in sickness absence amongst lower paid staff if they do not believe their contribution to the council is valued.</i>	Revisions to the pay scales implemented during April 2019 and 2023 improved the basic pay for staff; the council remains a Living Wage Foundation employer.	

11 SUPPORTING INFORMATION:

- 11.1 Under the Localism Act 2011 ('The Act') every council is required to prepare and adopt a Pay Policy Statement and have that statement approved by Council. The Pay Policy Statement must contain the policy for the remuneration of the council's employees on appointment, subsequent progression and any use of bonus or performance related pay. There are specific requirements as to the appointment of Chief Officers set out in the council's Constitution. The Pay Policy Statement sets out the approach to the remuneration of Chief Officers on their ceasing to hold office or to be employed by the authority.
- 11.2 The Act also requires councils to define 'lowest paid employees', to consider the relationship between the remuneration of the highest and lowest paid and to explain the rationale for their approach and to publish details of pay relativities to encourage fairness in remuneration.
- 11.3 The Pay Policy Statement sets principles and rules relating to the remuneration of senior employees. It does not set out the details of individual payments made in accordance with these principles – although there are separate requirements for the publication of payments made to senior staff in the annual statement of accounts.
- 11.4 The nationally agreed local government pay award is applied from the 1 April each year.
- 11.5 The Pay Policy Statement 2026/27 does not contain any substantial changes to those considered previously.

KEY POLICY ISSUES

- 11.6 There are a number of matters to note in the attached Pay Policy Statement:
- a) The Policy uses the term "Chief Officers" to identify senior employees, or those in receipt of the highest remuneration. This reflects a requirement in the Act, where the definition covers a number of senior posts for Winchester City Council (see 2.3 of the Pay Policy Statement). The Policy recommends the current practice of adopting

national pay schemes and job evaluation procedures as a basis for determining remuneration.

- b) The definition of “lowest paid employees”, required to show pay relativities, draws on Scale 3 of the pay scales, the lowest pay of permanent staff in the Council at present. The ratio of remuneration for highest to lowest paid is under 20:1 – the benchmark as recommended by the Hutton Review.
- c) The City Council is a ‘Living Wage Foundation Employer’ which means that a nationally agreed minimum hourly rate of pay is applied to directly employed employees.
- d) The Policy also covers increases and additions to remuneration. This is already covered by our adopted pay scheme and policies on annual incremental increases, which the Policy refers to. The Policy also makes clear at present the council has not adopted performance related pay or a system of bonus payments and sets out the policy on payment of honoraria.
- e) As stated in Annex A/Pensions Discretions Policy Statement, the current earliest age, as set by the Government, at which pension savings can be accessed is age 55. From April 2028 this will rise to age 57. The 2028/29 Pensions Discretions Policy Statement will be updated accordingly at that time.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 Publishing an annual Pay Policy Statement is a statutory requirement under the Localism Act 2011 therefore no other options were considered.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG041 Final Report and Pay Policy Statement 2021/22, 11 Feb 2021
 AG062 Final Report and Pay Policy Statement 2022/23, 11 November 2021
 AG092 Final Report and Pay Policy Statement 2023/23, 10 November 2022
 AG103 Final Report and Pay Policy Statement 2024/25, 9 November 2023
 AG142 Final Report and Pay Policy Statement 2025/26, 28 November 2024

Other Background Documents:- None.

APPENDICES:

Appendix 1 – Pay Policy Statement 2026/27
 Appendix 2 – Gender Distribution by Grade
 Appendix 3 – Equality Impact Assessment

Appendix 1

Winchester City Council Pay Policy Statement – Financial Year 2026/27

1. Purpose

- 1.1 This Pay Policy Statement is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually from 1 April each year.
- 1.2 The Pay Policy Statement sets out Winchester City Council's policies relating to the remuneration of its workforce for the financial year 2026/27, in particular:
 - the remuneration of its Chief Officers
 - the remuneration of its "lowest paid employees"
 - the relationship between:
 - the remuneration of its Chief Officers and
 - the remuneration of its employees who are not Chief Officers
- 1.3 The purpose of the statement is to provide an open and transparent framework that ensures clarity, fairness and consistency in the remuneration of Chief Officers. It also ensures that employees at all levels of the council are paid on a fair and equitable basis in accordance with equality legislation.

2. Definitions

- 2.1 For the purpose of this statement the following definitions will apply:
- 2.2 **"Remuneration"** in addition to salary will also include charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements, and termination payments.
- 2.3 **"Chief Officer"** refers to the Statutory Chief Officers (Head of Paid Service, Monitoring Officer and S151 Officer) and to Strategic Directors.
- 2.4 **"Lowest paid employees"** refers to those employed on Grade 3 of the council's pay framework.
 - 2.4.1 The above definition for the "lowest paid employees" has been adopted because Grade 3 is the lowest grade on which employees are presently paid within the council's pay framework.
 - 2.4.2 Those engaged on Casual Worker Agreements are paid a fixed hourly rate in line with the voluntary UK Living Wage Foundation. They are excluded from the definition of "lowest paid employees".

- 2.5 **“Employee who is not a Chief Officer”** refers to all employees that are not covered under the “Chief Officer” group above. This includes the “lowest paid employees” i.e. employees on Grade 3.

3. Pay Framework and Remuneration Levels

3.1 General Approach

- 3.1.1 Remuneration for all employees needs to be at the appropriate level to secure and retain high-quality employees dedicated to fulfilling the council’s business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is proportionate and appropriate for the role. Each council has responsibility for balancing these factors and faces its own unique challenges and opportunities in doing so. It is important that Winchester City Council retains flexibility within its pay framework to cope with a variety of circumstances that might necessitate the use of market supplements or other such mechanisms for individual categories of posts where appropriate. Using such solutions should only be short term and regular reviews should ensure that they are discontinued when circumstances change.

3.2 Responsibility for Decisions on Remuneration

- 3.2.1 It is essential for good governance that decisions on remuneration and reward packages for the Chief Executive and Chief Officers are made in an open and accountable way and that there is a verified and accountable process for recommending the levels of top salaries.
- 3.2.2 Remuneration for employees at all grades is based on the national agreements on pay as follows:
- National Joint Council for Local Government Services
 - Joint Negotiating Council for Chief Officers
 - Joint Negotiating Council for Chief Executives.
- 3.2.3 Remuneration packages above £100,000 gross per annum must be considered by Cabinet, with a recommendation to Full Council.

3.3 Salary grades and grading framework

- 3.3.1 Grades for all posts are determined by a consistent job evaluation process. This followed a national requirement for all local authorities and other public sector employers to review their remuneration and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer.
- 3.3.2 Job Evaluation is a systematic process for ranking jobs within an organisation ensuring consistency of approach and outcomes appropriate to the complexity and accountability of the role. Where the grade of a post changes as a result of the job evaluation process, any pay adjustment will

only be backdated to the date on which the role was considered by a job evaluation panel.

- 3.3.3 The council's pay structure is based on the pay spine issued by the National Joint Council (NJC) as part of the National Agreement for Local Government Services. Roles are placed within the pay structure on the basis of the evaluated grade of their role.
- 3.3.4 Incremental spinal column points provide for progression in role with the acquisition of skills, experience and competence (subject to satisfactory performance).
- 3.3.5 Pay awards are applied in line with the national agreements detailed in 3.2.2 on an annual basis for all employees, in conjunction with the nationally recognised trade unions.

3.4 Market Review and Market Payments

- 3.4.1 The council will from time to time, benchmark its remuneration and benefits by comparing a sample of posts. For the purpose of benchmarking and market testing the comparator group comprises public sector authorities in Hampshire, West Sussex and Surrey and authorities in other areas if relevant, who are similar to the council in terms of size (number of employees and population) and similar relevant factors. Jobs within London Boroughs will not be used for comparator purposes due to London weighting allowance. In exceptional circumstances, other external market pay data, including private sector data, will also be considered where relevant.
- 3.4.2 Where the benchmarking exercise highlights a discrepancy in remuneration, following consideration of a report made to the Executive Leadership Board (ELB) a market supplement may be awarded, subject to annual review. Market supplements are typically paid as a fixed monthly amount.
- 3.4.3 Decisions relating to awarding a market supplement for the Chief Executive will be referred to Cabinet, with a recommendation to Full Council.
- 3.4.4 In some circumstances, targeted recruitment (i.e. 'Golden hellos') and retention (i.e. 'Golden handcuffs') payments can be more effective than market supplements in addressing 'hard to fill' vacancies. In contrast to market supplements, these are typically one-off payments at the start or end of a set period with repayment terms in the event of an early resignation from post.
- 3.4.5 Where evidence supports a recruitment/retention payment, the Chief Executive will approve the payment and repayment terms in the event of an early resignation from post.

4. Remuneration

4.1 Remuneration details including benefits in kind are set out in the council's published Annual Statement of Accounts.

4.2 **“Chief Officers”**, as defined in paragraph 2.3 of this statement, are paid within the council's pay framework which applies to all other employees. Normally, Chief Officers have received the same percentage pay award as other managers and employees within the council.

4.4 “Lowest paid employees”

4.4.1 Winchester City Council is an accredited Living Wage Foundation Employer. The Living Wage is paid voluntarily and is set to avoid poverty wages and support the principle that workers should be paid at a level which enables them to achieve an acceptable standard of living. The lowest paid employees are presently paid within the salary range for Grade 3 which covers six salary points ranging between £26,824 - £29,064.

4.4.2 The lowest paid employees do not include apprentices for whom there are separate remuneration arrangements.

4.5 Honoraria and Additional Responsibilities

4.5.1 All employees are expected to perform any other duties commensurate with their job grade as reasonably required from time to time. However, there may be occasions where an employee agrees to take on additional duties and responsibilities that may be at the same level of their substantive grade but are beyond the reasonable scope of their normal job remit. In such circumstances, subject to approval from ELB, an honorarium payment may be awarded. Honoraria are awarded in £100 multiples and should not normally exceed £500. Awards up to a maximum of £1,000 may be approved by ELB in specific circumstances.

4.5.2 The appropriate Strategic Director, in consultation with ELB, may award an “acting up” allowance where an employee takes on temporary increased responsibility.

4.5.3 The amount awarded should reflect the nature and duration of the work or responsibility. Where the employee has been covering the long term absence of a more senior officer, “acting up” payments are calculated based on the difference between the employee's scale point and the bottom scale point of the role they are covering. Temporary acting-up arrangements of this nature should not normally not exceed more than 12 months duration and acting up should generally be undertaken for at least one month before payment will apply.

4.6 Charges, fees or allowances

- 4.6.1 No fees for election duties are included in the salaries of Chief Officers. Any additional fees payable for such responsibilities are calculated in accordance with the statutory rules and associated guidance published by the Government.
- 4.6.2 Special fees are paid for Returning Officer duties which are not part of the post holder's substantive role. These fees are payable as required and can be made to any senior officer appointed to fulfil the statutory duties of this role.
- 4.6.3 The Returning Officer is an officer of the City Council who is appointed under the Representation of the People Act 1983. Whilst appointed by the City Council, the role is one which involves and incurs personal responsibility and accountability and is statutorily separate from their duties as an employee of the council. The Returning Officer is paid a separate allowance for each election for which they are responsible.
- 4.6.3 Where the council's Monitoring Officer or S151 Officer is not a Chief Officer, a special responsibility allowance of £6,000 gross per annum is paid in recognition of the additional requirements of the statutory role.
- 4.6.4 Any allowance or other payment will only be made to an employee in connection with their role or the patterns of hours they work and must be in accordance with the council's employment policies.
- 4.6.5 Where the council offers voluntary benefits e.g. childcare vouchers and employee discount schemes, they are offered to all employees regardless of their role and grade within the council.

4.7 Performance related pay

- 4.7.1 Performance is reviewed annually through the council's appraisal system and the council reserves the right to withhold increments where performance has not met the required standard and where this has been raised with the employee formally. Beyond annual increments awarded in this way, the council does not offer performance related pay to any employee.
- 4.7.2 Subject to approval from the appropriate Corporate Head of Service and Strategic Director, an employee may receive more than 1 increment in any financial year.

4.8 Pension

- 4.8.1 All employees, as a result of their employment, are eligible to join the Local Government Pension Scheme (LGPS).
- 4.8.2 In addition to the employee's own contribution, the council makes a contribution of 18% towards the pension of each member of the LGPS scheme.

4.9 Remuneration on appointment and promotion

- 4.9.1 The starting salary on appointment or following promotion will normally be based on the appointee's level of relevant experience and current salary, regardless of whether they are a current employee of Winchester City Council.
- 4.9.2 The chair of the recruitment panel has the discretion to determine the appropriate spinal column point within the agreed pay scale but the starting salary should not exceed the mid-point of the pay scale. In exceptional circumstances (e.g. the current salary is higher than the mid-point of the scale), the Service Lead: Human Resources or in their absence, the HR Manager: People, may authorise appointment on a spinal column point which is higher than the mid-point of the scale.

5. Relationship between Remuneration of “Chief Officers” and “Employees who are not Chief Officers”

- 5.1 It is the policy of the council to ensure that the ratio of the salary of the highest paid officer and the lowest paid officer is below the 20:1 ratio recommended as a maximum in the terms of reference for the 2011 Hutton review of Fair Pay in the Public Sector.
- 5.2 As at 1st April 2025, pay ratios within the council stand as follows:
- Highest to lowest = 5.6 to 1
- 5.3 This is based on the following salary packages:
- Highest paid annual salary = £ £151,183
 - Lowest paid (minimum grade 3) = £26,824

6. Benefits in kind

- 6.1 The council pays professional fees for officers where it is an essential requirement for the post holder to maintain professional accreditation. Only one set of professional fees are paid per annum.
- 6.2 The council offers a Health Care Cash Plan scheme which is available to all employees regardless of their role and grade within the council.
- 6.3 A Park and Ride pass is offered to all employees.
- 6.4 Officers who are designated as “Essential Car Users” are issued with a permit for one of the car parks nearer to the council offices to enable them to meet the specific operational requirements of their role.

7. Termination Payments

- 7.1 Payments made on termination of employment are limited to those expressly required or allowed by law. In accordance with the council's Constitution,

termination payments which exceed £100,000 (regardless of the post to which they apply and the reasons for the payment) require approval from full council.

8. Access to Pension Payments

- 8.1 In some circumstances, an employee may be eligible to access their pension on termination of employment.
- 8.2 The LGPS requires employers to prepare and publish a written statement of policy in relation to the payment of pensions. The council's policy on pensions (and related discretionary payments) is set out in **Annex A** of this document.

9. Redundancy Payments

- 9.1 The calculation of redundancy payments is based on the provisions of Employment Rights Act 1996 and may be subject to revision should this legislation be amended.
- 9.2 Redundancy payments are based on a ratio of completed years' service and the employees' age at the effective date of termination, using a multiplier of 1.6. Completed years' service will be capped at 20 years and the maximum of 48 weeks' pay will apply. The council uses the employee's actual contractual pay to calculate redundancy payments.

10. Settlement Agreements

- 10.1 In exceptional circumstances, and specifically to settle an employment tribunal claim or similar significant dispute, the Section 151 Officer can agree payment of a settlement up to £10,000.
- 10.2 In such cases, each decision as the level of payment will be taken on its merits. Where the proposed termination payment exceeds £10,000, approval from the Section 151 Officer and one other Chief Officer is required.
- 10.3 In accordance with the council's Constitution, settlement payments which exceed £100,000 (regardless of the post to which they apply) require approval from full council.

11. Re-employment of officers

- 11.1 When an employee is dismissed on the grounds of redundancy, the council will not re-employ them for a period of 12 months following the termination.
- 11.2 When an employee ceases employment with the council on the grounds of early retirement with the employer's consent, the council will not re-employ them for a period of 12 months following the termination.

12. Data Transparency

- 12.1 Under the Local Government Transparency Code 2014, remuneration information and a list of responsibilities for employees paid over £50,000 must be published. This information is available on the council's external website. 'Senior employees' remuneration can also be found in the annual Statement of Accounts.

Annex A

Pensions Discretions Policy Statement

The Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

1. Introduction

- 1.1 This policy statement is made in accordance with Paragraph 60 of the Local Government Pension Scheme Regulations 2013 and Paragraph 2 (2) of Schedule 2 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
- 1.2 It sets out how Winchester City Council will apply discretionary provisions available within those Regulations.
- 1.3 This policy applies to all employees of Winchester City Council who are members of the Local Government Pension Scheme. It does not apply to Elected Members of the council.
- 1.4 In formulating and reviewing its policy, the council:
 - has regard to the extent to which the exercise of discretionary powers, unless properly limited, could lead to serious loss of confidence in the public service; and
 - is satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

2. Purpose of this Policy

- 2.1 This policy aims to provide fairness and consistency in situations where the council is agreeing to the release of accrued pension benefits.

3. Flexible Retirement – Regulations 30 (6) and 30 (8) (2013 Regulations)

- 3.1 The Pension Scheme allows for flexible retirement from age 55 with the payment of all or part of accrued pension benefits in situations where the employer agrees to the hours of work or the level of responsibility being reduced **and** to the release of pension benefits. In most cases, the pension benefits will be reduced if taken before normal retirement age.

- 3.2 Flexible retirement can benefit both the employee through enabling a gradual adjustment to retirement and the council through the ability to retain valuable experience and knowledge; it also increases the opportunity for succession planning and reflects the ethos of flexible working.
- 3.3 The council will consider all requests for flexible retirement in response to written requests from eligible employees.
- 3.4 The council will approve requests only where it is in their interest to do so; where there is no adverse impact on the service; where the costs are affordable or where there are likely to be cost savings achieved as a result of the proposal.
- 3.5 A request should typically involve a substantial reduction of at least 40% in remuneration, either through reduced hours or level of responsibility.
- 3.6 Requests for flexible retirement will be considered by the Executive Leadership Board. Where a request for flexible retirement is from a Chief Officer, the decision will be made by the Chief Executive. Requests for flexible retirement from the Chief Executive will require approval from full council.

4. Awarding Additional Pension – Regulation 31(2013 Regulations)

- 4.1 The council will not make use of the provision to award additional pension.
- 4.2 This discretion is therefore not exercised.

5. Shared Cost Additional Voluntary Contributions (SCAVC) and Shared Cost Additional Pension Contributions (SCAPC) – Regulations 16(2) (e) and 16(4) (d) (2013 Regulations)

- 5.1 The council will exercise discretion to allow Local Government Pension Scheme Members to contribute to a shared cost salary sacrifice additional voluntary contribution scheme.
- 5.2 The council will not exercise its discretion to allow Local Government Pension Scheme Members to contribute to a Shared Cost Additional Pension Contributions Scheme.

6. Discretion to “switch on” the 85 year rule for 55 year olds and older but before the age of 60 – Para 1(1) (c) Schedule 2 of the 2014 Regulations

- 6.1 The council will only exercise this discretion where there is a business reason to do so and where any costs associated with the discretion are affordable and sustainable to the council. Requests will be considered by the Executive Leadership Board.

7. Waiving Reduction due to Early Payment of Pension – Regulation 30 (8) (2013 Regulations)

- 7.1 Employees can retire from age 55 and receive immediate payment of their pension benefits however the pension benefits payable will be subject to an actuarial reduction.
- 7.2 The council will exercise the discretion to waive the actuarial reduction where Regulation 30 (7) is applicable (that is where employment is terminated on the grounds of redundancy or in the interest of business efficiency).
- 7.3 The council will exercise this discretion only where there is a business reason to do so and where any costs associated with the discretion are affordable and sustainable to the council. Requests will be considered by the Executive Leadership Board.

8. Early Payment of Deferred Pension Benefits – Regulation 30 of the LGPS (Benefits, Membership and Contributions) Regulations 2007

- 8.1 The council will not normally exercise this discretion but may consider it in exceptional circumstances where any costs associated with the discretion are affordable and sustainable to the council.
- 8.2 Requests will be considered by the Executive Leadership Board.

9. Transfer of Pension Rights – Regulation 100 (6) (2013 Regulations)

- 9.1 The Regulations permit the employer to extend the normal time limit (currently 12 months) during which a scheme member may transfer service from a previous employer.
- 9.2 The council will not make use of the provision to extend the normal time limit.
- 9.3 This discretion is therefore not exercised.

10. Aggregation of Membership - Regulations 22, 7(b) 8(b) (2013 Regulations)

- 10.1 If a member has a deferred, pre-1 April 2014 LGPS pension account, the Regulations allow for them to make a decision about whether it is combined with their new LGPS membership. If the LGPS account was deferred on or after 1 April 2014 the Regulations allow the member to elect to keep them separate.
- 10.2 Any such decision to maintain combined or separate pension accounts must be made within 12 months of becoming an active member.
- 10.3 The Regulations permit the employer to extend the normal timescale.
- 10.4 The council will not make use of the provision to extend the normal time limit.
- 10.5 This discretion is therefore not exercised.

11. Other Discretions

- 11.1 With the exception of the discretions set out in this policy statement, the council will not exercise any pension discretions pursuant to the 2013 and 2014 Regulations.

12. Review of the Policy

- 12.1 This policy will be reviewed by Human Resources annually.

Appendix 2

Gender distribution by grade

The council has an overall gender split of 60% female to 40% male employees.

1 September 2024

	F%	M%
Chief Executive	100	0
Director	60	40
Corporate Head of Service	71	29
Grade 9	33	67
Grade 8	30	70
Grade 7	48	52
Grade 6	51	49
Grade 5	68	32
Grade 4	62	38
Grade 3/2	69	31

1 September 2025

	F%	M%
Chief Executive	100	0
Director	50	50
Corporate Head of Service	71	29
Grade 9	50	50
Grade 8	30	70
Grade 7	52	48
Grade 6	51	49
Grade 5	66	34
Grade 4	61	39
Grade 3/2	68	32

Appendix 3



Winchester City Council

Data and Equality Impact Assessment

When undertaking your Data and Equality Impact Assessment for your policy or project, it is important that you take into consideration everything which is associated with the policy or project that is being assessed against the Data Protection Act 1998 and General Data Protection Regulations and the public sector equality duty.

The checklist below is to help you sense check your policy or project before you move to Section 2. Note that the public sector duty is inclusive and not exclusive if there are any other relevant matters please insert a row.

Section 1 - Data Checklist

		Yes/No	Please provide details
1	Have there been any complaints data related to the policy or project you are looking to implement?	No	No complaints have been received in respect of the city council's pay policy.
2	Have all officers who will be responsible for implementing the policy or project been consulted, and given the opportunity to raise concerns about the way the policy or function has or will be implemented?	Yes	The policy is implemented and reviewed annually by the Human Resources department of the city council. The policy and annual report is reviewed by the Executive Leadership Board and the Audit & Governance Committee.
3	Have previous consultations highlighted any concerns about the policy or project from an equality impact perspective?	No	No concerns have been highlighted and the pay policy statement is implemented in accordance with central government guidance and regulations. At the request of the Audit & Governance Committee February 2021, gender distribution by grade is now included in the annual report.

4	Do you have any concerns regarding the implementation of this policy or project? <i>(i.e. Have you completed a self-assessment and action plan for the implementation of your policy or project?)</i>	No	The Council is required under the Localism Act 2011 to publish a pay policy statement on an annual basis. There are no concerns in the implementation of this policy. <i>A self-assessment and action plan for the implementation of this policy will be undertaken.</i>
5	Does any accessible data regarding the area which your work will address identify any areas of concern or potential problems which may impact on your policy or project?	No	The council's pay policy statement fully takes account of central government guidance and regulations and there are no concerns about any accessible data.
6	Do you have any past experience delivering similar policies or projects which may inform the implementation of your scheme from a data protection point of view?	Yes	The Localism Act 2011 requires annual publication of a pay policy statement. In the main, the policy sets the generic principles and rules for the pay of its employees and Chief Officers and does not include details of the pay arrangements for individual, named employees.
7	Are there any other issues that you think will be relevant?	No	

Section 2 - Your Equality Impact Assessment form

Directorate:	Your Service Area: Human Resources	Team: Human Resources	Officer responsible for this assessment: Manjit Sandhu, Service Lead HR	Date of assessment: 23.09.2025
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	Question	Please provide details
1	What is the name of the policy or project that is being assessed?	Pay Policy Statement 2026/27
2	Is this a new or existing policy?	Annual update to existing policy.
3	Briefly describe the aim and purpose of this work.	The purpose of the pay policy statement is to provide an open and transparent framework that ensures clarity, fairness and consistency in the remuneration of Chief

		Officers. It also ensures that employees at all levels of the Council are remunerated on a fair and equitable basis in accordance with equality legislation.		
4	What are the associated objectives of this work?	To provide an annual update to ensure that statutory obligations are met which include the public sector equality duty.		
5	Who is intended to benefit from this work and in what way?	Staff are intended to benefit. Publication of a pay policy ensures an organisation's approach to pay is open and transparent and does not discriminate.		
6	What are the outcomes sought from this work?	To provide a Pay Policy Statement in accordance with Section 38(1) of the Localism Act 2011 which is agreed and updated annually from 1 April each year.		
7	What factors/forces could contribute or detract from the outcomes?	A lack of transparency and fairness in the implementation of the city council's pay policy.		
8	Who are the key individuals and organisations responsible for the implementation of this work?	The city council has a directly employed team which manages the pay policy implementation.		
Please select your answer in bold . Please provide detail here.				
9a	Could the policy or project have the potential to affect individuals or communities on the basis of race differently?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of race.
9b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
10a	Could the policy or project have the potential to affect individuals or communities on the basis of gender?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of gender.
10b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		

11a	<p>Could the policy or project have the potential to affect individuals or communities on the basis of disability differently in a negative way?</p> <p><i>(you may wish to consider:</i></p> <ul style="list-style-type: none"> • <i>Physical access</i> • <i>Format of information</i> • <i>Time of interview or consultation event</i> • <i>Personal assistance</i> • <i>Interpreter</i> • <i>Induction loop system</i> • <i>Independent living equipment</i> • <i>Content of interview)</i> 	Y	N	The policy will not have an effect on an individual or group of the community on the basis of disability.
11b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
12a	Could the policy or project have the potential to affect individuals or communities on the basis of sexual orientation?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of sexual orientation.
12b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
13a	Could the policy or project have the potential to affect individuals or group of community on the basis of age?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of age.
13b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
14a	Could the policy or project have the potential to affect individuals or communities on the basis of religious belief?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of religious belief.
14b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		

15a	Could this policy or project have the potential to affect individuals on the basis of gender reassignment?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of gender reassignment.
15b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
16a	Could this policy or project have the potential to affect individuals on the basis of marriage and civil partnership?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of marriage and civil partnership.
16b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
17a	Could this policy or project have the potential to affect individuals on the basis of pregnancy and maternity?	Y	N	The policy will not have an effect on an individual or group of the community on the basis of pregnancy and maternity.
17b	What existing evidence (either presumed or otherwise) do you have for this?	Implementation of current policy together with a review of existing staff.		
18	Could any negative impacts that you identified in questions 9a to 17b create the potential for the policy to discriminate against certain groups on the basis of protected characteristics?	Y	N	The policy statement has been reviewed and none are identified.
19	Can this negative impact be justified on the grounds of promoting equality of opportunity for certain groups on the basis of protected characteristics? Please provide your answer opposite against the relevant protected characteristic.	Y	N	Race: n/a- as no negative impact identified.
				Gender: n/a- as no negative impact identified.
				Disability: n/a- as no negative impact identified.
				Sexual orientation: n/a- as no negative impact identified.
				Age: n/a- as no negative impact identified
				Gender reassignment: n/a- as no negative impact identified.

				Pregnancy and maternity n/a- as no negative impact identified.
				Marriage and civil partnership: n/a- as no negative impact identified.
				Religious belief: n/a- as no negative impact identified.
21	How will you mitigate any potential discrimination that may be brought about by your policy or project that you have identified above?	None identified. Annual reviews and continuous monitoring of staff pay, particularly in relation to protected characteristics.		
22	Do any negative impacts that you have identified above impact on your service plan?	Y	N	None identified.

Signed by completing officer	Samantha Hanks, Employee Engagement Partner, 23.09 2025
Signed by lead officer	Manjit Sandhu, Service Lead HR, 24.09.2025

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REPORT TITLE: TREASURY MANAGEMENT MID-YEAR REPORT 2025/26

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Cabinet Member for Finance and Transformation

Contact Officer: Liz Keys Tel No: 01962 848421 Email lkeys@winchester.gov.uk

WARD(S): ALL WARDS

PURPOSE

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, this report provides details of the performance of the treasury management function; on the effects of the decisions taken and the transactions executed in the first half of the financial year; and confirmation that there were no instances of non-compliance with the council's Treasury Management Strategy Statement and Treasury Management Practices, for the second quarter of 2025/26. Q1 Treasury Management indicators are included in appendix B.

RECOMMENDATIONS:

1. Note the mid-year Treasury Management Report for 2024/25 including the Q2 indicators, and the Q1 indicators at appendix B.
2. Note all treasury management activity in the period was compliant with the council's Treasury Management Strategy.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Treasury management is an integral part of helping to deliver the council Strategy and all of its outcomes. Of key importance is ensuring the security and sufficient liquidity of the council's cash and investment balances whilst, where possible, optimising the yield from those investments. The income from investments is available to be used by the council in achieving its objectives.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the council.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.
- 3.2 With effect from September 2014 Hampshire County Council (HCC) and Winchester City Council (WCC) established arrangements for the joint discharge of functions under Section (101) (1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of WCC's cash balances and investment of surplus cash or sourcing of short-term borrowing in accordance with the agreed Treasury Management Strategy Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 HCC's Investments and Borrowing Team carry out the day-to-day management of the council's cash balances and investments. The council's in-house finance team undertake the accounting and retain responsibility for long-term borrowing decisions.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been produced in consultation with HCC's Investments & Borrowing team.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Following the council's declaration of a Climate Emergency in June 2019 and in line with the ethical stances in its investment policy, the council has no direct or indirect equity investments in companies directly involved in the fossil fuel industry.

8 EQUALITY IMPACT ASSESSEMENT

8.1 There are no actions which arise directly from this report.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the council's risk appetite.	Returns above budgeted levels
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long-term funds are held to ensure cash is available to utilise. The council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity

11 SUPPORTING INFORMATION:

12 Introduction

- 12.1 The council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021 which requires the council to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 12.2 This mid-year report provides an update on treasury management activity including the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the council's quarterly finance and performance monitoring reports.

13 Summary

- 13.1 The report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the

performance of the treasury management function during the first half of 2025/26.

- 13.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2025. The council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy.
- 13.3 Treasury management in the context of this report is defined as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 13.4 Hampshire County Council's Investments & Borrowing Team has been contracted to manage the council's treasury management balances since September 2014 but overall responsibility for treasury management remains with Winchester City Council. No treasury management activity is without risk and as such the effective identification and management of risk are integral to the council's treasury management objectives.
- 13.5 All treasury activity in the year to date has complied with the council's Treasury Management Strategy and Investment Strategy for 2025/26, and all relevant statute, guidance and accounting standards. In addition, advice in undertaking treasury management activities has been provided by the council's treasury advisers, Arlingclose.
- 13.6 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by Full Council in February 2025 (CAB3495).

14 External Context

- 14.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions have been made in the year to date.

Economic commentary

- 14.2 From late June 2025, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium- and longer-term gilts pushed higher, including the 30-year gilt which hit its highest level for almost 30 years.

- 14.3 UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March 2025 to 3.8% in August 2025, still well above the Bank of England's (BoE) 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August 2025 reading was down from 3.8% the previous month. Services inflation also fell from July to August 2025, to 4.7% from 5.0%.
- 14.4 The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 gross domestic product (GDP) report, annual growth was revised upwards to 1.4% year on year. However, monthly figures showed zero growth in July 2025, in line with expectations, indicating a sluggish start to Q3.
- 14.5 The August 2025 BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium-term outlook will be influenced by domestic and global developments.
- 14.6 Arlingclose, the council's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

Credit review

- 14.7 Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at six months. The other banks remain on 100 days.
- 14.8 Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. After spiking in early April 2025 following the US trade tariff announcements, UK CDS prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
- 14.9 Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.
- 14.10 Financial market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the council's counterparty list recommended by Arlingclose remain under constant review.

15 Local Context

- 15.1 On the 31 March 2025, the council had net investments of £16.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. Table 1 lays out the various CFR elements and how they are financed, comparing the position at 31 March 2025 to the forecast position expected at 31 March 2026. The actual position at the end of the year will be influenced by several factors, such as the delivery of the capital programme, which can affect the position significantly.

Table 1: Balance sheet summary	31/03/25 Balance £m	Movement £m	31/03/26 Forecast £m
General Fund CFR	70.4	3.5	73.9
Housing Revenue Account CFR	212.5	0.0	212.5
Total CFR	282.9	3.5	286.4
Less: Other debt liabilities	(3.3)	0.6	(2.7)
Loans CFR	279.6	4.1	283.7
Less: External borrowing*:			
- Public Works Loan Board	(154.5)	5.2	(149.3)
Internal borrowing	125.1	9.3	134.4
Less: Balance sheet resources	(141.3)	9.4	(131.9)
Net borrowing/(Investments)	(16.2)	18.7	2.5

* Shows only loans to which the council is committed and excludes optional refinancing.

- 15.2 The treasury management position at 30 September 2025 and the change over the quarter is shown in Table 2.

Table 2: Treasury management summary	30/06/25 Balance £m	Movement £m	30/09/25 Balance £m	30/09/25 Rate %
Long-term borrowing	(149.3)	0.2	(149.1)	3.23
Short-term borrowing	(5.2)	0.0	(5.2)	3.00
Total borrowing	(154.5)	0.2	(154.3)	3.22
Long-term investments	5.0	0.0	5.0	4.84
Short-term investments	6.0	5.0	11.0	4.06
Cash and cash equivalents	17.3	(1.4)	15.9	4.02
Total investments	28.3	3.6	31.9	4.16
Net borrowing	(126.2)	3.8	(122.4)	

- 15.3 The second quarter of the financial year shows a decrease in net borrowing of £3.8m in comparison to the end of the first quarter. This reflects a reduction in total borrowing of £0.2m combined with an increase of £3.6m in the investments position.
- 15.4 Total borrowing has reduced due to the repayment of loan principal related to the council's equal instalment of principal (EIP) loans, whereby a proportion of the loan principal is repaid at each interest payment date. During the quarter no other borrowing was repaid and no further borrowing was secured.
- 15.5 The increase in investment balances reflects the normal pattern of the council's cash balances, with balances generally increasing until the final quarter of the financial year due to, for example, the higher receipt of council tax during the first three quarters in comparison to the final quarter.

16 Borrowing Strategy and Activity

- 16.1 As outlined in the Treasury Management Strategy, the council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the council's long-term plans change is a secondary objective. The council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.
- 16.2 After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields however have increased over the period amid concerns about inflation, the UK government's fiscal position and general economic uncertainty. Both central bank interest rates

and gilt yields affect the rate of interest available on investments and borrowing.

- 16.3 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The council has no plans to borrow to invest primarily for financial return, so is able to retain full access to the PWLB.
- 16.4 The PWLB HRA (Housing Revenue Account) rate which is 0.4% below the certainty rate is available up to March 2026. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the council's loans relating to the HRA maturing during this time frame. Borrowing is potentially required in relation to the HRA during 2025/26 and if the PWLB is identified as the most cost-effective solution for the council, the intention is to use the PWLB HRA rate.
- 16.5 The council is a net borrower and as stated in the Treasury Management Strategy 2025/26, the council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the council currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR and therefore, as a result, further borrowing continues to be considered by the Section 151 Officer.
- 16.6 At 30 September 2025 the council held £154.3m of loans. The vast majority of the outstanding loans are in relation to the financing settlement of the HRA in 2012. Outstanding loans on 30 September 2025 are summarised in Table 3.

Table 3: Borrowing position	30/06/25 Balance	Net movement	30/09/25 Balance	30/09/25 Weighted average rate	30/09/25 Weighted average maturity (years)
	£m	£m	£m	%	
Public Works Loan Board	(154.5)	0.2	(154.3)	3.22	18.5
Total borrowing	(154.5)	0.2	(154.3)	3.22	18.5

- 16.7 The council has considered it to be more cost effective in the near term to use internal resources than to use additional external borrowing. In the last three months, £0.2m of existing loan principal has matured and no additional borrowing has been secured.
- 16.8 This borrowing strategy has been monitored with the assistance of Arlingclose and has enabled the council to keep long-term borrowing costs low and mitigates against future interest rate increases.

17 Treasury Investment Activity

- 17.1 The CIPFA Treasury Management Code defines treasury management investments as investments that arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 17.2 The council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the financial year to date, the council's investment balances have ranged between £17.9m and £46.6m due to timing differences between income and expenditure. The investment position as at 30 September 2025 in comparison to 30 June 2025 is shown in Table 4.

Table 4: Treasury investment position	30/06/25 Balance	Movement	30/09/25 Balance	30/09/25 Income return	30/09/25 Weighted average maturity
	£m	£m	£m	%	(years)
Short term investments:					
Banks and building societies:					
- Unsecured	3.8	1.1	4.9	4.00	0.13
Money market funds	13.5	0.0	13.5	4.04	0.03
Government:					
- Debt Management Office	5.0	(2.0)	3.0	3.96	0.00
- UK Treasury bills	0.0	4.5	4.5	4.09	0.12
Cash plus funds	1.0	0.0	1.0	4.11	0.01
Total	23.3	3.6	26.9	4.04	0.06
Long term investments					
- Pooled property fund*	5.0	0.0	5.0	4.84	N/A
Total	5.0	0.0	5.0	4.84	N/A
Total investments	28.3	3.6	31.9	4.16	0.05

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the 12 months to 30 September 2025 based on the market value of investments at the start of the year (1 October 2024).

- 17.3 The increase in investment balances reflects the normal pattern of the council's cash balances, with balances generally increasing until the final quarter of the financial year due to, for example, the higher receipt of council tax during the first three quarters in comparison to the final quarter.
- 17.4 Both the CIPFA Code and government guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is to strike an appropriate balance

between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 17.5 The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral where available and appropriate. The council should invest in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
- 17.6 As demonstrated by the liability benchmark shown later in this report, the council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The council has invested in pooled funds as part of its Treasury Management strategy. The existing investment in a strategic pooled property fund will be maintained to diversify risk into different asset classes and boost investment income as part of the implementation of the wider Treasury Management strategy ensuring it is investing its funds prudently, having regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. By investing in a diversified portfolio in respect of yield this meets the council's aim of protecting reserves from high inflation. The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.
- 17.7 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5. These metrics monitor the internal investments of the portfolio, which is the total portfolio less both the pooled funds and the cash plus fund.

Table 5: Investment benchmarking (excluding pooled funds)	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
		%		%
30.06.2025	AA-	77	8	4.23
30.09.2025	AA-	71	23	4.03
Similar LAs	A+	64	53	4.06
All LAs	A+	62	11	4.06

- 17.8 Table 5 shows the average credit rating of the portfolio has been maintained at AA-, whilst bail-in exposure has reduced modestly. This reduction can be attributed to investment with the UK Government, namely Treasury Bills, which do not attract bail-in risk. It is also worth noting that the Money Market Funds (MMFs) where the council holds the majority of its liquidity are considered bail-in risk 'light' by Arlingclose owing to their highly diversified nature and the short maturities of the underlying assets within the funds themselves.

- 17.9 The rate of return on the portfolio has dropped slightly, but this is to be considered against a backdrop of falling interest rates and is therefore expected. Rates of return are comparable to other Arlingclose clients included in the benchmarking exercise.

Externally managed pooled property fund

- 17.10 £5m of the council's investments are invested in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Over the 12 months to 30 September 2024 these funds generated an average total return of 8.64%, comprising a 4.84% income return which is used to support services in year, and 3.80% of unrealised capital gain.
- 17.11 By comparison, over the holding period of these investments, the pooled fund has generated a total return of 4.52% pa, comprising 4.14% pa average income return and 0.54% pa average capital return. There is currently an unrealised capital gain of £277,000 on the pooled property fund, and it is hoped that the capital value of this investment will improve over the medium term. An income return of 4.14% pa represents good value over a period where generally interest rates have remained low.
- 17.12 Most asset classes achieved positive performance over the first half of the 2025/26 financial year, although conditions remained volatile and heavily influenced by political and macroeconomic developments. The gradual improvement in UK commercial property has continued. Capital values recorded marginal gains, while total returns were driven largely by rental income.
- 17.13 Because this fund has no defined maturity date but is available for withdrawal after a notice period, its performance and continued suitability in meeting the council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.
- 17.14 Further to consultations in April 2023 and December 2024 MHCLG (the Ministry for Housing, Communities and Local Government) wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1 April 2029 for investments already in place before 1 April 2024 (which would include the Authority's investments). The override will not apply to any new investments taken out on or after 1 April 2024. The council's pooled fund investments were made prior to 1 April 2024 and therefore the council will be able to continue to take advantage of the statutory override. This means that any unrealised

gains or losses on the pooled fund investments will not be charged to the Comprehensive Income and Expenditure Statement up until 1 April 2029.

18 Non-Treasury Investments

- 18.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 18.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 18.3 This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 18.4 Further information on the council's non-Treasury investments is included in the Capital Investment Strategy (CAB3495) presented to Cabinet on 12 February 2025, and in the General Fund Outturn (CAB3514) presented to Cabinet on 10 September 2025.

19 Compliance Report

- 19.1 The Section 151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the council's approved Treasury Management Strategy.
- 19.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6.

Table 6: Debt limits	Q2 2025/26 Maximum £m	30/09/25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	(154.5)	(154.3)	(295.5)	(309.1)	✓
Finance leases	(3.3)	(3.3)	(4.5)	(5.0)	✓
Total debt	(157.8)	(157.6)	(300.0)	(314.1)	✓

- 19.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

- 19.4 The balance recorded against the finance lease stays static as it is updated at year end, therefore the council will continue to show a balance of £3.3m until 31 March 2026.

20 Treasury Management Prudential Indicators

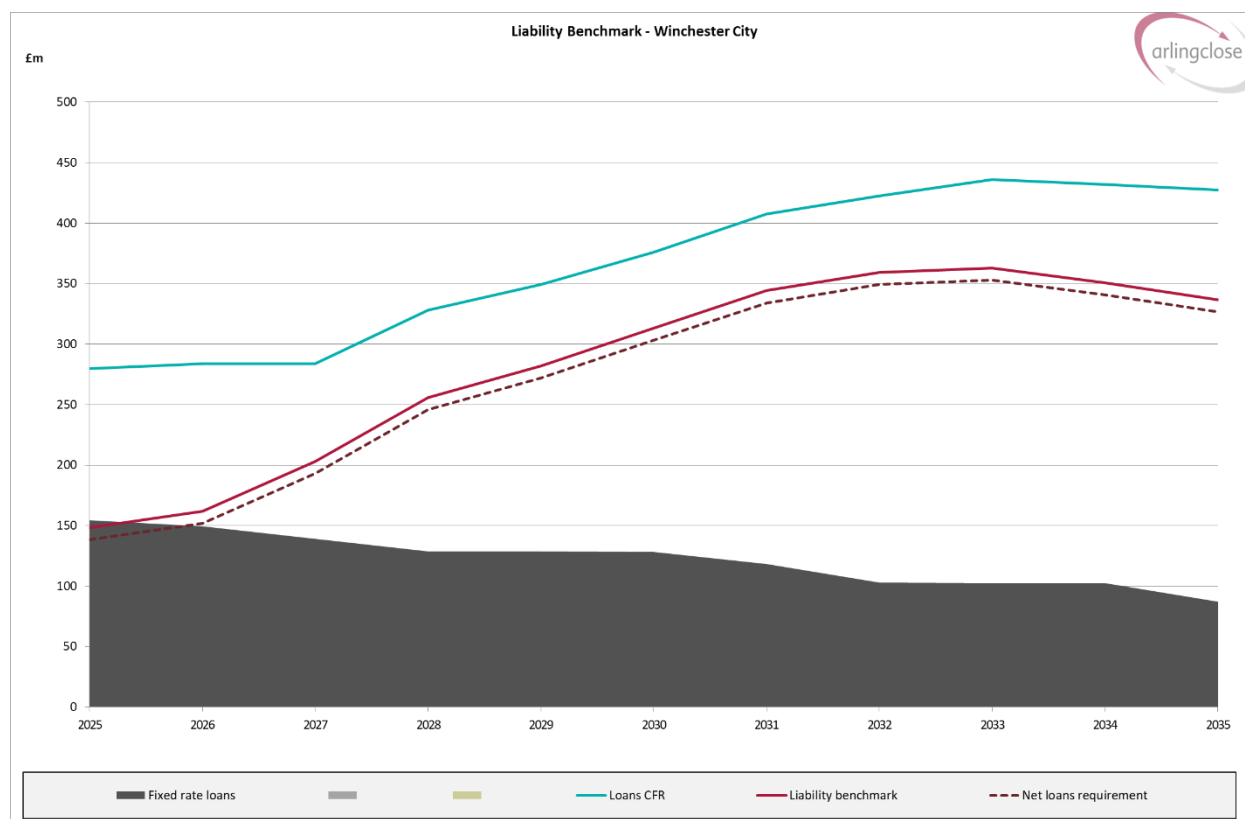
- 20.1 As required by the 2021 CIPFA Treasury Management Code, the council monitors and measures the following treasury management prudential indicators.

Liability benchmark

- 20.2 This indicator compares the council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 7: Liability benchmark	31/03/25 Actual £m	31/03/26 Forecast £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	279.6	283.7	283.7	328.2
Less: Balance sheet resources	(141.3)	(131.9)	(90.6)	(82.5)
Net loans requirement	138.3	151.8	193.1	245.7
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	148.3	161.8	203.1	255.7
Existing borrowing	(154.5)	(149.3)	(139.0)	(128.8)

Graph 1: Liability benchmark



20.3 Table 7 and Graph 1 illustrate the council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. The chart shows that if it is to deliver its capital programme as planned, the council will need to take out additional external borrowing as reflected in the gap between the liability benchmark (the red line) and the existing borrowing (the grey area). This requirement will be considered by the Section 151 Officer in consultation with Arlingclose and the Investments & Borrowing team at Hampshire County Council to ensure borrowing is undertaken at the most appropriate time.

20.4 The full liability benchmark chart (50 years) is available in Appendix A.

Interest rate exposures

20.5 The following indicator shows the sensitivity of the council's current investments and borrowing to a change in interest rates.

Table 8: Interest rate risk indicator	30/09/25 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investments	£31.9m	+/-£0.3m

Borrowing	(£5.1m)	+/-0.0m
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- 20.6 Fixed rate investments and borrowings are those where the rate of interest is fixed for 12 months. Instruments and loans that mature within 12 months are classed as variable rate.

Maturity structure of borrowing

- 20.7 This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement.

Table 9: Maturity structure of borrowing	30/09/25 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	7%	25%	0%	✓
24 months and within 5 years	7%	25%	0%	✓
5 years and within 10 years	27%	30%	0%	✓
10 years and within 20 years	13%	50%	0%	✓
20 years and within 30 years	13%	50%	0%	✓
30 years and within 40 years	30%	75%	0%	✓
40 years and within 50 years	0%	100%	0%	✓

Long-term Treasury Management Investments

- 20.8 The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 10: Long-term Treasury Management Investments	2025/26	2026/27	2027/28	No fixed date
Actual principal invested beyond year end	£0m	£0m	£0m	£5m
Limit on principal invested beyond year end	£20m	£20m	£20m	£5m
Complied	✓	✓	✓	✓

- 20.9 Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

21 OTHER OPTIONS CONSIDERED AND REJECTED

- 21.1 The council could elect to bring all treasury management activity back in-house. This option has been rejected as the arrangement with Hampshire County Council's Investments and Borrowing team provides significant resilience and economies of scale.
- 21.2 The council could make more risky investments than those proposed in the Strategy to increase its yield. This has been rejected as priority is given to ensuring security and liquidity in line with the key principles of the CIPFA Treasury Management Code.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

CAB3496: Treasury Management Strategy 2025/26, 12 February 2025

AG166: Treasury Management Outturn Report 2024/25, 17 July 2025

Other Background Documents:-

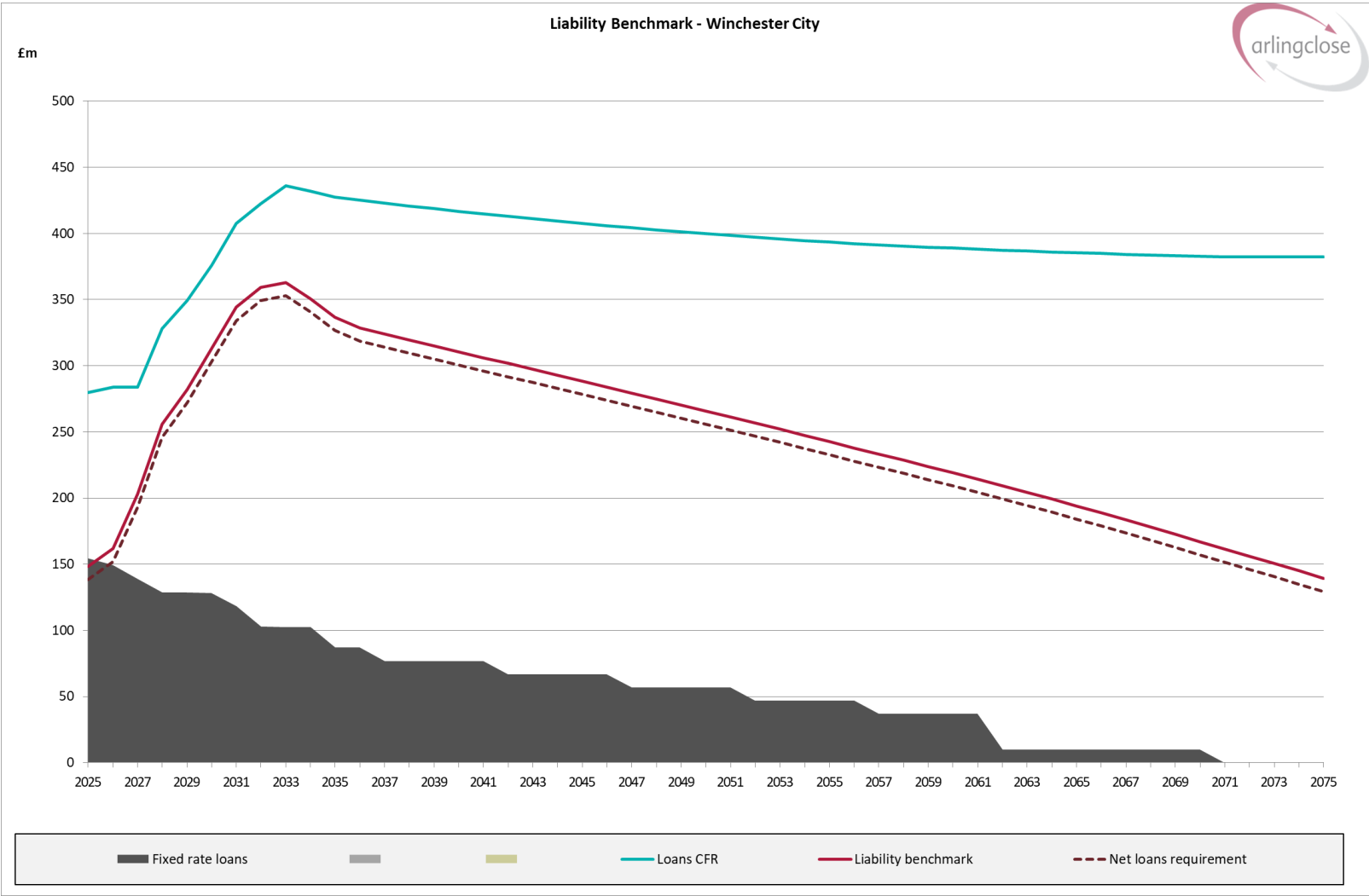
None

APPENDICES:

Appendix A – Liability Benchmark graph (50-year view)

Appendix B – 2025/26 Q1 Treasury Management Indicators

Appendix A – Liability Benchmark graph (50-year view)



Appendix B – 2025/26 Q1 Treasury Management Indicators

Table 11: Treasury management summary	31/03/25 Balance £m	Movement £m	30/06/25 Balance £m	30/06/25 Rate %
Long-term borrowing	(149.3)	0.0	(149.3)	3.23
Short-term borrowing	(5.2)	0.0	(5.2)	3.00
Total borrowing	(154.5)	0.0	(154.5)	3.22
Long-term investments	5.0	0.0	5.0	4.84
Short-term investments	1.0	5.0	6.0	4.06
Cash and cash equivalents	9.6	7.7	17.3	4.02
Total investments	15.6	12.7	28.3	4.16
Net borrowing	(138.9)	12.7	(126.2)	

Table 12: Debt limits	Q2 2025/26 Maximum £m	30/06/25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	(154.5)	(154.5)	(295.5)	(309.1)	✓
Finance leases	(3.3)	(3.3)	(4.5)	(5.0)	✓
Total debt	(157.8)	(157.8)	(300.0)	(314.1)	✓

Table 13: Liability benchmark	31/03/25 Actual £m	31/03/26 Forecast £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	279.6	283.7	283.7	328.2
Less: Balance sheet resources	(141.3)	(131.9)	(90.6)	(82.5)
Net loans requirement	138.3	151.8	193.1	245.7
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	148.3	161.8	203.1	255.7
Existing borrowing	(154.5)	(149.3)	(139.0)	(128.8)

Table 14: Interest rate risk indicator	30/06/25 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investments	£28.2m	+/-£0.3m
Borrowing	(£5.2m)	+/-0.0m

Table 15: Maturity structure of borrowing	30/06/25 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	7%	25%	0%	✓
24 months and within 5 years	7%	25%	0%	✓
5 years and within 10 years	27%	30%	0%	✓
10 years and within 20 years	13%	50%	0%	✓
20 years and within 30 years	13%	50%	0%	✓
30 years and within 40 years	30%	75%	0%	✓
40 years and within 50 years	0%	100%	0%	✓

Table 16: Long-term Treasury Management Investments	2025/26	2026/27	2027/28	No fixed date
Actual principal invested beyond year end	£0m	£0m	£0m	£5m
Limit on principal invested beyond year end	£20m	£20m	£20m	£5m
Complied	✓	✓	✓	✓

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AG172
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: INTERNAL AUDIT PROGRESS REPORT 2025-26 (OCTOBER 25)

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

Contact Officer: Antony Harvey Tel No: 07784 265289

Email antony.harvey@hants.gov.uk

WARD(S): ALL WARDS

PURPOSE

In accordance with the Global Internal Audit Standards in the UK Public Sector, this report presents the Internal Audit Progress Report to 31st October 2025.

The Internal Audit Progress Report, attached as Appendix A, provides the Audit & Governance Committee with an overview and key updates of internal audit activity and assurance work completed in accordance with the approved audit plan.

RECOMMENDATIONS:

1. The Audit & Governance Committee are requested to note the Internal Audit Progress Report 2025-26 (October 2025).

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council accomplish plan outcomes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.3 The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council Plan Outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Internal audit is provided through the Southern Internal Audit Partnership. The plan comprises a total of 295 audit days and the associated cost for 2025-26 is £112,100.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no additional legal or procurement implications for the Council arising from the content of this report.

4 WORKFORCE IMPLICATIONS

- 4.1 There are no additional workforce implications arising from the content of this report.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There are no property and asset implications arising from the content of this report.

6 CONSULTATION AND COMMUNICATION

- 6.1 The contents of this report were discussed and noted with the Executive Leadership Board.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 There are no environmental implications arising from the content of this report.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure	Internal audit supports the Council to ensure proper financial management, effective and transparent governance, risk management and control through its audit activities and assurance service.	Enhancement of the Council's reputation through the strengthening of the effectiveness of risk management, control and governance processes.
Exposure to challenge		
Innovation		
Reputation		
Achievement of outcome		

11 SUPPORTING INFORMATION:

11.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

11.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).

11.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

11.4 In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- ongoing confirmation or otherwise regarding independence, and impairments [Standard 7.1]

- a summary of significant issues and escalation of matters of importance [Standard 8.1]
 - overview and sufficiency of resourcing [Standards 8.2, 10.1, 10.2, and 10.3]
 - communication of unresolved issues that fall outside of the Council's risk tolerance [Standard 11.5]
 - update on progress and any changes to the annual audit plan [Standard 9.4]
 - internal audit performance measures [Standard 12.2]
 - status of 'live' internal audit reports and status on the implementation of management actions [Standard 15.2].
- 11.5 Appendix A summarises the activities of internal audit for the period to 31st October 2025 and includes new performance measures for 2025-26 onwards. The report confirms that 32% of audits have reached the reporting stages with a further 39% in progress. Section 4 (Resourcing) outlines that the Southern Internal Audit Partnership have experienced a higher than average level of vacancies. Whilst this may result in minor slippage in delivery timescales, I remain confident that the internal audit plan will be sufficiently delivered enabling me to provide a timely annual conclusion report.
- 11.6 The report also provides an update on the Council's progress with implementing actions that have been agreed following audits, including confirmation that all actions have been completed in respect of five previous audit review areas, with only two overdue actions to report.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 There are no other options to consider as this report is a requirement under relevant legislation and standards.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG165 Internal Audit Charter and Risk-Based Plan 2025-26

Other Background Documents:- None.

APPENDICES:

Internal Audit Progress Report 2025-26 (October 25) (Appendix A)

Southern Internal Audit Partnership

Assurance through excellence
and innovation

Internal Audit Progress Report

Winchester City Council – October 2025

Prepared by: Antony Harvey, Deputy Head of Partnership

1. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations

as are considered necessary by those conducting the internal audit.'

The role of internal audit is best summarised through its definition within the Standards, as an:

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

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

2. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

3. Purpose of Report

In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to Senior Management and the Audit & Governance Committee, summarising:

- The monitoring of 'live' internal audit reports
- an update on progress against the annual audit plan and any subsequent revisions
- acknowledgement of any actual or perceived impairments to internal audit independence
- internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

4. Resourcing

As Chief Internal Auditor I maintain responsibility for ensuring that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan (2025-26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

- **Human Resource** - the Southern Internal Audit Partnership has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and risk-based audit plan.
- **Financial Resource** - the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.
- **Technological Resource** - the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

The Southern Internal Audit Partnership have experienced a higher-than-average level of attrition earlier in the year resulting in vacancies at auditor, senior auditor and audit manager level.

Positively, all posts at auditor and senior auditor level have now been filled with additional resource also being added to our specialist IT and data analytic teams. The advert for internal audit manager is currently live with interviews scheduled for November.

It will inevitably take a period of time to fully onboard and induct new staff. The Southern internal Audit Partnership have enacted contingency arrangements for additional support through the appointment of short-term agency staff to manage this period of onboarding.

Whilst there will be no financial impact to Winchester City Council, there may be some minor slippage in delivery of quarter 2 / 3 reviews.

I remain confident as your chief internal auditor that the 2025/26 internal audit plan will be sufficiently delivered enabling me to provide a timely Annual Conclusion.

5. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2025-26 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed. I can confirm there has been no interference encountered relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Audit & Governance Committee in July 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Strategic Planning and Performance Monitoring	CFO	06.05.25	15.05.25	22.05.25	30.06.25	10.09.25	Substantial	
Financial Stability – Budget Monitoring and Forecasting	CFO	17.10.25						
Health and Safety	SDP	16.10.25						
Emergency Planning	SDP							Q4
Procurement	CFO							Q4

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Contract Management – ID Verde & Wetton	SDS	02.07.24	18.09.24	15.11.24	12.09.25			Revised draft 24.10.25
Human Resources – Use of Agency Staff and Consultants	DL	16.07.25	07.08.25	22.09.25				
Accounts Receivable / Debt Management	CFO	09.11.23	09.11.23	23.01.24				Fieldwork complete. Report due.
Accounts Payable	CFO	05.06.25	11.06.25	04.07.25	11.09.25			Draft Final issued
Payroll	CFO	21.10.25						
Council Tax	CFO	13.08.25	11.09.25	21.10.25				
Networking and Communications – Patch Management	CFO	09.12.24	09.01.25	05.02.25	08.09.25			Draft Final issued
Cyber Security – Thrive Actions Implementation	CFO	22.07.25	04.08.25	10.09.25				
Cyber Security – Data Back-up and Ransomware Protection	CFO	01.10.25	21.10.25					
Cyber-Security - User Training and Awareness	CFO							Q4
Housing Asset Management – Repairs and Maintenance	SDS	11.09.24	30.09.24	16.05.25	01.10.25			
Housing Asset Management – Housing Retrofit Programme	SDS	11.12.24	27.02.25	16.06.25	21.08.25			Draft Final issued
Housing – provision of days	SDP							Q3-4
Clean Streets Enforcement – Fly-Tipping	SDP	16.06.25	17.07.25	11.08.25	22.09.25	28.10.25	Limited	
Homelessness	SDS	14.07.25	16.10.25					
Housing Management – Leaseholder Arrangements	SDS							Q3-4
Building Control	SDP	17.06.25	10.07.25	23.07.25				Fieldwork complete. Report due.
Licencing	SDP							Q4
Play Areas / Tree Management	SDP							Q4

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Markets	SDP							Q4
Asset Management (Corporate Estate) – Health & Safety – Follow-up	SDS	n/a	06.02.25	10.03.25	08.07.25	29.10.25	n/a	Follow-up
Bus Services Operator Grant	CFO	n/a	n/a	18.08.25	n/a	09.09.25	n/a	Grant Certified
Mayor's Charity Account	CFO	n/a	n/a	16.09.25				

Directorate Sponsor			
CX	Chief Executive	DL	Director Legal (Monitoring Officer)
SDS	Strategic Director - Services	CFO	Chief Finance Officer (\$151)
SDP	Strategic Director - Place		

8. Adjustments to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and the Audit & Governance Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

Additions	Audit Review	Reason for inclusion in the plan
	None	Not applicable
Withdrawals	Audit Review	Reason for removal from the plan
	None	Not applicable





9. Acceptance of Risk

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if, unresolved issues are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to Senior Management and the Audit & Governance Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

10. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

Title: Clean Streets Enforcement – Fly-tipping		
Audit Sponsor	Assurance opinion	Management Actions
Strategic Director - Place	 Limited	 1 High  2 Medium  3 Low
Summary of key observations: Fly-tipping enforcement is focused on prosecutions to deter future incidents. However, this focus is not formally set out in a strategy for the service. Relevant legislation, including the Police and Criminal Evidence Act 1984 (PACE) provides guidance for investigations. Although procedures were produced in 2020, setting out the process and requirements of investigative and operational work, these have not been reviewed and updated since. Fly-tipping incidents are assigned unique identifying references when the original incident is reported through MCS (My Council Services). These references can be traced through to investigation records. However, there is no single record showing the current status of all investigations, making effective performance monitoring and management oversight more difficult. There is reliance on one officer to manage the clearance and investigation of incidents, and there are no defined arrangements to provide continuity of service in their absence. Internal Audit was unable to establish the access		

permissions to the investigation files stored in the S-Drive, therefore could not confirm that access to records was appropriately restricted and controlled, preventing unauthorised persons accessing sensitive records.

Where investigations result in sufficient evidence to pursue a prosecution an instruction to prosecute will be produced. Current working arrangements for approving these require Senior Officer then Legal Services sign-off. This facilitates a review of the case including the investigation and evidence collected. Internal Audit reviewed these records for 2025/26 to date and confirmed this was in place for the two cases that have proceeded to prosecution. However, the current working arrangements for prosecution decisions do not align with the Council's 2017 Regulatory Services Enforcement Policy, which sets out a panel decision making approach which had historically been used for fly-tipping.

Fly-tipping responsibilities relating to the identification, reporting and clearance of fly tip sites, including targets for removal, depending upon site size, are clearly defined in the agreement between the Council and IDVerde. Fly-tipping KPIs, which include the number of reported fly-tips and percentage of fly-tips cleared within contract deadlines, are regularly reported to Cabinet and the Scrutiny Committee as part of quarterly Finance & Performance reports. Additional statistics on the performance of the service, including the status and results of enforcement action, are collected monthly and reported to the Performance and Capital (PAC) Board. There is a robust process in place for reporting fly-tipping data to DEFRA (the Department for Environment, Food & Rural Affairs) via the Waste Data Flow system. This data is reported as required under the 1990 Environmental Protection Act.

To address the issues identified, agreed actions for implementation by the end of March 2026 include; to create a formal strategy and associated guidance documents to formalise the expectations of the service; to update process documents and process maps to allow other officers to provide cover thereby increasing resilience; and to create a central record to capture all cases so these can easily be managed and monitored.

11. Analysis of 'Live Audit Reviews'

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions											
				Agreed			Pending			Complete			Overdue		
				L	M	H	L	M	H	L	M	H	L	M	H
New Homes Programme	08.07.2024	SDP	Substantial	-	-	1	-	-	-	-	-	-	-	-	1
Tree Management	24.10.2024	SDP	Limited	2	5	3	1	-	-	1	5	3	-	-	-
Information Governance – Records Management and Retention	06.05.2025	DL	Reasonable	-	3	-	-	1	-	-	2	-	-	-	-
Disabled Facilities Grants	27.05.2025	SDS	Reasonable	-	12	-	-	11	-	-	1	-	-	-	-
Developer Contributions	11.07.2025	SDS	Limited	-	16	2	-	16	-	-	-	2	-	-	-
Housing Company	01.09.2025	SDS	Reasonable	-	1	-	-	-	-	-	-	-	-	1	-
Clean Streets Enforcement – Fly-Tipping	28.10.2025	SDP	Limited	3	2	1	3	2	1	-	-	-	-	-	-
Total				5	39	7	4	30	1	1	8	5	0	1	1

The management team have provided confirmation that since the previous update to the Committee (July 2025), all actions have been completed in respect of five previous audit review areas and are therefore no longer included within the table above. The respective review areas and report dates are:-

- Human Resources – Policies and Procedures (July 2023);
- Human Resources – Recruitment (June 2024); Green Economic Development Strategy and Action Plan (July 2024);
- Environmental Health - Food Safety (Sept 2024);
- Corporate Governance Framework (Feb 2025); and
- Strategic Planning and Performance Monitoring (Sept 2025).

Overdue 'High Priority' Management Action

New Homes Programme - Substantial

Observation:

We confirmed that the Housing Development Strategy 2021-2030 was approved by Cabinet on 10 March 2021. The strategy has a section entitled "Review" which states that "This development strategy will be reviewed annually so that it is responsive to the changing environment and changing local needs". Review of Cabinet minutes found no evidence of an annual review / refresh of the strategy as required and as happens with the Council Plan 2020-2025.

Risk: The strategy may not fully reflect the current situation as a result of the changing environment and changing local needs.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
The Housing Strategy (adopted 2023) sets a revised objective of reviewing the development strategy in 2024/25. The macro-economic situation has dramatically impacted on delivery plans (inflation, borrowing costs, material and labour availability). Work on revision of the strategy has commenced (evidence includes a revision in the blend of directly commissioned new-build and off the shelf new-build acquisitions agreed as part of the latest HRA Business Plan) and approach to implementation varied as a consequence. It is important to take account of all available evidence and the horizon scanned in order to finalise the strategy. Fundamental to this is the financial gateway review (see 1.1 above – due to be completed July 24), to understand developer response to off the shelf purchase offers (offers are recent and responses are starting to come back), a re-tender of the Woodman Close project (due to report Oct 24), energy standards review (Oct 24) and to review the impact of the post General Election Government/Homes England housing & planning policy/investment strategy. A new service lead is due to start in September and it is important that they have ownership of the new strategy. Finally, the HRA Business Plan will be reviewed later this year and it is critical that the a review of	31.03.25	19.11.25	The Housing Development Strategy, which now includes a new section on Rural Strategy, is currently under review. Due to staff resource constraints and a high volume of ongoing projects, the updated draft strategy will be presented to the Cabinet Committee: Housing 19 th November 2025 for approval.

that and the development strategy are done concurrently. Consequently, a review of the development strategy is planned for Q3/Q4 2024/25.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Housing Company	01.09.2025	Reasonable		1	30.09.2025	27.02.2026
Total			0	1		

Annexe 3

Southern Internal Audit Partnership - Performance Measures

Performance Measure	Regularity	Target	Actual 25-26	Status	Direction of Travel
1. Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%	32%		n/a
2. Audits delivered within agreed timescales (% year to date)					
○ To issue of draft report	Ongoing	80%	22%		n/a
○ To issue of final report	Ongoing	80%	25%		n/a
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Conforms	Conforms*		
4. Audits conducted optimising the effective use of data analytics (% year to date)	Ongoing	60%	44%		n/a
5. Stakeholder satisfaction (annual survey)					
○ Audit Committee	Annual	90%	100%		
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	98%		
6. Internal audit effectively communicates with key stakeholders					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	100%		n/a
7. Sufficiency of input to and discussion of the internal audit plan					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
8. Appropriate focus on key risks					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	100%		n/a

* Any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

REPORT TITLE: EXTERNAL QUALITY ASSESSMENT

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

Contact Officer: Antony Harvey Tel No: 07784 265289

Email antony.harvey@hants.gov.uk

WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to provide an overview of the alternative options considered in commissioning an external assessor to undertake the independent assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

RECOMMENDATIONS:

1. The Audit & Governance Committee notes the arrangements for the external assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council accomplish plan outcomes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.3 The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council Plan Outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Internal audit is provided through the Southern Internal Audit Partnership. The cost of the recommended approach for the External Quality Assessment is included within these arrangements.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no additional legal or procurement implications for the Council arising from the content of this report.

4 WORKFORCE IMPLICATIONS

- 4.1 The external assessor could request, for example, stateholder interviews with the Council which will need to be accommodated.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There are no property and asset implications arising from the content of this report.

6 CONSULTATION AND COMMUNICATION

- 6.1 The contents of this report were discussed and noted with the Executive Leadership Board. This report has also been shared with the Chair of Audit & Governance Committee ahead of reporting to the Committee.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 There are no environmental implications arising from the content of this report.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure	Internal audit supports the Council to ensure proper financial management, effective and transparent governance, risk management and control through its audit activities and assurance service.	Enhancement of the Council's reputation through the strengthening of the effectiveness of risk management, control and governance processes.
Exposure to challenge		
Innovation		
Reputation		
Achievement of outcome	The EQA provides independent and objective assurance to stakeholders that the governance, management and services of internal audit are meeting best practice and the needs of the organisation.	Further enhancement to the internal audit services provided.

11 SUPPORTING INFORMATION:

11.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

- 11.2 From 1 April 2025, the ‘standards or guidance’ in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 11.3 The Standards (8.3) require *‘the Chief Internal Auditor to develop, implement and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme includes two types of assessments:*
- *External assessments*
 - *Internal assessments’.*
- 11.4 The Southern Internal Audit Partnership’s Quality Assurance and Improvement Programme is provided at Appendix 1.
- 11.5 The Standards (8.4) require that *‘the Chief Internal Auditor must develop a plan for an external quality assessment and discuss the plan with the Audit Committee. The external audit assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external assessment may also be met through a self-assessment with independent validation’.*

Form of External Quality Assessment

- 11.6 There are two approaches to meeting the requirement of an External Quality Assessments.
- **A Full-scope External Quality Assessment (EQA)** involves an independent and qualified Assessment Team. This is a more expensive option, as there is less work required by the Southern Internal Audit Partnership. The EQA is conducted in accordance with the Quality Assessment Manual with most of the work conducted by the Independent Assessment Team.
 - **A Self-assessment with Independent Validation (SAIV)** is where the Southern Internal Audit Partnership performs the “self-assessment” portion and external, independent qualified validators review the self-assessment portion and provides their “independent validation.” The SAIV is conducted in accordance with the requirements of the Quality Assessment Manual and the self-assessment team is responsible to execute all aspects of the requirements as defined therein. This is a more economical approach because the Southern Internal Audit Partnership compiles most of the work.

- 11.7 Both approaches include workpaper reviews, surveys, stakeholder interviews, and issuance of a report that provides a rating as identified by the Quality Assessment Manual, i.e., Full Achievement, General Achievement, Partial Achievement and Non-Achievement.

External Assessor

- 11.8 GIAS 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the chief internal auditor must ensure at least one person holds an active Certified Internal Auditor designation.
- 11.9 The Relevant Internal Audit Standard Setters (RIASS) in their Application Note have determined that the qualification requirement in GIAS 8.4 (External Quality Assessment) should be replaced by a more comprehensive qualification requirement within the public sector.
- 11.10 The enhanced expectation within the public sector is that at least one person has the characteristics outlined for qualification as a chief internal auditor. The RIASS consider that such a person would normally have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit, relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.

Independence

- 11.11 It is essential that there are no impairments to the independence of the external assessor or assessment team driven by past, present, or anticipated future relationships with the organisation, its personnel, or the Southern Internal Audit Partnership.
- 11.12 Appropriate due diligence has been carried out on the assessors and their assessments teams with which we have engaged to quote for the external quality assessment.

Scope & Frequency

- 11.13 There is a requirement that all internal audit providers undergo an external quality assessment performed by an independent and qualified assessor or assessment team at least once every five years to ensure conformance with the Standards.
- 11.14 It is permissible that more frequent external quality assessments are undertaken should this be considered necessary.

- 11.15 Given the requirement to supplement the external quality assessment with an annual self-assessment the outcomes of which will be fully and transparently reported to the Audit & Governance Committee, it is considered that an external quality assessment every five years remains a proportionate approach.
- 11.16 Should there be significant change to arrangements within the Southern Internal Audit Partnership including changes in leadership, operating model, methodologies or excessive staff turnover, the Head of the Southern Internal Audit Partnership will further engage with Senior Management and the Audit & Governance Committee to discuss whether an additional external assessment (within the 5-year timeframe) would be appropriate.
- 11.17 The scope of the external quality assessment will include a comprehensive review of the Southern Internal Audit Partnership's:
- Conformance with the Global Internal Audit Standards in the UK Public Sector.
 - Mandate, charter, strategy, methodologies, processes, risk assessment and internal audit planning.
 - Performance measures and outcomes.
 - Qualifications and competencies including those of the Chief Internal Auditor.
 - Integration into the organisation's governance processes.
 - Contribution towards the organisation governance, risk management, and control processes.
 - Contribution to the organisations operations and ability to attain its objectives.
 - Ability to meet the expectations of stakeholders.

External Quality Assessment Providers

- 11.18 There are several organisations capable of providing external quality assessments, however, the requirement of public sector expertise does significantly limit the field. Consequently, the Head of Southern Internal Audit Partnership has engaged with the following providers to acquire details of approach and cost:
- Chartered Institute of Public Finance and Accountancy (CIPFA)
 - JC Audit Training Ltd
 - BHBi (in partnership with Littlejohn and Haley).

External Quality Assessment Providers Discounted

- 11.19 A further credible source of assessment provider would be the Institute of Internal Auditors (IIA), however, due to the IIA having undertaken the Southern Internal Audit Partnership's external quality assessments in 2015 and 2020 this was not explored for our 2025 assessment as it is considered a fresh perspective on conformance and operating practices would be beneficial and mitigates any perceived impairment to independence.
- 11.20 The Global Internal Audit Standards do enable provision for reciprocal peer assessments rotated among three or more organisations within the same industry sector.
- 11.21 Due to their nature there would be no financial outlay in adopting this approach, however, there would be the opportunity costs of the Head of the Southern Internal Audit Partnerships time in reciprocating any peer review requested of the SIAP.
- 11.22 The independent status of the external assessment is paramount and there may be a perception that this is diminished as part of the peer review approach. As such the collaborative approach has not been explored further as part of this paper.

Implications for Multi Service Providers

- 11.23 The benefits of an EQA go beyond conformance with the GIAS. An EQA provides independent and objective assurance to internal audit stakeholders that the governance, management, and services of internal audit are meeting best practice and the needs of the organisation.
- 11.24 However, the introduction of new requirements in GIAS, such as the essential conditions placed on the audit committee and senior management, introduce practical challenges for multi-client providers (MCPs) such as the Southern Internal Audit Partnership which need to be considered.
- 11.25 The involvement of the Audit & Governance Committee and senior management can now present challenge for MCPs who have historically arranged one EQA to cover all clients. MCPs now need to consult with every audit committee they provide services to and provide individual reports, increasing the workload and costs which have not been previously factored.
- 11.26 There remains ongoing consultation, and we await further clarification, however, engagement with each of the potential assessors has made clear our operating model, position as a multi-client provider and need to ensure a robust process to demonstrate conformance on which all of our partner organisations can place reliance.

Recommended Approach

11.27 It is recommended that the Southern Internal Audit Partnership conduct their external assessment as a Self-Assessment with Independent Validation (SAIV) as outlined in paragraph 11.6.

11.28 The key drivers for the SAIV approach include:

- It is a recognised approach within the Standards, meeting the requirements of an external quality assessment.
- The approach requires external validation from an independent, qualified external assessor
- Provides a more economical approach as a majority of information gathering is completed by the Southern Internal Audit Partnership. This is particularly pertinent due to our multi-client provider status.
- Minimises capacity implications for our Partners.

Next Steps

11.29 Following receipt of quotations from the providers (detailed in paragraph 11.18) a full assessment of proposals will be undertaken with appointment based on:

- Cost
- Experience (profession and industry)
- Qualification
- Independence
- Approach.

11.30 The successful provider will be commissioned to undertake the SAIV with a requirement for completion by December 2025.

11.31 The Southern Internal Audit Partnership have already compiled a full self-assessment against the Global Internal Audit Standards in the UK Public Sector during July / August 2025 in preparedness for the external assessor.

11.32 A copy of the external assessor report will be presented to the first meeting of the Audit & Governance Committee in 2026. Additionally, an action plan for review and approval will be presented by the Chief Internal Auditor to address any identified deficiencies or opportunities for improvement, if applicable.

Conclusion

- 11.33 To accord with the Global Internal Audit Standards in the UK Public Sector the Head of the Southern Internal Audit Partnership has put in place arrangements for a SAIV to be conducted during November / December 2025.
- 11.34 In accordance with the Standards and the Internal Audit Charter outcomes will be fully reported to the Audit & Governance Committee following receipt of the assessors final report.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The alternative options considered in commissioning an external assessor to undertake the independent assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector have been outlined throughout this report. There are no other options to consider as an EQA is a requirement of the Global Internal Audit Standards against which all internal audit providers must conform.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG151 Implementation of the Global Internal Audit Standards

AG165 Internal Audit Charter and Risk-Based Plan 2025-26

Other Background Documents:-

None.

APPENDICES:

Quality Assessment and Improvement Programme (Appendix 1)

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SOUTHERN INTERNAL AUDIT PARTNERSHIP

Quality Assurance & Improvement Programme

Prepared By: Neil Pitman, Head of Southern Internal Audit Partnership

June 2025

1. Introduction

The quality assurance and improvement programme [the QAIP] has been produced to evaluate the Southern Internal Audit Partnership [SIAP] conformance with the Global Internal Audit Standards in the UK Public Sector¹, achieve established performance measures, and pursues continuous improvement.

The programme includes the requirement for both internal and external assessments.

2. Relevant Standards

Standard 8.3 Quality - requires the Head of SIAP to develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments.
- Internal assessments.

At least annually, the Head of SIAP must communicate the results of the internal quality assessment to the Audit Committee (or equivalent) and senior management.

The results of the external quality assessments must be reported when completed. In both cases, such communications should include:

- The internal audit function's conformance with the Standards and achievement of performance objectives / measures.
- If applicable, compliance with laws and/or regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

The GIAS in the UK Public Sector includes 'Essential Conditions' that Audit Committees (or equivalent) and Senior Management should be aware of.

¹ The global Internal Audit Standards in the UK Public Sector conforms of the Global Internal Audit Standards, the Application Note: Global Internal Audit Standards in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (the Code)

Regarding the QAIP the essential conditions are as follows:

Audit Committee (or equivalent)

- Discuss with the chief internal auditor the quality assurance and improvement program.
- Approve the SIAPs performance measures at least annually.
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:
 - Reviewing SIAPs performance objectives / measures, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
 - Considering the results of SIAPs quality assurance and improvement program.
 - Determining the extent to which SIAPs performance objectives / measures are being met.

Senior Management

- Provide input on SIAPs performance objectives / measures.
- Participate with the Audit Committee (or equivalent) in an annual assessment of the chief internal auditor and internal audit function.

3. External Quality Assessment [Standard 8.4]

The Head of SIAP must develop a plan for an external quality assessment and discuss the plan with the senior management and the Audit Committee (or equivalent).

The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

The Relevant Internal Audit Standard Setters (RIASS) in their Application Note have determined that the qualification requirement in GIAS 8.4 should be replaced by a more comprehensive qualification requirement within the public sector.

The enhanced expectation within the public sector is that at least one person has the characteristics outlined for qualification as a chief internal auditor.

The RIASS consider that such a person would normally understand the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector. These matters must be considered as part of the selection process.

The essential conditions for the external quality assessment are as follows:

Audit Committee (or equivalent)

- Discuss with the chief internal auditor the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with senior management and the chief internal auditor to determine the scope and frequency of the external quality assessment. Consider the responsibilities and regulatory requirements of the internal audit function and the chief internal auditor, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the chief internal auditor's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
 - The scope and frequency of assessments.
 - The competencies and independence of the external assessor or assessment team.
 - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the chief internal auditor's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief internal auditor's progress.

Senior Management

- Collaborate with the Audit Committee (or equivalent) and the chief internal auditor to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the chief internal auditor and Audit Committee (or equivalent) to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

4. Internal Quality Assessment [Standard 12.1]

The Head of SIAP must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector and progress toward performance objectives / measures.

The Head of SIAP must establish a methodology for internal assessments that includes:

- Ongoing monitoring of SIAPs conformance with the Standards and progress toward performance objectives / measures.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.
- Communication with the Audit Committee (or equivalent) and senior management about the results of internal assessments.

Based on the results of periodic self-assessments, the Head of SIAP must develop action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions.

Internal assessments must be documented and included in the evaluation conducted by an independent third party as part of the external quality assessment.

If nonconformance with the Standards affects the overall scope or operation of the internal audit function, the Head of SIAP must disclose to the Audit Committee (or equivalent) and senior management the nonconformance and its impact

5. On-going Monitoring

Whilst periodic internal self-assessments and external quality assessments are a key expectation of the GIAS in the UK Public Sector, the SIAP aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This is achieved through a range of initiatives including:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success
- On-going development of a constructive working relationship with other assurance providers to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment documentation.

- Review and quality control of all internal audit work through key review gateways within the audit process by professional qualified senior staff members.
- Regular one to one meetings between staff and line management to monitor performance
- On-going performance management (through the Valuing Performance Framework)
- Quarterly reporting to the Audit Committee (or equivalent) and senior management which includes progress against the internal audit plan, summaries of key issues, monitoring of the implementation of management actions and updates on internal audit performance measures.

6. Communication of QAIP Progress and Outcomes

In accordance with the GIAS in the UK Public Sector the chief internal audit will communicate the outcomes of the quality assurance and improvement programme to the Audit Committee (or equivalent) and senior management and will include as a minimum:

- The outcome of internal quality assessments
- The outcome of external quality assessments
- Any non-conformance with the GIAS in the UK Public Sector
- Actions to address any potential areas of non-compliance with the GIAS in the UK Public Sector
- Quarterly updates (through the Internal Audit Progress Report) of the SIAPs performance measures

7. QAIP Action Plan

The Quality Assurance & Improvement Programme - Action Plan at Appendix A presents SIAPs plans to address areas of non-compliance with the GIAS in the UK Public Sector and opportunities for improvement.

Updates on progress against the implementation and outcomes of actions will be presented periodically to the Audit Committee (or equivalent) and Senior Management.

Quality Assurance & Improvement Programme – Action Plan

Ref.	Action	Action Owner	Target Date	Detail
Non-Conformance with the GIAS in the UK Public Sector				
N/A	N/A	N/A	N/A	N/A
Opportunities for Improvement				
1	Work with partners organisations to facilitate completion of action plans to implement the expectations of the Code of Practice for the Governance of Internal Audit in Local Government	SMT	Dec 25	<p>CIPFA has developed the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside new internal audit standards and is aimed at those responsible for ensuring effective governance arrangements for internal audit:</p> <ul style="list-style-type: none"> ○ The body or individual charged with governance – this includes the police and crime commissioner and chief constable (corporations sole) in policing or full body of the authority. ○ The audit committee, the primary committee that may hold some delegated responsibilities towards internal audit. ○ Senior management of the authority, including the statutory officers, head of paid service, monitoring officer and section 151/section 95 officer that hold responsibilities for governance. <p>SIAP have developed an action plan to work with each of our Partners to both raise awareness of the CoP and to facilitate the implementation of key actions to enhance compliance at an organisational level</p>

Ref.	Action	Action Owner	Target Date	Detail
2	Further explore the 'should' and 'may' aspects of the GIAS to optimise good practice. Extend to review 'Topical Requirements' which are not considered mandatory within the public sector	Neil Pitman, Head of SIAP / SMT	Aug 26	The Standards use the words 'should' and 'may' to specify common and preferred practice (non-mandatory). Initial focus has been placed in ensuring SIAP have in place the mandatory requirements. Work to be undertaken to optimise the full potential of the GIAS to enhance the SIAP offer.
3	Continue to develop K10 to optimise SIAP efficiencies and effectiveness.	Peny Knowles, Deputy Head of SIAP / Keith Phillips, Assistant Head of SIAP	Apr 26	<p>A new internal audit software solution was implemented in April 2024. Significant progress has been made to configure the system to optimise efficiencies and user experience.</p> <p>Work continues to enhance the software to complement the requirements of GIAS in the UK Public Sector and to streamline processes.</p> <ul style="list-style-type: none"> ○ Touch button report (assignment, progress, action tracking, monitoring etc.) ○ Automated action tracking (HCC as pilot) ○ Performance measure reporting ○ AI functionality
4	Review and update the Partnership website	Neil Pitman, Head of SIAP	Apr 26	Coordinate a Task & Finish Group to review and update the SIAP website and organisational intranet sites to ensure they are reflective of existing practices and operate as an appropriate shop window for stakeholders (existing and potential).
5	Explore the opportunities presented from the use of AI in the audit process	Neil Pitman, Head of SIAP	Aug 26	<p>The evolution of AI presents a range of opportunities to enhance and breed efficiencies into internal audit processes. In particular:</p> <ul style="list-style-type: none"> ○ Report writing ○ Risk identification ○ Foresight ○ Identification of themes / trends

Appendix B

Southern Internal Audit Partnership – Performance Measures

Performance Measure	Regularity	Target
1. Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%
2. Audits delivered within agreed timescales (% year to date)		
○ To issue of draft report	Ongoing	80%
○ To issue of final report	Ongoing	80%
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Conforms
4. Audits conducted optimising the effective use of data analytics (% year to date)	Ongoing	60%
5. Stakeholder satisfaction (annual survey)		
○ Audit Committee	Annual	90%
○ Senior Management		90%
○ Key Contacts		90%
6. Internal audit effectively communicates with key stakeholders		
○ Audit Committee	Annual	90%
○ Senior Management		90%
○ Key Contacts		90%
7. Sufficiency of input to and discussion of the internal audit plan		
○ Audit Committee	Annual	90%
○ Senior Management		90%
8. Appropriate focus on key risks		
○ Audit Committee	Annual	90%
○ Senior Management		90%
○ Key Contacts		90%

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AG177
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: INTERNAL AUDIT STRATEGY 2025-28

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

Contact Officer: Antony Harvey Tel No: 07784 265289

Email antony.harvey@hants.gov.uk

WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to provide the Internal Audit Strategy 2025-28 in accordance with the Global Internal Audit Standards in the UK Public Sector.

RECOMMENDATIONS:

1. The Audit & Governance Committee are requested to review and note the Internal Audit Strategy 2025-28.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council accomplish plan outcomes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.3 The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council Plan Outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Internal audit is provided through the Southern Internal Audit Partnership. The plan comprises a total of 295 audit days and the associated cost for 2025-26 is £112,100.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no additional legal or procurement implications for the Council arising from the content of this report.

4 WORKFORCE IMPLICATIONS

- 4.1 There are no additional workforce implications arising from the content of this report.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There are no property and asset implications arising from the content of this report.

6 CONSULTATION AND COMMUNICATION

- 6.1 The contents of this report were discussed and noted with the Executive Leadership Board.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 There are no environmental implications arising from the content of this report.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure	Internal audit supports the Council to ensure proper financial management, effective and transparent governance, risk management and control through its audit activities and assurance service.	Enhancement of the Council's reputation through the strengthening of the effectiveness of risk management, control and governance processes. Further enhancement to the internal audit services provided.
Exposure to challenge		
Innovation		
Reputation		
Achievement of outcome		

11 SUPPORTING INFORMATION:

11.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

11.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).

11.3 The Standards (9.2) require all internal audit providers to develop and maintain an 'Internal Audit Strategy'. The internal audit strategy is defined as 'a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function towards the fulfilment of the internal audit mandate'.

Developing the Internal Audit Strategy

- 11.4 Engagement with the Audit & Governance Committee and senior management has been imperative in developing the internal audit strategy, to ensure the Southern Internal Audit Partnership's strategic objectives align with stakeholder expectations.
- 11.5 It is not practical for the Southern Internal Audit Partnership to maintain more than 30 separate and potentially competing internal audit strategies specific to each of our partners. Consequently, in considering potential objectives, the Southern Internal Audit Partnership undertook a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to focus on potential areas for development to further enhance our internal audit offering and to remain sustainable, innovative and future focused. The outcome of our analysis assisted in forming seven potential objectives for inclusion in the internal audit strategy.
- 11.6 A survey was then issued to all Audit & Governance Committee members (or equivalent) and senior officers across the wider Partnership to seek their views and prioritisation of the seven objectives to optimise internal audit provision over the medium term (3 to 5 years).
- 11.7 Feedback from the survey (Appendix B) was analysed with the top three objectives forming the basis of the internal audit strategy.

Internal Audit Strategy 2025-2028

- 11.8 The internal audit strategy is presented to the Audit & Governance Committee for review and noting. The strategy will be periodically reviewed with ongoing updates to the Audit & Governance Committee on the achievement and delivery of objectives as part of our regular progress reports.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 There are no other options to consider as an internal audit strategy is a requirement of the Global Internal Audit Standards against which all internal audit providers must conform.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG151 Implementation of the Global Internal Audit Standards

AG165 Internal Audit Charter and Risk-Based Plan 2025-26

Other Background Documents:-

None.

APPENDICES:

Internal Audit Strategy 2025-2028 (Appendix A)

Feedback and Prioritisation of Objectives (Appendix B)

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SOUTHERN INTERNAL AUDIT PARTNERSHIP

Internal Audit Strategy 2025 - 28

Prepared By: Neil Pitman, Head of Southern Internal Audit Partnership

April 2025

1. Introduction

The Global Internal Audit Standards in the UK Public Sector [Standard 9.2] requires the internal audit function to develop and maintain an internal audit strategy. This is contextualised within the Standards as:

‘a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate.’

The Strategy aims to support the achievement of the organisations corporate priorities and align with the expectations of its key stakeholders.

2. Internal Audit Purpose and Role

Internal audit strengthens the organisation’s ability to create, protect, and sustain value by providing independent, risk-based, and objective assurance, advice, insight, and foresight.

The role of internal audit is best summarised through its definition within the Global Internal Audit Standards in the UK Public Sector, as:

‘an independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.’

3. Vision

Our vision reflects the Southern Internal Audit Partnership’s aspiration to deliver a quality internal audit service to our stakeholders and inspire our auditors and the service(s) we deliver to continuously improve.

‘A collaborative Partnership delivering an innovative, customer focused, and value adding audit and advisory service aligned to organisational objectives and improved outcomes.’

4. Strategic objectives and supporting initiatives

Our vision will be realised through delivery of key objectives that will help shape service provision and futureproof the Southern Internal Audit Partnership through continued learning & development.

Following a process of engagement with the Partnership’s key stakeholders, three objectives have been prioritised to help attain our vision over the medium-term (2025 - 2028).

These objectives are underpinned by a suite of supporting initiatives outlining the key steps to drive delivery.

The supporting initiatives provide opportunity for our auditors to develop their competencies, enhance the optimisation of technology, and provide continuous improvement to the Southern Internal Audit Partnerships internal audit offering.

They are premised on **engaging** with all appropriate stakeholders, **equipping** them to facilitate delivery, **empowering** them to deliver required outcomes, and **embedding** good practice into the fabric of the Partnership and the wider organisation.

Strategic Objective 1 – Agile Auditing: Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation.

Supporting Initiatives:

- **Engage** with internal audit staff and the organisation to understand expectations and importance of timely audit feedback & reporting.
- **Equip** internal auditors to deliver high quality internal audit services through a lean, efficient and effective operating model.
- **Empower** internal auditors to operate in an agile manner.
- **Embed** behaviours that support an agile methodology.

Strategic Objective 2 – Optimisation of Standards: Embrace and prioritise conformance and embedding of the Global Internal Audit Standards in the UK Public Sector and maximising their potential to benefit the organisation and the internal audit function.

Supporting Initiatives:

- **Engage** internal audit staff and key stakeholders to ensure a full knowledge and understanding of the GIAS in the UK Public Sector.
- **Equip** internal audit staff and key stakeholders with the tools and information to discharge their respective responsibilities within the GIAS in the UK Public Sector.
- **Empower** internal audit staff and key stakeholders to act on their respective responsibilities and accountabilities within the GIAS in the UK Public Sector.
- **Embed** the mandatory requirement of the GIAS in the UK Public Sector into all relevant policy, process and procedure.

Strategic Objective 3 – Data Analytics by Default: Further engage with the organisation to enhance and optimise the full potential of data analytics in the internal audit process.

Supporting Initiatives:













- **Engage** with internal audit staff and the organisation's management to relay the benefits offered through use of data analytics.
- **Equip** auditors to undertake data analytics with the appropriate technology and support.
- **Empower** internal auditors to use data analytics through dedicated training and support.
- **Embed** data analytics into the fabric of the Partnership, championed from the top and provide a clear articulation of intent.

5. Review

The internal audit strategy will be periodically reviewed and as a minimum in response to significant organisational change, including but not limited to corporate objectives, key stakeholders, Chief Internal Auditor, or resultant of the outcomes of internal or external quality assessments.

Strategy Overview

Vision: 'A collaborative Partnership delivering an innovative, customer focused, and value adding audit and advisory service aligned to organisational objectives and improved outcomes.'

Strategic Objective	Supporting Initiative	Action(s)	Priority	Implementation Date
1. Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation.	Engage with internal audit staff and the organisation to understand expectations and importance of timely audit feedback & reporting. Equip internal auditors to deliver high quality internal audit services through a lean, efficient and effective operating model. Empower internal auditors to operate in an agile manner. Embed behaviours that support an agile methodology.	<ul style="list-style-type: none"> Confirm expectations of Partners regarding desired reporting timelines and methodology. Complete a detailed analysis of bottle necks in SIAP and external to the internal audit function. Benchmark with peer audit services and explore opportunities to make the process 'leaner' through auditor working group. Optimise the use of technology (including audit management software) to deliver efficiencies. 	   	December 2025 April 2026 December 2026 December 2027
2. Embrace and prioritise conformance and embedding of the Global Internal Audit Standards in UK Local Government and maximising their potential to benefit the organisation and the internal audit function.	Engage internal audit staff and key stakeholders in a full knowledge and understanding of the GIAS in UK PS. Equip internal audit staff and key stakeholders with the tools to discharge their respective responsibilities within the GIAS in UK PS. Empower internal audit staff and key stakeholders to act on their respective responsibilities and accountabilities within the GIAS in UK PS. Embed the mandatory requirement of the GIAS in UK PS into all relevant policy, process and procedure.	<ul style="list-style-type: none"> Stakeholder, staff training & awareness and alignment of policies, procedures, practice and software to the GIAS in UK PS. Undertake a self-assessment of compliance with the GIAS in the UK PS Commission an early External Quality Assessment to assess compliance with the GIAS in UK PS. Explore supplemental elements of the GIAS in UK PS Standards to fully assess value add. 	   	July 2025 July 2025 December 2025 April 2026
3. Further engage with the organisation to enhance and optimise the full potential of data analytics in the internal audit process	Engage with internal audit staff and the organisation to relay the benefits offered through the use of data analytics Empower internal auditors to use data analytics through dedicated training and support Equip internal auditors to undertake data analytics with the right tools and support Embed data analytics into the fabric of the Partnership, championed from the top and provide a clear articulation of intent.	<ul style="list-style-type: none"> Implement a programme of training and awareness. Additional support through Data Analytic Champions Acquire software to support the effective use of data analytics. Refresh the existing data analytics strategy and promote a culture of data by default. Be assessed as 'data analytics enabled'. 	   	July 2025 September 2025 April 2026 April 2028

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Feedback & Prioritisation of Objectives

AG177 - Appendix B

Rank	Objective	Prioritisation	Respondents' choice						
		First choice ● ● ● ● ● Last choice	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th
1	Embrace and prioritise conformance and embedding of the Global Internal Audit Standards in the UK Local Government and maximising their potential to benefit the organisation and the internal audit function.		30	8	8	8	7	9	6
2	Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation.		14	19	14	11	14	3	1
3	Further engage with the organisation to enhance and optimise the full potential of data analytics in the internal audit process.		5	16	21	16	13	5	-
4	To bridge the nationally recognised talent gap in the internal audit profession through effective recruitment, retention and development of a workforce strategy.		11	13	6	7	12	12	15
5	Increase communication and awareness of internal audit within the organisation and the services it offers including the enhancement of a web presence on both internet and intranet platforms.		9	10	9	12	9	13	14
6	Optimise the use of internal audit software to further automate the internal audit process creating efficiencies and the real time management information available to stakeholders.		6	5	14	13	8	21	9
7	Optimise the potential of Artificial Intelligence in the delivery of the internal audit service to maximise efficiency, capacity and capability.		1	5	4	9	13	13	31

Our survey received 76 responses from a total of 343 recipients (22% response rate)

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REPORT TITLE: Q1/Q2 GOVERNANCE MONITORING

27 NOVEMBER 2025

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
HEALTHY COMMUNITIES

Contact Officer: Simon Howson Tel No: 01962 848 104 Email
showson@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide members of the Audit and Governance Committee with a summary overview of the key issues in respect of governance during the first and second quarters of the 2025/26 financial year.

RECOMMENDATIONS:

That the Audit and Governance Committee note the contents of the report, including the progress made against the actions in the Annual Governance Statement. The Committee is requested to raise any issues or concerns on the content of the report with the Cabinet Member.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

This summary document supports the council to be open and transparent by reporting the effectiveness of its governance framework and highlighting areas of weakness or issues of concern.

2 FINANCIAL IMPLICATIONS

There are no financial implications arising from the content of this report.

3 LEGAL AND PROCUREMENT IMPLICATIONS

There are no legal or procurement implications arising from the content of this report.

4 WORKFORCE IMPLICATIONS

There are no workforce implications arising from the content of this report.

5 PROPERTY AND ASSET IMPLICATIONS

There are no property and asset implications arising from the content of this report.

6 CONSULTATION AND COMMUNICATION

Consultation on the content of this report has been carried out with the Deputy Leader and Cabinet Member for Finance and Transformation, the Cabinet Member for Healthy Communities as well as members of the Executive Leadership Board (ELB) and Corporate Heads of Service (CHoS).

Additionally, officers have provided updates on the progress made against their actions included in internal audit reports and referred to in this report.

7 ENVIRONMENTAL CONSIDERATIONS

There are no environmental considerations arising from the content of this report.

8 PUBLIC SECTOR EQUALITY DUTY

There are no Public Sector Equality Duties arising from the content of this report. However, officers will need to consider the council's Public Sector Equality Duty and, if required, complete an Equality Impact Assessment on any specific recommendations or future decisions to be made. This report is for noting and raising issues only and does not make any decisions

9 DATA PROTECTION IMPACT ASSESSMENT

There are no data protection impact assessments required.

10 RISK MANAGEMENT

This report provides a summary update on the council's performance against the governance arrangements outlined in the Risk Management Policy 2025/26 and the Local Code of Corporate Governance.

Independent assurance from the council's internal and external auditors identifies weaknesses in the council's governance arrangements and supports the assessment of the adequacy of measures in place to manage the council's risks.

11 SUPPORTING INFORMATION:

- 11.1 This report provides summary information regarding governance for the first and second quarters of the 2025/26 financial year.

Internal Audit

- 11.2 As required by the Global Internal Audit Standards in the UK Public Sector, the monitoring of progress against the Internal Audit Plan 2025/26, as well as the implementation and completion of management actions arising from finalised internal audit reports—previously reported within this Governance Monitoring report—is now incorporated into the Internal Audit Monitoring report (refer to report AG172), which is presented separately on this committee's agenda.
- 11.3 The Internal Audit Progress Report provides an overview of audit activity and assurance work undertaken to evaluate the effectiveness of the Council's risk management, control, and governance processes. This report covers work completed up to 30 October 2025.
- 11.4 During the first six months of the 2025/26 financial year, two audit reviews from the approved Audit Plan have been completed. The Strategic Planning and Performance Monitoring review, which included an assessment of the development of the Council Plan 2025–2030, resulted in a Substantial assurance opinion, reflecting strong controls and effective governance, including planning and consultation on the new Plan.
- 11.5 The Clean Streets Enforcement – Fly-Tipping review concluded with a limited assurance opinion, identifying weaknesses in governance arrangements or instances of non-compliance. Management acted promptly in response to the audit findings, implementing several internal changes to mitigate risks and address identified weaknesses, including adjustments to reporting lines. All remaining actions are actively being progressed, with good progress reported across all areas.

Annual Governance Statement

- 11.6 Progress against the actions included in the 2024/25 Annual Governance Statement is provided in Appendix 1 of this report.

Declarations of gifts and hospitality

- 11.7 During the period 1 April 2025 to 30 June 2025, there were two declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct.
- 11.8 During the period 1 July to 30 September 2025, there were no declarations by officers.
- 11.9 Members regularly update their register of interest forms. During the period from 1 April 2025 to 30 September 2025, there were no declarations of gifts or hospitality over the value of £50 made by members in accordance with the Members Code of Conduct.

Risk Management

- 11.10 The council's Risk Management Policy 2025/26 sets out a timetable for this committee to review the policy and corporate risks (section 11 of the Risk Management Policy). The latest quarterly review by Executive Leadership Board (ELB) of the Corporate Risk Register was carried out on 15 October 2025. All corporate risks and their current controls were reviewed with the current Corporate Risk Register shown at Appendix 3.
- 11.11 ELB considered the rapidly emerging risks (and opportunities) arising from the Devolution agenda and Local Government Reorganisation (LGR) timetable. It was discussed whether these should now be added as new risks to the Corporate Risk Register however agreed that these should remain as a cause that might impact existing corporate risks, specifically CR001 and CR007. ELB noted the expected significant resources required to deliver LGR and the likely impact on several of the corporate risks however until more information was known from Government on which proposals would be implemented it was too early to fully understand the extent. In response to the evolving nature of these issues, the council continues to closely monitor developments, ensuring that any emerging risks or opportunities are promptly identified. A comprehensive risk management strategy specifically addressing devolution and LGR will be developed in due course, ensuring that the council remains well-prepared to manage any potential changes and their impact on governance, service delivery, and resources.
- 11.12 As a result of the ELB quarterly review there were the following updates:
- CR001 – Capacity to deliver services – the causes that might impact this risk were updated to include the reference to preparing for Devolution and LGR as a new workstream over and above what the council was already working on. The current controls have been updated to include the substantial assurance opinion given to the recent internal audit review of the council's corporate planning, including the development of the Council Plan 2025-30 and performance monitoring.

- CR003 – Decisions made by the council are challenged – updated to include reference to the recent internal audit review of decision making which concluded with substantial opinion.
- CR007 – Ability to achieve a balanced budget – the causes were updated to include the specific reference to the additional financial costs associated with the preparation for Local Government Reorganisation and the current uncertainty on the council's finances. A further update has been added to the current controls that references the recent internal audit review of the council's financial stability (including TC25) that concluded with substantial assurance opinion.
- CR010 – Failure to effectively respond to the Climate Change Emergency and reduce the council and district emissions – the risk owner was changed back from Chief Executive to Strategic Director, who had started in post recently. The current controls have been updated to include the council being marked as the top performing district council in the country for our work on the climate crisis.
- CR011 – Lack of preparedness and incapability to respond to events caused by climate change – the risk owner was changed back from Chief Executive to Strategic Director who started in post recently.
- CR012 – Nutrient Neutrality – Phosphates – following consideration of the measures that had now been adopted and implemented, including the availability to developers to mitigate the impacts by the purchase of Phosphate credits from the council, ELB agreed that this was no longer a Corporate Risk but should now be included as an Operational Risk. Regular monitoring of the causes and consequences would remain with the risk escalated to the Corporate Risk Register if required in the future.

11.13 Other than the updates set out above, the original and residual risk ratings of all risks were considered appropriate and tolerable. The causes, consequences and controls for each risk were reviewed and deemed to be current and sufficient at the time of the review.

11.14 ELB continues to monitor the potential impacts to existing risks and any new or emerging risks that might require inclusion on the Corporate Risk Register.

11.15 At the same time as the review of Corporate Risks, ELB considers the risks included on the Operational Risk Register with a particular focus on the risks with a residual risk score was rated as being in the red area of the risk matrix. ELB agreed that the current controls were sufficient to mitigate the risks and that the residual risk score was correct. ELB agreed that these risks did not require escalation to the Corporate Risk Register at this time.

12 ***Code of Conduct Complaints***

- 12.1 The Audit and Governance Committee has two sub-committees, including the Standards Sub-Committee, whose purpose is to consider investigation reports in respect of Code of Conduct Complaints referred to it by the Monitoring Officer.
- 12.2 Appendix 2 provides brief details of the Code of Conduct complaints received, in progress, and closed, as well as enquiries made to the Office of the Monitoring Officer.

13 ***Dispensation Requests***

- 13.1 At the Audit and Governance Committee meeting on 25 February 2025, members requested that the Monitoring Officer provide a quarterly update to the committee, detailing all dispensations granted or refused during the quarter.
- 13.2 During the period from 1 April 2025 to 30 September 2025, two individual dispensations were granted by the Monitoring Officer, and these were to Councillor Pett as a member of the South Downs National Park Authority and Councillor Bennett regarding matters relating to Portsmouth City Council.

14 **OTHER OPTIONS CONSIDERED AND REJECTED**

- 14.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG160 Governance Monitoring Quarterly Update Q4 2025/26, 17 July 2025

Other Background Documents:-

None.

APPENDICES:

Appendix 1 - Annual Governance Statement 2024/25 – Action plan update

Appendix 2 - Code of Conduct complaints

Appendix 3 – Corporate Risk Register

Annual Governance Statement 2024/25 – Action Plan update – October 2025

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1.	Landlord Health and Safety Compliance – to ensure that our responsibilities under the consumer standard for Safety and Quality are being met, specifically in relation to regulatory compliance for gas, electrical, asbestos, fire, water, and lift safety.	Establish an appropriate Governance and assurance structure	To enable oversight of performance against the Big 6, KPI information is provided at a corporate level; the compliance scorecard is reviewed, signed off and scrutinised by Housing DMT; it is then scrutinised by TACT Board for further oversight.	Simon Hendey Gillian Knight	Feb 2025	Complete. Reporting of these KPIs is included in the quarterly Finance and Performance report, considered by Scrutiny and Cabinet.
		Undertake a data validation exercise across our asset data, compliance areas and inspection records	A monthly compliance scorecard is in place reporting across all areas of compliance and data validation continues on a monthly basis. This work will be supported by the implementation of the 'True Compliance' system. Feedback from regular meetings with the Regulator for Social Housing (RSH) is positive as we evidence our	Adrian Wilgoss Sarah Hobbs Heather Gibson	Sept 2025	Complete

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
			improvement journey delivering against the 'Big 6.'			
		Compliance reporting review	<p>Compliance reporting is produced monthly, via the scorecard.</p> <p>Going forwards, the 'True Compliance' system will enable this data and related reporting to be produced automatically.</p> <p>Through the landlord service restructure, and the creation of one centralised data team, will enable internal data assurance interrogation and monitoring.</p>	Adrian Wilgoss	June 2025	<p>Complete.</p> <p>Reporting to TACT Board , Cabinet member, Scrutiny and Cabinet via a highlight report is also reported quarterly.</p>
		Undertake a policy principle and strategic direction workshop for each compliance area and develop and finalise each policy	<p>The review of the 'Big 6' compliance policies (gas, electrical, water, asbestos, lift and fire safety) working with a sector specialist and tenants is complete and these were presented to Cabinet Committee Housing on 4 November 2025</p> <p>These will then be disseminated across the</p>	Sarah Hobbs Adrian Wilgoss	Sept 2025	<p>Complete</p> <p>A review frequency is in place and updated policies considered and adopted by future Cabinet</p>

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
			service through the new policy assurance framework.			Committee – Housing.
		Review and update our procedures	The review of the ‘Big 6’ compliance processes (gas, electrical, water, asbestos, lift and fire safety) working with a sector specialist is underway and the first drafts have been received and are in the process of being signed off.	Adrian Wilgoss	June 2026	In progress
2.	Local Government Reorganisation - capacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver local government reorganisation at pace	Establish an appropriate governance structure and clearly define the programme scope, including emerging workstreams and designated lead officers.	A project plan has been established to identify workstreams for LGR preparedness, at both a system level and a granular one. A Project Manager has been appointed to collate the project documentation and drive forward governance and resourcing plans. An LGR budget, financed from the Transitional Reserve has been approved by Cabinet (CAB3522 refers).	Liz Keys	June 2025	Ongoing

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Prepare for change with the council organising itself to achieve as much as possible and ensures that staff, services and assets that are being transferred are in the best possible position to be integrated into the new authority.	The LGR project plan prioritises work to ensure council records / assets / systems etc are in the best order possible ahead of integration to the new unitary authority. This work will be embedded in service plans for 2026/27 and beyond.	Liz Keys	Ongoing	Ongoing

Code of Conduct Complaints

As of 5 November 2025, this update includes Code of Conduct complaints received by the Office of the Monitoring Officer since the previous meeting of the Audit & Governance Committee, along with updates on complaints previously reported.

Summary of current caseload:

- A. Number **Active Individual Complaints**: 1 complaint from 1 individual complainant (see current status/update below).
- B. Number Complaints **Not Commenced**: 0
- C. Number **individual complaints** relating to a City Councillor: 0.
- D. Number **individual complaints** relating to a Parish/Town Councillor: 1.
- E. Number of complaints received since last report: 8.
- F. Number of **complaints closed** since the last report: 7.
- G. Number of **Standards Sub Committees** held: 0.

Analysis of active cases:

Date received	Relating to Parish/ Town/ City Councillor	Current status/update	Approx time spent on this complaint
29/10/2025	Parish	Complaint received and provided to subject member, clerk and Chair for response prior to IP consideration and initial determination by MO.	6 hours

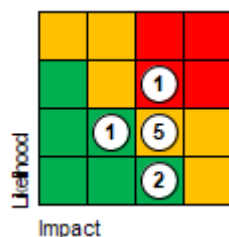
All 7 complaints closed referred to above related to Parish Councillors.

Corporate Risk Register 2025/26



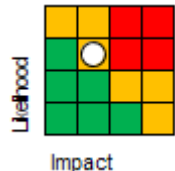
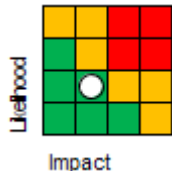
As of 30 September 2025

Residual Risk Summary:

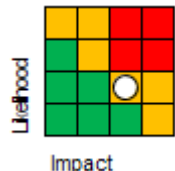
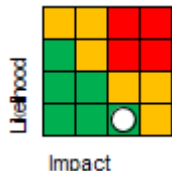
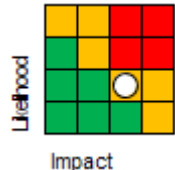



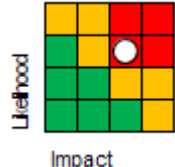
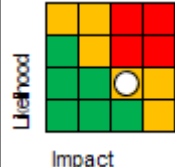
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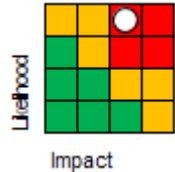
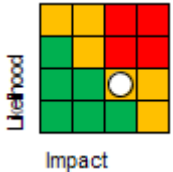
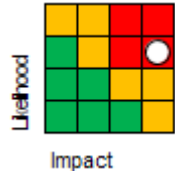
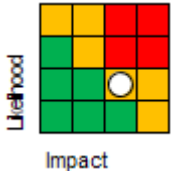
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR001	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services	Chief Executive	<ul style="list-style-type: none"> Ambitious council plan with multiple strands of activity Staff resources are lean, and teams are working at capacity to deliver services at current levels of demand. Outbreak of a pandemic that increases the pressure to continue to provide critical services as well as respond to the needs of residents 	<ul style="list-style-type: none"> If decision making is slow, delays occur, and potentially available resources are redeployed or become unavailable if they are externally sourced. Implementation of business continuity plan to target work in critical areas in cases of staff shortage If staff lack political awareness, middle managers will be slow to 		<ul style="list-style-type: none"> Council Plan is distilled into key priorities by service. If capacity becomes an issue, prioritisation of activity is in place. Critical activities are reviewed with Cabinet alongside the Council Plan 25-30 adopted in January 2025 Proactive approach to communications internal and external 50/50 hybrid working policy agreed. Maintaining communication 	

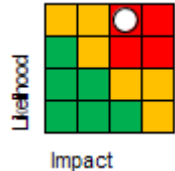
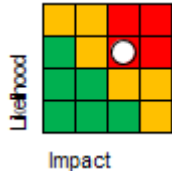
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			<ul style="list-style-type: none"> and businesses affected by the pandemic. • Competition from the private sector for key staff roles e.g. planning, project management • Decision making can be slow. • Tension between day-to-day and strategic priorities. • Key skills not in the right place • Budget uncertainty • Preparing for Local Government Reorganisation 	<ul style="list-style-type: none"> redeploy resource to current priorities. • If staff are diverted, then can't deliver on other lower-level priorities or day-to-day work. • Reputation is damaged as the council is not seen to be able to deliver projects. • Local members are not always kept informed of activity in their area. • Unable to deliver key council services 		<ul style="list-style-type: none"> • Annual business planning, with actions and projects aligned to Council Plan priorities. • Regular meetings with relevant cabinet members • Positive use of fixed term contracts to aid flexible resourcing • Targeted use of external resource where required • Reallocation of human and financial resources across and within the organisation as required. • PAC Board regularly reviews available resources to deliver projects. • Substantial assurance opinion following internal audit review of corporate planning and performance monitoring. • Close monitoring of the impacts of LGR on council capacity and delivery of services and reflected in future service plans. 	
CR003	Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change or procedural errors	Monitoring Officer G John	<ul style="list-style-type: none"> • Lack of skill and/or time to identify evidence to support decision making • Lack of consultation with ward members and/ or parish councils over local issues • Procedural error in statutory process 	<ul style="list-style-type: none"> • Lack of a robust and evidence-based approach to customer engagement can lead to: <ul style="list-style-type: none"> - Reputational damage - Views that the council is too Winchester-centric - Decisions made are inequitable 		<ul style="list-style-type: none"> • Engagement with ward and parish councillors (on matters within their ward or parish) encouraged. • Risks with regard to significant projects are recognised and addressed separately via robust Project Management and regular reports to the 	


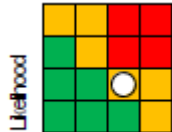
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			<ul style="list-style-type: none"> • Inconsistent and traditional approach to customer engagement across the council • Lack of awareness of the questions to ask • Lack of awareness of the 'right time' to engage • Lack of public awareness of the opportunity to engage • Council is not aware of the full range of interested stakeholders. • Council may only hear the loudest voices and not the silent majority or those that do not readily engage 	<ul style="list-style-type: none"> - A perception that people's views are ignored • Ward members and/or parish council's not being informed. • Legal/ judicial review or challenge against a decision made 		<p>Programme and Capital Strategy Board</p> <ul style="list-style-type: none"> • Legal and Monitoring Officer consultation on decisions made. • 2024 Residents' survey completed, and results used to evidence and inform decision making. • A proactive open and transparent approach to communication based on Gunning Principles • Use of external specialist advice when appropriate • Commitment made in the Council Plan in terms of 'Listening and Learning' priority. • Equality, Diversity, and Inclusion Action Plan adopted, and actions being progressed across the organisation. • Updated Constitution adopted at Council on 30 November 2023 • Where possible and appropriate, digitalisation will be utilised to mitigate against procedural errors. • Substantial assurance opinion following internal audit review of decision making 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR004	Failure to have plans and processes in place to recover and maintain services after a major incident (including pandemic) that has a significant impact on the ability of the Council to provide its services	Chief Executive	<ul style="list-style-type: none"> Not maintaining an effective corporate wide Business Continuity Plan Not regularly testing the plan and following-up learning Key staff unavailable Communication systems ineffective Lack of awareness of Business Continuity Plan Failure to assess business critical functions and have plans in place 	<ul style="list-style-type: none"> Unacceptable delay and uncertainty in returning to normal working after an emergency. Adverse publicity and criticism Reputation damage Adverse social and/or economic impact 		<ul style="list-style-type: none"> Business Continuity Plans reviewed and tested in 2024 and approved by ELB. IT Disaster Recovery Plan exercise held on 20 March. Business critical services identified with individual business continuity plans created, tested, and approved. All staff able to seamlessly work from home, where job allows. 2023 internal audit review of business continuity offered substantial opinion and no identified weaknesses. Work programme in place for 2025/26 to review and update plans. 	
CR006	Breakdown of effective partnership working	Chief Executive	<ul style="list-style-type: none"> Partnerships can falter due to lack of shared vision within partnerships. Money spent on Partnership working doesn't add value. Strategic partnerships may falter due to conflicting demands within individual partners. Incorrect application of the procurement regulations due to a misunderstanding as to 	<ul style="list-style-type: none"> Significant project delivery such as the major projects and the new homes building programme could fail due to failure of strategic partnerships. Local delivery could fail if local strategic partners are not aligned. Reputational damage to all partners Lack of value for money (VfM) 		<ul style="list-style-type: none"> Regular review by each CHoS of all partnerships undertaken to identify key strategic partners. Partnership register established and endorsed by ELB. Guidance documents for partnership managers available from Knowledge Hub Partnership Governance and Management Framework adopted. Partnership scoring tool available to assess partnership tier. 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			<p>how and when they apply to partnership working.</p> <ul style="list-style-type: none"> Partnerships may be unsuccessfully commissioned due to lack of skills and poor scoping. Significant local, regional, or national partners may close down, affecting the council 			<ul style="list-style-type: none"> Management checklist available from Knowledge Hub. 	
CR007	Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget (General Fund and HRA)	Director of Finance L Keys	<ul style="list-style-type: none"> Reduced Government funding Reliance on strategic partners to deliver services and projects. Macro economy, including effects of Brexit, reduces locally generated Business Rates and parking income. Failure to achieve income targets. Inflation rises. Penalties are imposed on the Council due to falling standards in services. Impact of a Pandemic Additional financial costs preparing for 	<ul style="list-style-type: none"> Unable to balance the budget. Increased Council Tax Public's ability to pay for services. Reduce services provided. Demand/cost of services. Increased construction costs and impact on delivery and viability of key projects Over borrowing and avoidable cost 	 <p>Likelihood Impact</p>	<ul style="list-style-type: none"> One year funding settlement in place MTFS approach setting out medium- and longer-term options. Including planning for LGR Quarterly finance reporting and monitoring of key income sources Regular policy review and monitoring Scenario planning and sensitivity analysis of key risks Transformation Challenge 2025 (TC25) is embedded into the organisation. Maintain General fund reserve of at least £2m. Regular review of reserves Annual review of fees and charges 	 <p>Likelihood Impact</p>

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			Local Government Reorganisation			<ul style="list-style-type: none"> Monthly budget monitoring and regular HRA business plan updates. Substantial assurance opinion following internal audit of the council's financial stability (including TC25). MTFS takes into consideration the financial pressures the council is facing 	
CR008	Availability of new homes to meet the strategic need via a variety of means (build or buy).	Strategic Director S Hendey	<ul style="list-style-type: none"> Increasing demand for new houses High cost of housing, including private rented sector Unable to identify new sites for new houses. Increasing infrastructure demands on new sites. Higher build costs Increasing inflation and interest rates affecting supply 	<ul style="list-style-type: none"> Increased housing waiting list numbers. Increasing homelessness Difficulty accessing housing markets. Outward migration of younger residents Adverse publicity Government intervention Ability to meet the business plan target which will have a negative effect on income 		<ul style="list-style-type: none"> A variety of plans in place to deliver new homes Regular monitoring of projects Revised Housing Strategy and HRA Business Plan Cost benchmarking 	
CR009	Failure in cyber security leaving the council exposed to phishing and other attacks leading to compromised IT systems and data loss	Director of Finance L Keys	<ul style="list-style-type: none"> Malicious attack by Hackers for financial gain Malicious attack by Hackers to disrupt business and ability to deliver services. Viral code attack in order to data mine information and identities 	<ul style="list-style-type: none"> Possible complete shutdown of Council IT Systems and Infrastructure Business\service delivery disruption Significant Financial loss Credibility and confidence lost in engaging with digital services and e-payments 		<ul style="list-style-type: none"> Mandatory Cyber Security awareness training held for all staff. IT Systems and processes administered to PSN (Public Services Network) standards and protocols. ITILv3 Methodology adoption for ITSM Comprehensive and regular reviews of ISP (Information 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
						Security Policies) and IT Network Access Policies <ul style="list-style-type: none"> • Operational daily checks and proactive monitoring of Firewalls and pattern updates • Staff qualified in Cyber Scheme Professional standards and within GOV UK CESG guidelines. • Regular system health checks and vulnerability scans • System and software maintained to supported levels. • Email security managed by accredited 3rd party. • Insurance for potential losses of a cyber attack • Third party review jointly with TVBC undertaken to see what further actions the councils can pro-actively take to mitigate this risk further 	
CR010	Failure to effectively respond to the Climate Change Emergency and reduce the council and district carbon emissions	Strategic Director C Headon	<ul style="list-style-type: none"> • Failure to achieve target for the council to be carbon neutral by 2024 and the district by 2030. • Carbon emissions increase • Air quality drops • Insufficient project capacity in-house 	<ul style="list-style-type: none"> • Reputational damage for failing to meet targets. • Increased risk of flooding - damage to property, disruption to business, health, and wellbeing of displaced residents • Increased risk of droughts - pressure on river system health, depleted aquifer/reservoir 		<ul style="list-style-type: none"> • Revised CNAP plan put in place 13/09/2023. • Actions leading towards carbon reduction are clearer in theme and size of reduction needed. • Climate Emergency declared in 2019. • Asset Management Strategy • £45mil HRA 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
				<ul style="list-style-type: none"> volumes, negative impact upon agriculture, fire risk • Extreme heat and cold - health risk for vulnerable people, pressure on emergency and health services • Protests by lobby groups • House price volatility 		<ul style="list-style-type: none"> • Council named 'Top Performing' district council for Climate Change 	
CR011	Lack of preparedness and incapability to respond to events caused by climate change	Strategic Director C Headon	<ul style="list-style-type: none"> • Failure to prepare for an adverse weather event, for example long period of rain, heavy snow, or heatwave. • Failure to manage sluice gates and maintain rivers. • Failure to have plans in place to respond and recover from an adverse weather event 	<ul style="list-style-type: none"> • Flooding causing damage to property and assets. • Loss of income to the council e.g. closed car parks due to snow • Adverse publicity • Damage to reputation 	 <p>Liability Impact</p>	<ul style="list-style-type: none"> • Multiagency Emergency Response Plan in place, reviewed and updated annually. • Emergency Planning exercise to test the Plan held annually with partners participating. • Completion of flood alleviation schemes • Temporary flood defence barrier purchased and available to be deployed where there is a need. • The Emerging Local Plan has clear objectives to support the council priority of Tackling the climate emergency and creating a greener district. • Annual review of Flood Action Plan which includes contact details of parish flood coordinators last undertaken in September'24 • Gold and Silver commander training attended or to be by relevant officers at that level. 	 <p>Liability Impact</p>

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
						<ul style="list-style-type: none">• Extreme Weather Plan in place• HOIW LRF Multi-agency Flood Plan in place	