Meeting	Audit and Governance Committee
Date and Time	Thursday, 16th July, 2026 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. **Appointment of vice-chairperson for 2026/27**

4. **Chairperson's announcements**

BUSINESS ITEMS

5. **To note the Audit & Governance work programme 2026/27** (Pages 5 - 6)

6. **Minutes of the previous meeting held on 5 March 2026** (Pages 7 - 10)

7. **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 10 July 2026** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

8. **External Audit Plan 25/26 (AG191)** (Pages 11 - 62)

9. **Treasury Management Outturn report 2025/26 (AG192)** (Pages 63 - 80)

10. **Workforce Report 25/26 (AG186)** (Pages 81 - 98)

11. **Internal Audit Annual Conclusion 25/26 (AG187)** (Pages 99 - 132)

12. **Q4 governance monitoring (AG188)** (Pages 133 - 152)

13. **Equality, Diversity & Inclusion – Annual Equality report 25/26 (AG190)** (Pages 153 - 176)

14. **Annual Governance Statement 25/26 (AG189)** (Pages 177 - 194)

Laura Taylor
Chief Executive

All of the Council's publicly available agendas, reports and minutes are available to view and download from the Council's Website and are also open to inspection at the offices of the council. As part of our drive to minimise our use of paper we do not provide paper copies of the full agenda pack at meetings. We do however, provide a number of copies of the agenda front sheet at the meeting which contains the QR Code opposite. Scanning this code enables members of the public to easily access all of the meeting papers on their own electronic device. Please hold your device's camera or QR code App over the QR Code so that it's clearly visible within your screen and you will be redirected to the agenda pack.

8 July 2026

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: to be appointed

Conservatives	Liberal Democrats	Ind & Green
Godfrey	Chamberlain	Bailey-Morgan
	Achwal S	
	Adams	
	Aron	
	Bennett	
	Brophy	

Deputy Members

Conservatives	Liberal Democrats	Ind & Green
Horrill and Warwick	Latham and Pinniger	Lee and Wallace

Quorum = 3 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

This meeting will be recorded and broadcast live on the Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council's Constitution for further information, which is available to view on the Council's website. Please note that the video recording is subtitled but you may have to enable your device to see them (advice on how to do this is on the meeting page).

DISABLED ACCESS

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

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

	Item	Lead Officer	Date of Meeting
1	Treasury Management Outturn 2025/26	Neil Aitken	16 Jul 2026
2	External Audit Plan 25/26	Liz Keys	16 Jul 2026
3	Workforce Report 25/26	Manjit Sandhu	16 Jul 2026
4	Annual internal audit conclusion 25/26	Liz Keys	16 Jul 2026
5	Q4 governance monitoring	Simon Howson	16 Jul 2026
6	Annual Governance Statement 25/26	Simon Howson	16 Jul 2026
7	EDI – Annual Equality report 25/26	Simon Howson	16 Jul 2026
8	Treasury Management Q1 2026/27	Neil Aitken	24 Sep 2026
9	Q1 Governance Monitoring	Simon Howson	24 Sep 2026
10	Internal Audit Progress Report (June 2026)	Liz Keys	24 Sep 2026
11	Final Report and Pay Policy Statement 2027/28	Manjit Sandhu	26 Nov 2026
12	Treasury Management mid-year report 2026/27	Neil Aitken	26 Nov 2026
13	Interim Audit Results Report 2025/26	Liz Keys	26 Nov 2026
14	Draft Auditors Annual Report 2025/26	Liz Keys	26 Nov 2026
15	Q2 Governance Monitoring	Simon Howson	26 Nov 2026
16	Internal Audit Progress Report (September 2026)	Liz Keys	26 Nov 2026
17	Internal Audit Charter and Risk Based Plan 2027/28	Liz Keys	4 Mar 2027
18	Q3 Governance Monitoring	Simon Howson	4 Mar 2027
19	Internal Audit Progress Report (December 2026)	Liz Keys	4 Mar 2027
20	Annual review of Risk Management Policy 2027/28	Gareth John	4 Mar 2027
21	Local Code of Corporate Governance 27/28	Simon Howson	4 Mar 2027
22	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, 5 March 2026

Attendance:

Councillors
Morris (Chairperson)

Brophy	Pinniger
Chamberlain	Power
Godfrey	

Apologies for Absence:

Councillors Bailey-Morgan

Deputy Members:

Councillor Lee

Members in attendance who spoke at the meeting

Councillors Cutler (Cabinet Member for Finance and Transformation) and Becker (Cabinet Member for Healthy Communities)

Video recording of this meeting

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1. **APOLOGIES**

As noted above, apologies were received from Councillor Bailey-Morgan for whom Councillor Lee deputised.

2. **DISCLOSURE OF INTERESTS**

There were no disclosures of interest made.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

Councillor Morris announced that, as requested at the previous meeting, EY had provided to the council some further detail used in their asset valuations. The Director (Finance) confirmed that officers would work with the council's external valuers to seek to find a solution to the judgemental differences between the assumptions used by the valuation teams employed by EY and the council.

4. **MINUTES OF THE PREVIOUS MEETING HELD ON 29 JANUARY 2026**

RESOLVED:

That the minutes of the previous meeting held 29 January 2026 be agreed as a correct record.

5. **PUBLIC PARTICIPATION**

There were no member of the public present.

6. **INTERNAL AUDIT CHARTER AND RISK BASED PLAN 2026-27**
(AG185)

Antony Harvey (SIAP) introduced the report and together with the Director (Finance) responded to questions from Members' thereon, including confirming that the plan could be amended if required to deal with new and emerging risks.

RESOLVED:

That the Internal Audit Charter 2026-27 (Appendix A of the report) and Internal Audit Risk Based Plan 2026-27 (Appendix B of the report) be approved.

7. **ANNUAL REVIEW OF RISK MANAGEMENT POLICY 2026/27**
(AG183)

The Senior Policy and Programme Manager introduced the report and drew members' attention to the changes since the previous year as summarised in paragraph 11.7 of report CAB3548.

The Senior Programme and Policy Manager, the Director (Legal), the Director (Finance) together with Councillor Cutler responded to members' questions on the report. It was noted that the current controls section of risk CR003 should be corrected to refer to the Residents' Survey which had been undertaken and completed in 2024. The Director (Legal) confirmed this would be corrected.

The following points were raised for further review:

a) In relation to risk CR010, further consideration of whether it should be expanded to include reference to risks relating to the Nature Emergency. The Director (Finance) agreed to discuss this further with the Executive Leadership Board.

RESOLVED:

That the Cabinet Member for Finance and Transformation have regard to the discussion of this committee on the policy and the points outlined above in his presentation of report CAB3548 which would be considered at Cabinet on 12 March 2026.

8. **LOCAL CODE OF CORPORATE GOVERNANCE 2026/27**
(AG184)

The Senior Policy and Programme Manager introduced the report and responded to members' questions thereon. It was noted that the related Annual Governance Statement would be submitted to the July meeting of the committee.

RESOLVED:

That the Local Code of Corporate Governance 2026 be approved, as set out in Appendix 1 of the report.

9. **Q3 GOVERNANCE MONITORING 25/26**
(AG182)

The Senior Policy and Programme Manager introduced the report and drew members' attention to the proposed revised terms of reference for the committee, which followed the CIPFA suggested terms of reference for local authority audit committees as set out in Appendix 4 of the report. The proposed amendments followed an Internal Audit assessment against the CIPFA Code of Practice for the Governance Internal Audit in UK Local Government as set out in the new Global Internal Audit Standards.

Councillor Becker highlighted that Appendix 2 reported that there were currently no outstanding code of conduct complaints and congratulated officers for their work in enabling this achievement.

The Senior Policy and Programme Manager, the Director (Legal) and the Director (Finance) responded to members' questions, including on the revised terms of reference. The following points were highlighted:

a) Including training on the revised terms of reference as part of the annual member training programme.
b) With regard to the requirement to produce an annual report and the appropriate format for this report, the Director (Legal) confirmed this would be added to the committee annual work programme and officers would look for examples of good practice from other local authorities.
c) Members expressed some concern about the requirement to ensure that external audit provided good value for money, given the lack of flexibility over the annual fees. However, it was noted that the committee did regularly challenge the external audit providers on this point.

RESOLVED:

1. That the contents of the report be noted, including the progress made against the actions in the Annual Governance Statement.

2. That the Director (Legal), under delegated authority adopt the updated draft Terms of Reference for the Audit and Governance Committee, as set out in Appendix 4 of the report. The amended terms of reference will be included in Article 9 of the Council's constitution and the

changes reported to Full Council later this year for noting in accordance with Article 15.

10. **TO NOTE THE FUTURE MEETING DATES FOR THE COMMITTEE IN 2026/27**

RESOLVED:

That the future dates of the committee during the 2026/27 municipal year be noted.

The meeting commenced at 6.30 pm and concluded at 7.50 pm

Chairperson

AG191
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: EXTERNAL AUDIT PLAN 25/26

16 JULY 2026

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

Contact Officer: Liz Keys 01962 848226 Email Lkeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report details the indicative 2025/26 Audit Strategy and Annual Audit Fees proposed by the council's external auditors, Ernst & Young LLP (EY).

The indicative fee £177,763 for the 2025/26 audit work is at the level of the scale fees set by Public Sector Audit Appointments Ltd (PSAA) for each audited body that has opted into its national auditor appointment scheme.

The auditors have submitted a proposal for a scale fee variation in relation to their work on the 2024/25 accounts, this is subject to approval by PSAA.

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Notes the external auditor's Audit Strategy for 2025/26 and the approach to rebuilding assurance towards full assurance and an unqualified opinion.

2. Approves the indicative 2025/26 annual audit fee.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

None

2 FINANCIAL IMPLICATIONS

2.1 The planned scale fee for the audit of the 2025/26 accounts is £177,763. The scale fee set by PSAA (Public Sector Audit Appointments) has increased from the 2024/25 scale fee of £172,922. The scale fees have increased through adjustments for inflation of 2.8%.

2.2 The auditors have submitted a proposal for a scale fee variation in relation to additional work on the 2024/25 accounts, this is subject to approval by PSAA.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 The Audit and Accounts Regulations 2015 require the council to publish the annual Statement of Accounts, the narrative statement and the annual governance statement, together with any external audit opinion by a specified date. The publication deadline for the 2025/26 Annual Financial Report is 31st January 2027.

4 WORKFORCE IMPLICATIONS

None

5 PROPERTY AND ASSET IMPLICATIONS

None

6 CONSULTATION AND COMMUNICATION

None required

7 ENVIRONMENTAL CONSIDERATIONS

None

8 PUBLIC SECTOR EQUALITY DUTY

None

9 DATA PROTECTION IMPACT ASSESSMENT

None required

10 RISK MANAGEMENT

None

11 SUPPORTING INFORMATION:

None, this is an external report.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 This is a statutory requirement therefore there are no other options to be considered.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None

APPENDICES:

Appendix 1 – EY Audit Planning Report year ending 31 March 2026

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Winchester City Council

Audit planning report

Year ended 31 March 2026

April 2026

The better the question. The better the answer. The better the world works.

Shape the future with confidence

Private and Confidential

22 April 2026

Winchester City Council
City Offices
Colebrook Street
Winchester
SO23 9LJ

Dear Audit and Governance Committee Members

Audit planning report 2025/26

We are pleased to attach our audit planning report for the forthcoming meeting of the Audit and Governance Committee . The purpose of this report is to provide the Committee with a basis to review our proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 16 July 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Simon Mathers

For and on behalf of Ernst & Young LLP

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Contents

Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment and further guidance (updated October 2025)' issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/contract-monitoring-2023-24-to-2027-28/terms-of-appointment-from-2023-24/terms-of-appointment-and-further-guidance-from-1-october-2025/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit and Governance Committee and management of** Winchester City Council. Our work has been undertaken so that we might state to the **Audit and Governance Committee and management of** Winchester City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit and Governance Committee and management of** Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2025/26 audit strategy

2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As the Council's body charged with governance, the Audit and Governance Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

As part of our responsibilities, we assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit and Governance Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Wherever necessary, we will consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements. We direct Audit and Governance Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

Our shared strategy to rebuild assurance

We are now in Phase 2 of the implementation of the Ministry for Housing, Communities and Local Government's (MHCLG) measures to address the backlog facing local government audit. Throughout 2023/24 and 2024/25, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements. Our approach recognises that recovery depends heavily on the Council's own capacity and preparedness and that audit effort must be targeted where it can deliver meaningful assurance.

Management has overall responsibility for leading and sustaining the Council's recovery from a disclaimed audit opinion. This includes ensuring that the financial statements are prepared in accordance with proper practices and supported by complete, accurate and timely audit evidence.

To deliver this, it is essential that the prior-year recommendation relating to property, plant and equipment and investment property valuations, as set out in Appendix C, is addressed by management to enable us to fully complete our audit procedures in this area within future statutory backstop dates.

In line with the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) - and specifically the guidance on rebuilding assurance following a disclaimed opinion - management must support the restoration of reliable opening balances and enable a phased progression from disclaimed to qualified and ultimately unmodified audit opinions. Achieving this requires sustained delivery of the "natural rebuild," through the completion of all planned audit procedures across successive annual cycles, alongside targeted work to rebuild assurance over historical balances, including both usable and unusable reserves, where cumulative gaps in evidence present the most significant challenges.

Appendix A explains the expected timeline to full assurance set out within the NAO's LARRIG 01 guidance, along with our assessment of the Council's status. During 2023/24 and 2024/25, the focus of the rebuild process has been on this "natural" rebuild, to complete all planned audit procedures for each respective audit year. As set out in Appendix A and our Audit Results Reports dated 14 February 2025 and 19 January 2026, we were not able to complete all planned audit procedures to gain assurance on the valuation of property, plant & equipment and investment property, due to the weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Existing Use Value and Fair Value.

As part of our interim audit procedures for 2025/26, we will undertake a detailed risk assessment to evaluate the risk of material misstatement in the opening reserves balances at 1 April 2025, and to assess management's readiness to support the historic rebuild process over transactions and balances in 2022/23 (and earlier years, if applicable) that were not subject to audit. This work is expected to be completed by 30 June 2026 and is essential to determining whether the pre-2023/24 gaps in assurance - particularly those relating to reserves and other cumulative balances - can be sufficiently addressed to support future progression towards qualified or unmodified audit opinions.

2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance continued

We will discuss the outcome of our risk assessment of the opening reserves balances with management to confirm our proposed approach for 2025/26. Before we commence any audit procedures relating to the historic rebuild of assurance, it will be essential for management to have completed the necessary review and reconciliation of both usable and unusable reserves and to be able to provide assurance to Those Charged with Governance that these balances are accurate, supportable and properly documented.

It is likely that we will need to audit certain transactions and movements for 2022/23 and 2023/24 (and earlier years, where applicable) to rebuild assurance over the historic position. Should we proceed with this phase of work, we will require assurances from management that high quality working papers and supporting evidence can be provided for transactions from 2022/23 and 2023/24 (and earlier years, where applicable), together with sufficient management capacity to support this historic rebuild without compromising the delivery of all planned procedures in 2025/26 over the closing balances and in year movements. It is also essential that the prior-year recommendation relating to PPE and investment property valuations, as set out in Appendix C, is addressed by management to enable us to fully complete our audit procedures in this area.

2025/26 audit strategy overview: Rebuilding Assurance

Preparedness for audit

Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Our 2024/25 reporting included our assessment of the effectiveness of the Council's arrangements to support the external audit process across a range of relevant measures (reproduced in Appendix A). We concluded that the Council was well-prepared for the audit; however, improvements were required to address weaknesses in key inputs and assumptions used by the professional valuer when valuing property, plant and equipment and investment property measured at Existing Use Value and Fair Value.

We will continue to report on our assessment of the quality of the Council's financial statements' preparation and support, to support ongoing transparency of the audit process to those charged with governance, and to facilitate benchmarking and tracking of progress in future years.

Scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an Audit Results Report that the summarises our opinion on the financial statements by 30 November 2026 and other procedures required by the Code. This includes our assessment of the control environment, including our follow up of the recommendations that we made in 2024/25 (refer to Appendix C). In addition, our Auditor's Annual Report will conclude on whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

Our independence considerations

Please refer to Appendix B for our update on independence.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) valued at Existing Use Value(EUV)/Fair Value (FV)	Significant risk	No change in risk or focus	The valuation of land and buildings and investment properties represent material figures within the Council's financial statements. The valuation of those assets on an EUV or FV basis is reliant upon expert valuations based on information provided by the Council, which include several judgements and assumptions. Errors within the judgements, assumptions, or information provided to the valuer can have a material impact on the financial statements. In the prior year we noted potential errors in the key inputs and disagreed with some of the assumptions used in the valuation of land and buildings valued using EUV and FV. This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV.
Valuation of pension assets and liabilities	Risk of material misstatement	No change in risk or focus	Accounting for the Council's participation in the Hampshire Pension Fund involves significant estimation and judgement, including financial and demographic assumptions. There is a risk that the net pension asset/liability recognised is materially misstated, as its recognition and measurement is subject to significant management judgement, including the application of the IAS 19 asset ceiling and the assessment of the Council's ability to realise future economic benefits. The Council engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

2025/26 audit strategy overview: Audit risks and materiality

Materiality

Planning materiality
£2.1m

Materiality has been set at £2.1 million, which represents 2% of total gross expenditure in 2024/25 (2024/25: £2.1 million, 2%).

Performance materiality
£1.6m

Performance materiality has been set at £1.6 million, which represents 75% of materiality.

Audit differences
£0.1m

We will report all uncorrected misstatements relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI over £0.1 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Governance Committee.

2025/26 audit strategy overview: Value for Money

Our risk assessment

Under the NAO Code we are required to:

- Satisfy ourselves that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, having regard to NAO AGN 03.
- Design work to provide sufficient assurance to support reporting against the Code's specified reporting criteria outlined below; and
- Apply a risk-based approach to our work, informed by sector knowledge, the annual governance statement, evidence from the financial statements audit and relevant work of other bodies.

In undertaking our risk assessment, we obtain an understanding of the key processes the Council has in place, including financial management, risk management and partnership working arrangements. Our Auditor's Annual Report, which will be issued before 30 November 2026 will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified. A key part of our work will be the follow up of previous recommendations to provide the Committee with assurance on the pace of planned improvements.

	 **Financial sustainability** How the Council plans and manages its resources to ensure it can continue to deliver its services.	 **Governance** How the Council ensures that it makes informed decisions and properly manages its risks.	 **Improving economy, efficiency and effectiveness** How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
Risks of significant weaknesses in arrangements identified in 2025/26:	▪ No significant risks identified	▪ Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department	▪ Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department
Recommendations identified in 2024/25:	▪ No recommendations identified	▪ **See Appendix C**	▪ **See Appendix C**

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk of management override of controls*

What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity and we design the appropriate procedures to consider such risk. ▪ Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. ▪ Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Identifying fraud risks during the planning stages. ▪ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▪ Understanding the oversight given by those charged with governance of management's processes over fraud. ▪ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions). ▪ Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud. ▪ Considering the effectiveness of management's controls designed to address the risk of fraud and determining an appropriate strategy to address those identified risks of fraud. ▪ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. ▪ Undertaking procedures to identify significant unusual transactions. ▪ Considering whether management bias was present in the key accounting estimates and judgements in the financial statements. Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through: ▪ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger. ▪ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so. ▪ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE)/Investment Property (IP) additions and/or REFCUS in the financial statements.	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Testing Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. ▪ Assessing whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred. ▪ Considering whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use. ▪ Testing REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year. ▪ Seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) valued at EUV/FV

Financial statement impact	What is the risk, and the key judgements and estimates?	
The valuation of land and buildings and investment properties represent material figures within the Council's financial statements. Those valued on an Existing Use Value (EUV) and Fair Value (FV) basis are reliant upon judgements and assumptions which can have a material impact on the values on the Council's balance sheet. Errors within the judgments, assumptions, or information provided to the valuer can have a material impact on the financial statements. PPE and IP valued at EUV/FV amounted to £67.5 million and £68.7 million in 2024/25 based on the audited financial statements.	The fair value of PPE and IP valued at EUV/FV represents significant balances in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. These assets are subject to annual revaluation, where the valuation basis relies on judgemental inputs, estimation processes and assumptions. In our 2023/24 and 2024/25 audits, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using the EUV/FV methodology. This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV. EYRE applied its own judgements based on available market information and evidence provided by the Council and its external valuer. The results of the EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, in the prior year we were not able to complete further procedures to resolve the judgemental differences or conclude whether potential errors were more pervasive across the untested population.	In response to the risk, we will: ▪ Review and assess management's assessment and planned approach to CIPFA Bulletin 22, in the context of other challenges in the application. In particular considering the appropriateness of indices applied to assets not revalued during intervening years and triggers for revaluation; ▪ Review and appraise the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▪ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support price per square metre); ▪ Involve EY internal specialists to challenge the work performed by the Council's valuers, focusing on more material assets which have been subject to audit differences in the past; ▪ Assess any changes to useful economic lives against the most recent valuer assessments; ▪ Test accounting entries have been correctly processed in the financial statements; ▪ Review and assess management's impairment assessment of ongoing and completed capital projects to ensure assets are held at an appropriate value.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of Pension Assets and Liabilities		
The Council's net pension asset/liability is measured as the sum of the long-term payments due to members as they retire against the Council's share of the Hampshire Pension Fund investments. At 31 March 2025 the Council's net pension asset (funded) totalled £19.2 million which was limited to nil in line with the accounting requirements of IFRIC 14. An unfunded liability of £1.4 million was also recorded on the Council's balance sheet and a material Group pension asset is considered in full.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	In response to the risk, we will: ▪ Liaise with the auditor of Hampshire Pension Fund to obtain assurances over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions. ▪ Engage our actuarial specialists to assess the work of the actuary. This will involve a consideration of the net asset/liability and any calculation of the asset ceiling in accordance with IFRIC 14 where relevant . ▪ Assess the work of PwC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies. ▪ Review and test the accounting entries and disclosures made within the Group Council's financial statements in relation to IAS19. ▪ Require an updated IAS19 report in July, where necessary, to ensure that there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements. ▪ Consider the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities. As part of our audit procedures, we will request that the Council obtain an asset ceiling report from its actuaries. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct. Following review, we will also ensure that pension assets and liabilities are appropriately recorded within the financial statements.

03 Value for money

Value for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together a commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the Council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Planning and identifying risks of significant weakness in value for money arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The annual governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit and Governance Committee .

Reporting on value for money arrangements

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's attention. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2025/26 Auditor's Annual Report must be issued in draft by 30 November 2026 to comply with the revised requirements of the NAO Code.

Value for money

Value for money risk assessment

We have completed our initial value for money planning, where we have considered:

- Our entity level controls and understanding the business assessment
- The Council's Risk Register/the prior year Annual Governance Statement
- Council meeting minutes and our planning meetings with management
- Prior year Annual Report/Medium Term Financial Strategy/Key financial and budget information
- Key performance reports/Internal Audit progress reports
- Findings of other inspectorates, review agencies and other relevant bodies including the Regulator of Social Housing.

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing value for money that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Financial sustainability	No significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.	No recommendations identified	No risk of significant weakness identified at planning, however, we will review the following once available before the conclusion of our audit: ▪ 2025-26 Annual Report and Statement of Accounts ▪ Yearend outturn report
Governance	We have identified the significant risk: **Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department** Pleas see Section 03 of the 2024/25 Audit Results Report and Auditor's Annual Report	The prior year significant weakness on arrangement remains relevant in the current year, as the relevant management actions remained ongoing at the end of the 2025/26 year. See details of our recommendation in Appendix C	At year end we plan to focus our review on the assessment of the progress made in delivering the requirements of the action plan and addressing the weaknesses in governance over HRA dwellings by the end of 2025/26.
Improving economy, efficiency and effectiveness	We have identified the significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department	As above	As above

04 Audit materiality

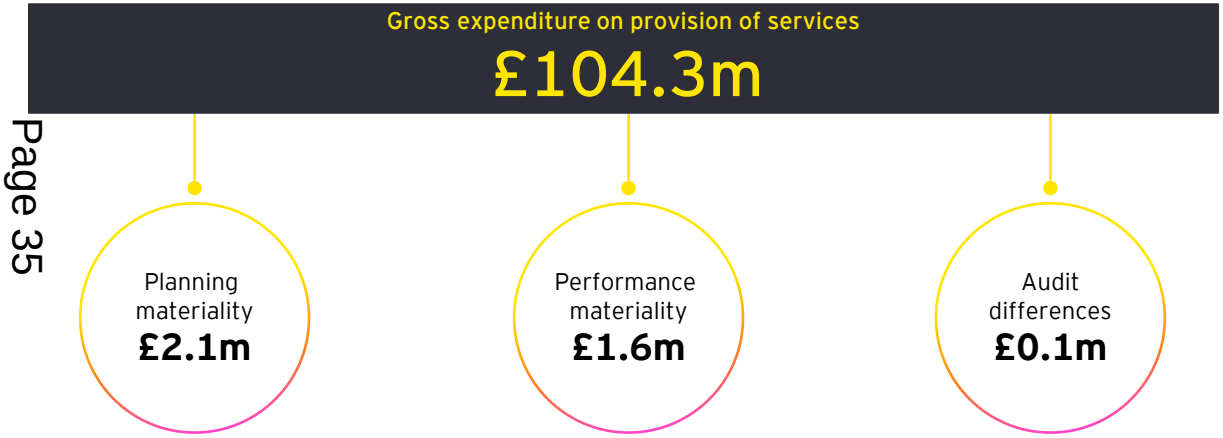
Materiality

Council materiality

For planning purposes, materiality for 2026 has been set at £2.1 million. This represents 2% of the Council's 2025 gross expenditure on provision of services. It will be reassessed throughout the audit process.

The Council is a public sector body and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix F.



We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.6 million which represents 75% of planning materiality.

We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments. Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our planning materiality.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.1 million, relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee or are important from a qualitative perspective.

05 Scope of our audit

Audit process and strategy

Objectives of our audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an audit report that covers:

1. **Financial statement audit**

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

In 2024/25, the Council's Annual Internal Audit Report concluded that the framework of governance, risk management, and control is "reasonable", with controls generally working in practice. Where weaknesses were identified, corrective actions and timelines were agreed with management.

06 Audit team

Audit team

Audit team leadership

The audit engagement team is led by Simon Mathers, who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Our approach to the use of specialists

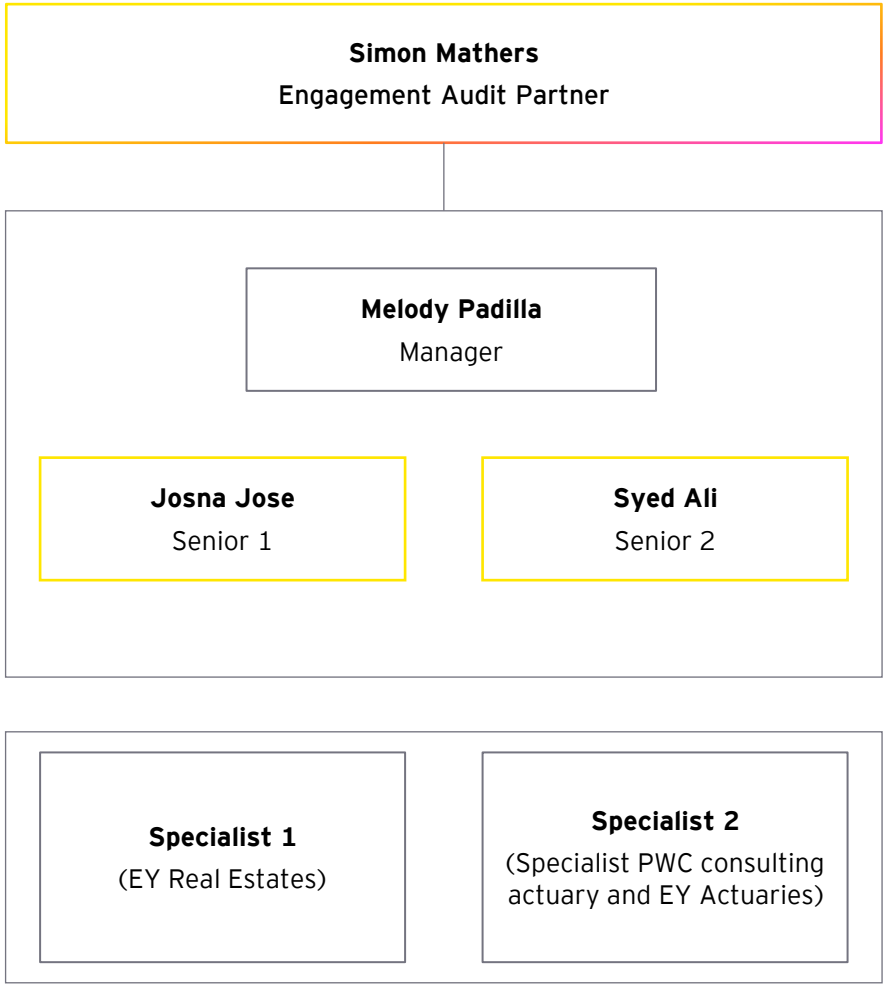
When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team
Pensions disclosure	EY Actuaries PWC (Consulting Actuary to the NAO)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



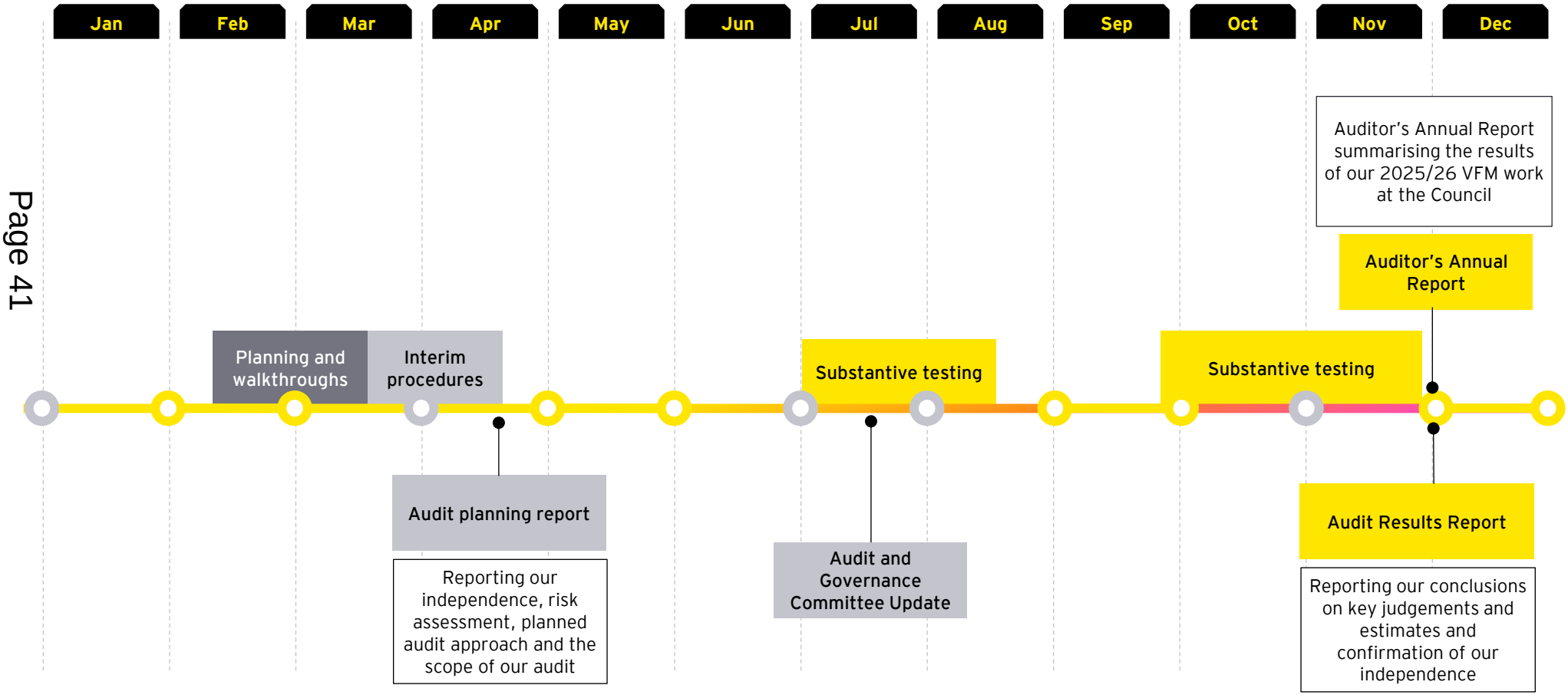
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2026.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



08 Appendices

Appendix A – Rebuilding assurance: responsibilities

The Council's responsibilities

As set out in Appendix B, our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular, the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

Observations from 2024/25

As we have outlined in prior years, our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We presented our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures as part of our 2024/25 Audit Results Report.

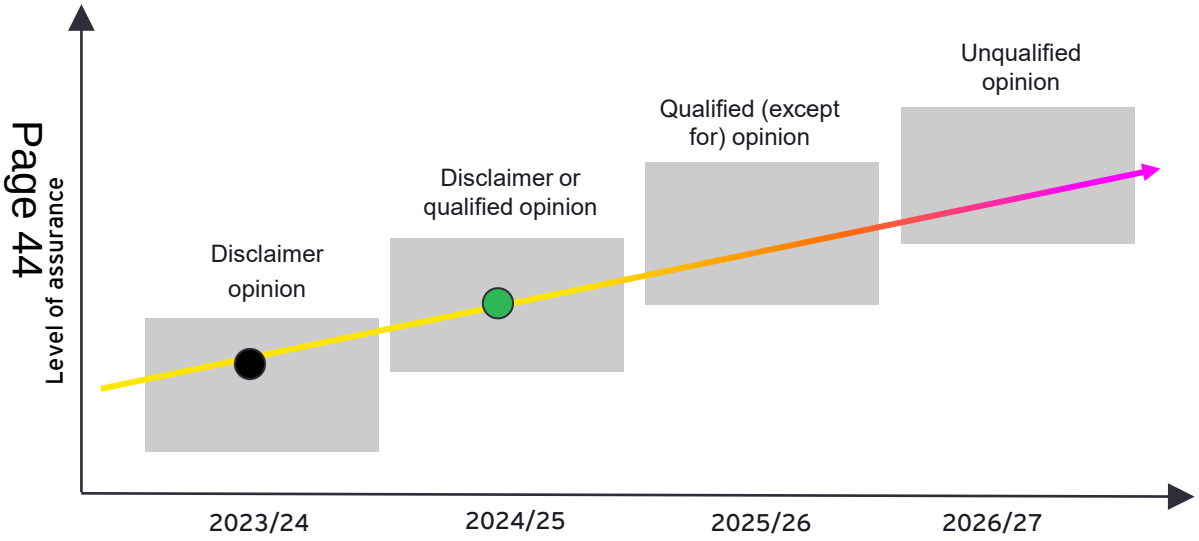
We have repeated this assessment on pages 31 to 32. Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements, see the following page for further details.

Appendix A – Rebuilding assurance continued

Progress to full assurance

The chart below sets out the illustrative timescale for the process of rebuilding assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that assessment and what still needs to be done to successfully rebuild assurance.

The guidance recognises that the path to full assurance, and therefore an unqualified opinion, will usually take a number of years to achieve, and depends upon co-ordination and engagement between the Council and audit team. Since 2022/23, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements.



Winchester City Council progress

In the audit report for the year ended 31 March 2025, a disclaimer audit opinion was issued, which drew attention to the potential issue on the quality of audit evidence for the valuation of PPE and investment property valued at EUV and FV, for which control recommendations were set out in Appendix C.

In the audit report for the year ended 31 March 2024 disclaimer of opinion was issued due to the application of the backstop.

In our view, the Council's progress is in line with the expected timescales set out in LARRIG 01.

In 2024/25 we were able to make significant progress in the level of assurance achieved in relation to cash flow statement, collection fund statement, housing revenue account, and other disclosures. Our risk assessment for 2025/26 is underway, and our work will seek to focus on continuing to buildback assurances in the following areas:

- PPE balances and the consequential impact of these on the Comprehensive Income and Expenditure Statement, also taking account of CIPFA Bulletin 22;
- Reserve balances ;

Efficient delivery will continue to rely on the strong cooperation we have experienced to date, including timely responses, clear communication and the provision of good-quality working papers. Maintaining this approach will support us in completing the audit in line with the agreed timetable. It is also essential that the prior-year recommendation relating to PPE and investment property valuations, as set out in Appendix C, is addressed by management to enable us to fully complete our audit procedures in this area.

Appendix A – Rebuilding assurance: responsibilities continued

Factors impacting the execution of the 2024/25 audit

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements			Effective	The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	**N/A**
Quality and completeness of the draft financial statements			Effective	The financial statements produced were complete and generally of adequate quality. Our procedures identified minor casting errors and inconsistencies within the accounts. We do not, however, consider arrangements in this area to be ineffective.	N/A
Delivery of working papers in accordance with agreed client assistance schedule			Effective	Working papers were largely provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence			Effective	Working papers and supporting evidence were generally of a good standard.	**N/A**
Timeliness and quality of evidence supporting key accounting estimates		Requires improvement		In general, management provided timely and good quality supporting evidence in response to the majority of our audit requests. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. We raised a recommendation on this in the prior year we which we do not consider has been addressed - see Section 06 of the Audit Results Report. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management so we can fully complete our procedures in this area by future statutory backstop dates.	We were unable to complete all our planned procedures against the significant risk in this area.

Key:

Red: Ineffective. In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

Amber: Requires Improvement. Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.

Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix A – Rebuilding assurance: responsibilities continued

Factors impacting the execution of the 2024/25 audit

Area	Status			Explanation	Further detail
	R	A	G		
Access to finance team and personnel to support the audit in accordance with agreed project plan			Effective	All key finance staff were generally available to support the audit.	N/A
Volume and value of identified misstatements			Effective	We have substantially completed our procedures, and final reviews are still ongoing. As of this writing, we have not identified any material misstatements as a result of our work.	N/A
Volume of misstatements in disclosure			Effective	A relatively small number of misstatements in disclosure were detected in our work.	N/A

Key:

Red: Ineffective. In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

Amber: Requires Improvement. Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.

Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix B - Independence and Fees

The FRC Ethical Standard 2024 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Audit and Governance Committee /those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance); and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Appendix B - Independence and Fees continued

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Simon Mathers, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Appendix B - Independence and Fees continued

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: EY UK 2025 Transparency Report.

Appendix B – Independence and Fees continued

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Council;
- an effective control environment; and
- compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year	Scale fee	Prior Year
	£m	£m	£m
Total Fee – Code Work	177,763	177,763	172,922
Proposed scale fee variation	Note 2		Note 1
Total fees	**177,763**	**177,763**	**172,922**

All fees exclude VAT

1. As set in our 2024/25 Audit Results Report, a scale fee variation was submitted to PSAA covering the following areas:

- Additional work in relation to introduction of IFRS16 Leases.
- Additional work in relation to work undertaken by an expert from within the firm, i.e., PPE valuation work performed by EY Real Estates and review the assumptions used in the Pensions Liability and asset ceiling calculation performed by EY actuaries.
- Additional work in relation to responding to significant VFM risks being raised in the audit year, including work performed EY Forensics.
- Additional work specifically in relation to build back
- The costs of disclaiming a backstopped audit

2. For 2025/26 the planned fee represents the base fee, i.e., not including any extended testing. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Additional work in relation to work undertaken by an expert from within the firm, i.e., PPE valuation work performed by EY Real Estates and review the assumptions used in the Pensions Liability and asset ceiling calculation performed by EY actuaries.
- Audit team review of the PPE and IP valuations, following the issues noted around the key inputs and assumptions used in the valuation PPE and IP valued at EUV and FV.
- Consideration of correspondence from the public and formal objections.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- Additional work specifically in relation to build back
- Modified financial statement opinions

Appendix C – Prior year recommendations

As part of our annual audit procedures we will follow up the specific open and in progress recommendations reported within our 2024/25 reporting, including those relating to value for money arrangements. The open recommendations from prior years are outlined below, along with the response from management.

Classification of recommendations		
Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Management needs to address and seek resolution urgently.	**Grade 2:** Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.	**Grade 3:** Less significant issues and / or areas for improvement which consider merit attention but do not require to be prioritised by management.

Internal control weaknesses

No.	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
1.	During our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 28 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements.	Management should continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer. **Grade 1**	**Management response:** We have raised the concerns with our external valuers and will continue to challenge both the key inputs and assumptions used in the valuation and the outputs from the valuer. **Responsible officer:** Liz Keys Chief Finance Officer, Section 151 Officer **Implementation date:** By end of accounts production (30 June 2026)

Appendix C – Prior year recommendations continued

Value for money arrangements

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
1.	Governance/Improving economy, efficiency and effectiveness	Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department	Continue to take action to: ▪ Fully deliver the Housing Compliance Improvement Plan. ▪ Fully address the weaknesses in internal control and risk management arrangements within the Housing Service and Property Services Department highlighted by the SIAP, SIAP CFU and Pennington Choices reviews. **Grade 1**	**Management response:** BD Compliance across "big Six" now achieved. Compliance IT system being implemented with full implementation across all compliance areas by end of Summer 2026. Regular internal reporting on compliance taking place and external reporting to regulator of social housing now on bi-monthly basis. In addition, there is a short terms action plan to address the management of the existing repairs and maintenance contract. That plan is overseen internally by the Council's PAC board. The Council has procured a new repair and maintenance contractor, and the new contract will come into force beginning of August 2026. The learning from the previous reports and action plan will be incorporated into new contract management arrangements with the new contractor **Responsible officer:** Simon Hendey Strategic Director **Implementation date:** August 2026

Appendix D – Regulatory update

Key regulatory changes

There are a number of key regulatory developments underway relating to local authority governance and the audit of the Council's financial statements. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Winchester City Council
English Devolution and Community Empowerment Bill	The Bill has completed all scrutiny stages in the House of Commons and is now at Committee stage (Grand Committee) in the House of Lords. The following measures therefore remain proposals until Royal Assent is granted: ▪ **Local audit system reforms:** The Bill includes provisions to reform elements of the local audit framework in England alongside support measures intended to address the audit backlog. The Bill will also enable changes to the way audit oversight and local audit responsibilities operate. Section 61 of the Bill provides for the establishment of the Local Audit Office (LAO). Legislation will set out that the main objective of the LAO is to secure the effective operation of the system of audit, with a view to meeting the needs of users of audited accounts. The LAO will appoint auditors to non-NHS bodies, determine audit fees and prepare one or more Code of Audit Practice. ▪ **Combined authorities and Combined County Authorities:** The Bill expands powers and functions of combined authorities and places combined county authorities on a clearer statutory footing. This will allow further transfer of functions from constituent councils. ▪ **Devolution of functions to "Strategic Authorities":** The Bill expands the category of Strategic Authorities and allows transfer of responsibilities from central government and councils. ▪ **Local Government Reorganisation:** The Bill supports changes to council structures to support devolution.	▪ Local audit system reforms may result in changes to audit timescales or responsibilities and there may therefore be transition risks in future years. ▪ The Bill provides that the Council must have an Audit and Governance Committee , and that at least one member of the committee be an independent person.
Renters Right Act	▪ The Renter's Rights Act became law on 27th October 2025. Under the Act, Councils are going to gain new powers to investigate landlords; act against rogue landlords; and ensure landlord compliance with new standards expected of them. ▪ Local housing authorities will receive £18.2 million in 2025/26 to support preparations for the implementation of the Renters' Rights Act 2025 and to build enforcement capacity. Funding will be allocated based on the number of private rented sector properties in each local area.	Enforcement guidance for local Councils has now been published. The guidance provides the critical information that enforcement officers will need to know to carry out their work in line with the new legislation. There will be a bespoke programme of training, webinars and resources through 'Operation Jigsaw', a cross-local Councils initiative; Changes will start coming into effect from 1st May 2026.

Appendix D – Regulatory update continued

Key regulatory changes continued

Name	Summary of key measures	Impact on Winchester City Council
Public Office (Accountability) Bill	The Public Office (Accountability) Bill aims to impose a duty on public authorities and public officials to "at all times act with candour, transparency and frankness in their dealings with inquiries and investigations." Breach of the duty would be a criminal liability. The Bill is expected to apply not only to both core public bodies delivering public services but also private bodies delivering public functions such as those on a government contract. The Bill also proposes: ▪ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or "Nolan Principles"; ▪ Reforms that will make it easier to prosecute misconduct in public office; and ▪ An offence of misleading the public.	▪ While the Bill continues to make its way through the House of Commons Committee processes, the Council should ensure that training and support for Councillors is enhanced to take account of greater expectations in relation to local government standards.
Fair Funding Review	▪ On 20 November 2025, the government announced a multi-year Local Government Finance Settlement in a decade, together with the Fair Funding Review . Key measures include: ▪ There will be a single settlement for 2026/27 to 2028/29 ▪ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and ▪ The Children and Young People's Services formula will use the latest index of deprivation affecting children. The new indices are expected to lead to greater transparency and a reduced reliance on competitive bidding for funds. The Government also announced it will simplify 33 funding streams, worth almost £47 billion over three years.	Using new indices will result in some Councils seeing increases in their allocations, whilst others see decreases. The government has, however, set out transitional arrangements to help with managing change: ▪ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant; ▪ Funding floors and phasing in of new allocations across the multi-year settlement; and ▪ Additional money in the national settlement for children's social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years. .

Appendix D – Regulatory update continued

National Audit Office reporting

There are a number of key publications from the National Audit Office that have an impact on the Council. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key messages	Impact on Winchester City Council
Local government finance report 2026 to 2027	The 2026-27 Local Government Finance Report introduces a multi-year settlement covering 2026/27 to 2028/29 and implements the Fair Funding Review 2.0. Updated distribution formulas will reallocate resources between councils, reflecting more recent demographic and deprivation data. The report confirms the continuation of council tax referendum principles and introduces significant changes to Special Educational Needs and Disabilities (SEND) funding, including the extension of the statutory override for DSG deficits to 2027/28 and a government-funded write-off of approximately 90% of historical DSG deficits. These policy changes represent one of the most substantial re-baselining exercises in recent years.	▪ Councils must re-model their Medium-Term Financial Plans (MTFPs) to account for formula redistribution effects and redesigned SEND funding arrangements. The ongoing restrictions on council tax increases will continue to limit local financial flexibility. For many authorities, particularly those with substantial DSG deficits, the reforms will have material implications for reserves management and financial stability.
Exceptional Financial Support for local authorities for 2025-26	Exceptional Financial Support (EFS) remains a mechanism for councils facing acute short-term financial pressures. For 2025-26, thirty authorities received in-principal approval for EFS, allowing them to treat certain revenue costs as capital expenditure through capitalisation directions. The government has removed the additional 1% borrowing premium previously applied and has imposed conditions including enhanced assurance reviews and restrictions on community-asset disposals. The NAO notes that, although EFS can prevent immediate failure, it shifts the burden to future years through increased borrowing.	▪ For the sector, the continuation of EFS signals sustained financial fragility. Authorities using EFS must demonstrate credible, independently-scrutinised recovery and savings plans, along with significant improvements in governance, financial management, and internal controls. ▪ Councils should expect intensive oversight and stringent follow-up from central government when accessing this mechanism.
Local audit reform: Government response to the consultation to overhaul local audit in England	The government response sets out a comprehensive overhaul of the local audit system in England. Central to the reforms is the creation of the Local Audit Office (LAO), which will assume responsibility for appointing auditors, preparing Codes of Audit Practice, enforcing quality standards, and overseeing audit delivery. A phased transition plan will move existing responsibilities from Public Sector Audit Appointments (PSAA) and other bodies to the NAO between 2026 and 2027, with the aim of stabilising the system, addressing audit backlogs, and restoring confidence in the timeliness and quality of local audit.	▪ For councils, the reforms will lead to more prescriptive expectations around audit readiness, governance, documentation quality, and responsiveness. Authorities should anticipate tighter reporting deadlines and increased scrutiny of working papers, internal controls, and VFM arrangements.

Appendix D – Regulatory update continued

National Audit Office reporting continued

Name	Summary of key messages	Impact on Winchester City Council
Local Government Financial Sustainability	The National Audit Office most recently reported on the context of local government finances in February 2024, which included their consideration of service and financial pressures. They concluded that although total local government funding has risen modestly in recent years, it has not kept pace with population growth, rising service demand, or the increasing complexity and cost of supporting people with high needs. Real-terms funding per person fell between 2015-16 and 2023-24, while demand for essential services such as adult social care, children's social care, SEND provision and homelessness continued to escalate. The NAO highlights growing evidence of strain across services, including delays in Education, Health and Care Plans and a sharp rise in families housed in temporary accommodation for longer than legally permitted. Repeated delays to long-promised funding reforms mean councils continue to rely on short-term, stop-gap measures. Exceptional Financial Support has become increasingly common, but while it prevents immediate failure, it also shifts financial risk into future years, reflecting underlying structural weaknesses in the local government finance system	▪ The report signals deepening financial fragility across the sector, with many councils facing heightened risk of issuing Section 114 notices unless systemic pressures are addressed. Rising demand and cost escalation in statutory services are absorbing an ever-greater share of local authority budgets, reducing the capacity to invest in preventative activity and long-term service improvement. The NAO warns that widespread reliance on temporary fixes—including Exceptional Financial Support—creates additional future liabilities and limits councils' ability to plan sustainably. Without coordinated, cross-government reform of funding, accountability and service oversight frameworks, councils will remain locked in reactive financial management, with growing consequences for service quality, citizen outcomes and long-term financial resilience.
Unlocking land for housing	The National Audit Office reported in February 2026 that the government aims to deliver 1.5 million new homes by July 2029. To support this ambition, various land-unlocking programmes have been introduced to address constraints such as inadequate infrastructure, land assembly challenges, and site viability issues. Since 2016, £10.5 billion has been allocated across 768 projects, with £8.4 billion committed and £5.7 billion spent. Although these programmes collectively predict enabling around 713,000 homes, the NAO highlights that only a small proportion—around 33,300 homes—can currently be evidenced as completed, pointing to gaps in monitoring and programme assurance. Additionally, the creation of the National Housing Delivery Fund and a new National Housing Bank from April 2026 signals a shift toward a more consolidated and strategic funding model.	▪ The sector will experience increased expectations to produce detailed and evidence-based infrastructure planning to secure funding from the new mechanisms. Councils will be required to strengthen the robustness of business cases, improve monitoring of actual housing delivery, and anticipate tighter central-government scrutiny of riskier or larger projects. The shift to a single-gateway funding structure will also compel councils to maintain well-developed pipelines to access multi-year support.
Improving local areas through developer funding	The NAO identifies developer contributions—primarily Section 106 agreements and the Community Infrastructure Levy (CIL)—as essential tools for funding local infrastructure and affordable housing. However, the report finds significant variation across councils in both the application and governance of these mechanisms. Negotiated viability assessments often reduce the contributions developers agree to provide, while only around half of planning authorities have formally adopted CIL. Developer contributions account for roughly 44% of affordable housing delivery nationally, yet over 17,000 S106-linked affordable homes with planning consent lacked a housing association buyer at the time of review, indicating a delivery bottleneck. The government is providing additional planning capacity funding and establishing a Section 106 Affordable Homes Clearing Service to support councils in unlocking stalled developments.	▪ For councils, strengthening internal governance and transparency around developer contributions will be increasingly important. Authorities will need improved planning capacity, including specialist viability expertise, to mitigate risks of reduced contributions and ensure developer obligations are properly monitored. With the proposed Infrastructure Levy no longer being taken forward, councils must optimise and professionalise the existing S106 and CIL frameworks.

Appendix E – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee .

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	Audit planning report – July 2026 meeting of the Audit and Governance Committee
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report – July 2026 meeting of the Audit and Governance Committee
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – expected November 2026

Appendix E – Required communications with the Audit and Governance Committee continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	Audit results report – expected November 2026
Misstatements	▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods	Audit results report – expected November 2026

Fraud	▪ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
	▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▪ Unless all of those charged with governance are involved in managing the entity, unless prohibited by law or regulation any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others, when the identified or suspected fraud is other than clearly inconsequential.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility
		Audit results report – expected November 2026

Appendix E – Required communications with the Audit and Governance Committee continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit results report – expected November 2026
Independence	Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of financial statements of the entity. Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance) Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.	Audit planning report – July 2026 Audit results report – expected November 2026
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – expected November 2026
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of	Audit results report – expected November 2026

Appendix E – Required communications with the Audit and Governance Committee continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Internal controls	▪ Significant deficiencies in internal controls identified during the audit	Audit results report – expected November 2026
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – expected November 2026
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report – expected November 2026
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – expected November 2026
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – expected November 2026

Appendix F – Additional audit information

Objective of our audit

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Other required procedures during the course of the audit

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

Ernst & Young LLP

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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ED None

ey.com/uk

AG192
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT 2025/26

16TH JULY 2026

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and 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 past year, and confirmation that there were no instances of non-compliance with the council's Treasury Management Policy Statement and Treasury Management Practices, for the year 2025/26.

RECOMMENDATIONS:

1. Note the Annual Treasury Outturn Report 2025/26.

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. The 2025/26 outturn shows £1.4m of income achieved against a budget of £0.6m, delivering an additional £0.8m of income above budget. This was a consequence of interest rates continuing to remain higher for longer than anticipated and higher average balances than forecast during the year.

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 PUBLIC SECTOR EQUALITY DUTY

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
Returns from investments are too low	A diversified strategy that manages the balance between liquidity risk, credit risk and yield within the council's risk appetite.	Returns above budgeted levels
A counterparty fails	A diversified strategy that has relatively low levels of counter-party risk	
Cash is not available	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. The CIPFA Code requires the council to approve a treasury management strategy before the start of the year, a mid-year report, and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2025/26.

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 2025/26.

13.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2026. 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 This annual report sets out the performance of the treasury management function during 2025/26, to include the effects of the decisions taken and the transactions executed in the past year.

13.5 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.

13.6 All treasury activity has complied with the council's Treasury Management Strategy and Investment Strategy for 2025/26, and all relevant statute, guidance and accounting standards. Advice in undertaking treasury management activities has been provided by the council's treasury advisers, Arlingclose.

13.7 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 2026.

14 External Context

14.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2025/26.

Economic commentary

14.2 The financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff 'Liberation Day' in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.

14.3 After the initial fallout from US trade tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the Government's fiscal position and Autumn Budget led investors to demand higher returns for holding gilts.

14.4 The Budget itself was more muted than had been expected. Despite a weak economic outlook, this helped UK markets perform better with gilt yields trending downwards, inflation easing, and expectations for cuts in Bank of England (BoE) Bank Rate increasing.

14.5 The end of February 2026 saw the start of the war between US/Israel and Iran. The conflict caused oil and other commodity prices to rise sharply as the shipping lanes in the region became effectively closed, restricting global oil supply. At the end of the period, the economic outlook remained highly uncertain in terms of its impact on inflation as well as countries' fiscal and monetary policy conditions around the globe.

14.6 Following the BoE's March 2026 MPC meeting, Arlingclose, the council's treasury adviser, revised its central interest rate view and predicted Bank Rate would be held at 3.75%. This approach was confirmed at the April MPC meeting.

Credit review

14.7 Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 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 April 2025 following the US trade tariff announcements, UK CDS prices had trended down before picking up modestly in October and November 2025. After declining again in December 2025 and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

14.9 Financial market volatility is expected to remain, and CDS levels will be monitored by Arlingclose 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 At 31 March 2026 the council had net investments of £17.3m arising from its revenue and capital income and expenditure.

15.2 The council's Balance Sheet is presented once a year as part of the annual Statement of Accounts. The Balance Sheet represents the council's assets, liabilities, and reserves at the end of the financial year. Table 1 summarises the Balance Sheet for Treasury Management purposes.

15.3 The Capital Financing Requirement (CFR) is the underlying need to borrow for capital purposes. It is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The table shows a mixture of internal and external borrowing has been utilised, which is explained in more detail later in this report.

15.4 Although the council has borrowed to fund elements of its capital programme, it also holds investment balances. These arise due to the timing difference between income and expenditure, the council's reserves balances, and the difference between the timing of accounting postings and cash flows (e.g. debtors and creditors).

15.5 Usable reserves and working capital are the underlying balance sheet resources available for investment.

Table 1: Balance sheet summary	**31/03/25 Balance £m**	**Movement £m**	**31/03/26 Balance £m**
General Fund CFR	70.4	(2.1)	68.3
Housing Revenue Account CFR	212.5	0.0	212.5
Total CFR	**282.9**	**(2.1)**	**280.8**
Less: Other debt liabilities*	(3.3)	0.6	(2.7)
Loans CFR	**279.6**	**(1.5)**	**278.1**
Less: External borrowing**			
- Public Works Loan Board	(154.5)	(4.8)	(159.3)
-			
Internal borrowing	**125.1**	**(6.3)**	**118.8**
Less: Balance sheet resources	(141.4)	5.3	(136.1)
Net investments	**(16.3)**	**(1.0)**	**(17.3)**

* other liabilities that form part of the council's total debt.

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

15.6 Table 1 shows that during 2025/26 the council's Borrowing CFR decreased. The Borrowing CFR is financed by external and internal borrowing. External borrowing is made up of external loans such as loans secured via the market or Public Works Loan Board (PWLB), whilst internal borrowing is where the council borrows from its own cash balances. During 2025/26 the council's external borrowing increased by £4.8m due to additional borrowing with the PWLB being arranged. These changes to the external borrowing in combination with the decrease in Borrowing CFR led to internal borrowing decreasing by £6.3m.

15.7 The council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. This has meant that internal funds have been utilised in lieu of taking on external borrowing debt. The treasury management position as at 31 March 2026 and the change during the year are shown in Table 2.

Table 2: Treasury management summary	**31/03/25 Balance £m**	**Movement £m**	**31/03/26 Balance £m**	**31/03/26 Rate %**
Long-term borrowing	(149.3)	1.2	(148.0)	3.05
Short-term borrowing	(5.2)	(6.0)	(11.2)	3.18
Total borrowing	**(154.5)**	**(4.8)**	**(159.3)**	**3.06**
Long-term investments	5.0	0.0	5.0	4.67
Short-term investments	1.0	0.0	1.0	3.91
Cash and cash equivalents	9.6	1.0	10.6	3.72
Total investments	**15.6**	**1.0**	**16.6**	**4.02**
Net borrowing	**(138.9)**	**(3.8)**	**(142.7)**	

Note: the figures in Table 2 are from the balance sheet in the council's statement of accounts but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

15.8 The increase in net borrowing of £3.8m shown in Table 2 occurred due to an increase in total borrowing of £4.8m coupled with an increase in total investments of £1.0m. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.

16 Borrowing Strategy and Activity

16.1 As outlined in the treasury 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, with flexibility to renegotiate loans should the council's long-term plans change being 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.

16.2 Gilt yields slightly decreased over most of the period; reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK government's fiscal position following tax rises in the Autumn Budget. After the war began in the Middle East however, gilt yields saw a rapid rise to above the yield at the beginning of the financial year.

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 council. 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.

16.4 At 31 March 2026 the council held £159.3m of loans, all of which relate to the HRA including the financing settlement in 2012. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

Table 3: Borrowing position	**31/03/25 Balance** **£m**	**Net movement** **£m**	**31/03/26 Balance** **£m**	**31/03/26 Weighted average rate %**	**31/03/26 Weighted average maturity (years)**
Public Works Loan Board	(154.5)	(4.8)	(159.3)	3.06	17.8
Total borrowing	**(154.5)**	**(4.8)**	**(159.3)**	**3.06**	**17.8**

Note: The figures in the table above are from the balance sheet in the council's statement of accounts but adjusted to exclude accrued interest.

16.5 Net borrowing increased by 4.8m in the year. This consisted of £10m of new PWLB borrowing taken in two £5m tranches in December and March, both of which were Equal Instalments of Principal (EIP) loans, offset by the repayment of £5m at maturity and £0.2m of EIP loans – all from the PWLB.

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 year the council's investment balances have ranged between £16.6m and £51.0m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

Table 4: Treasury investment position	**31/03/25 Balance** **£m**	**Movement** **£m**	**31/03/26 Balance** **£m**	**31/03/26 Income return** **%**	**31/03/26 Weighted average maturity (years)**
Short term investments:					
Banks and building societies:					
- Unsecured	2.1	1.3	3.4	3.57	0.00
Money market funds	7.5	(0.3)	7.2	3.78	0.00
Cash plus funds	1.0	0.0	1.0	3.92	0.01
Total	**10.6**	**1.0**	**11.6**	**3.73**	**0.00**
Long term investments					
- Pooled property fund*	5.0	0.0	5.0	4.67	N/A
Total	**5.0**	**0.0**	**5.0**	**4.67**	**N/A**
Total investments	**15.6**	**1.0**	**16.6**	**4.02**	**0.00**

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 March 2026.

Note: the figures in Table 4 are from the balance sheet in the council's statement of accounts but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

17.3 The CIPFA Treasury Code and government guidance both 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. The council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.

17.4 As demonstrated by the liability benchmark 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 existing strategic pooled fund will be maintained to boost investment income and diversify away from cash investments exposed to interest rate risk.

17.5 Bank Rate reduced from 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025 and to 3.75% in December 2025 with short term interest rates largely being around these levels. The rates on money market funds ranged between 3.78% and 3.83% by the end of March 2026.

17.6 The council benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include Money Market Funds. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5, providing data for the quarter ended 31 March 2026 and at the same date in 2025 for comparison.

Table 5: Investment benchmarking (excluding pooled funds)	**Credit rating**	**Bail-in exposure %**	**Weighted average maturity (days)**	**Rate of return %**
31.03.2025	A+	100	1	4.49
31.03.2026	AA-	100	1	3.72
Similar LAs	A+	58	45	4.14
All LAs	A+	64	10	4.02

17.7 Table 6 shows the average credit rating of the portfolio has improved to AA- from A+, largely due to the proportion of investment balances allocated to money market funds having reduced in comparison to the previous year end. Whilst the money market funds themselves are AAA rated, for the purposes of benchmarking the underlying assets in the portfolio are examined and the credit rating of the lowest-rated instruments taken. Because these funds now represent a lower proportion of the council's overall portfolio, the average credit rating has therefore increased. The average rating remains favourable in comparison to other clients.

17.8 Bail in exposure remains consistent, owing to the bulk of the council's portfolio being in short-term unsecured investments like deposits with commercial banks or money market funds, due to their increased liquidity. It should be noted that the money market funds are themselves diversified and highly liquid and considered by Arlingclose to be bail-in 'light'. The Council is also invested in a strategic pooled property fund, however this is not included in the benchmarking exercise.

17.9 Whilst the rate of return has decreased over the last 12 months, this should be considered against the backdrop of further cuts to interest rates over the same period.

17.10 In addition, because the benchmarking is a snapshot of the portfolio at the reporting date specifically and not a view of the portfolio's returns over time, this snapshot came at a point where a higher proportion of the council's liquid investment balances were in lower paying unsecured investments, rather than

in money market funds that typically have a higher rate of return. This is not uncommon and forms part of the daily cash management activity decision making to ensure that counterparty risk is managed effectively and risk spread appropriately across numerous counterparties and asset classes, as well as ensuring sufficient ability to access funds later in the day for emergencies as is the case with unsecured deposits.

Externally managed pooled property fund

17.11 £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. In 2025/26 this fund generated an average total return of 4.66%, comprising a 4.67% income return which is used to support services in year, and 0.01% of unrealised capital loss. Over the holding period, the council's investments in pooled funds have contributed a 4.56% income return per year on average, which compares favourably in a period where base rates have generally been low.

17.12 UK commercial property was more stable in 2025/26 following the sharp rise in yields in 2022 and 2023. Lower interest rate expectations and generally positive market conditions for much of the year helped support property values, although capital values were broadly flat overall. Most of the return came from rental income, which remained relatively steady. However, as with other asset classes, the environment became more uncertain towards the end of the period.

17.13 Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their 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 and with the expectation 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 the Ministry for Housing, Communities and Local Government (MHCLG) wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. The statutory override has been extended up until 1 April 2029 for investments already in place before 1 April 2024. The override does not apply to any new investments taken out on or after 1 April 2024.

17.15 The council's pooled fund investment was made prior to 1 April 2024 and therefore will be able to continue to take advantage of the statutory override. This means that any unrealised gains or losses on the pooled fund investment will not be charged to the Comprehensive Income and Expenditure Statement up until 1 April 2029. The council does not plan to make any further pooled fund investments.

Financial Implications

17.16 The outturn for debt interest paid in 2025/26 was £5.35m on an average debt portfolio of £156.3m at an average interest rate of 3.42%.

17.17 The outturn for investment income received in 2025/26 was £1.4m on an average investment portfolio of £34.2m, therefore giving a yield of 4.1%, against a budgeted £0.6m. In comparison in 2024/25 investment income received was £1.64m on an average investment portfolio of £34.1m, therefore giving a yield of 4.81%.

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) and Welsh Government 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 will be included in the General Fund Outturn 25-26 which will be presented to Cabinet on 9th September 2026.

19 Compliance Report

19.1 All treasury management activities undertaken during 2025/26 were compliant with the CIPFA Code of Practice 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	2025/26 Maximum £m	31/03/26 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	(160.6)	(159.3)	(294.4)	(301.5)	✓
Finance leases	(3.3)	(2.7)	(2.7)	(3.4)	✓
Total debt	**(163.9)**	**(162.0)**	**(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.

20 Treasury Management Indicators

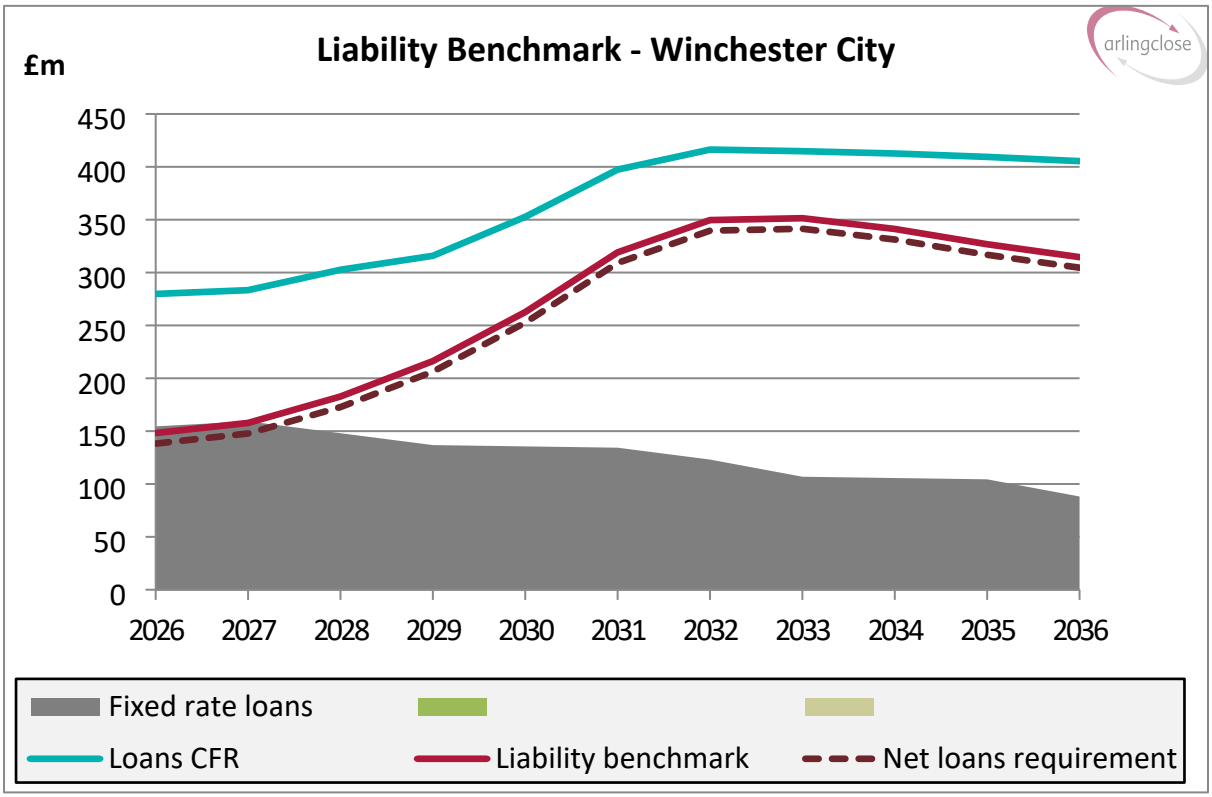
20.1 As required by the 2021 CIPFA Treasury Management Code, the council monitors and measures the following treasury management prudential indicators.

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	31/03/2025 Actual	31/03/2026 Actual	31/03/2027 Forecast	31/03/2028 Forecast
Loans CFR	279.6	278.1	281.8	301.2
Less: Balance sheet resources	(141.4)	(136.1)	(130.4)	(110.1)
Net loans requirement	**138.2**	**142.0**	**151.5**	**191.1**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**148.2**	**152.0**	**161.5**	**201.1**
Existing borrowing	(154.5)	(159.3)	(148.0)	(136.8)

Chart 1: Liability Benchmark (10 year view)



20.3 At the start of the period, 31 March 2025, the council had a Loans CFR of £279.6m, external borrowing of £154.5m, balance sheet resources of £141.4m and a liability benchmark of £148.2m. The difference of £125.1m between the CFR and external borrowing is internal borrowing which is where the council has used its own resources to fund its borrowing requirement.

20.4 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.

20.5 The liability benchmark is the lowest level of debt the council could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The liability benchmark graph is created based on the current capital programme and this explains why the Loans CFR line reduces past the initial five-year period as the diagram does not assume any future capital spend not already in the programme. This is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.

20.6 The full liability benchmark spanning 50 years is available at Appendix A to this report.

20.7 Unfortunately, a limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon and so as time passes, the requirement to borrow may change and either may not be there for the whole period, or alternatively cash flow requirements that are not known about today may become present later which may require the council to take additional external borrowing in the future. The Section 151 Officer will continue to work closely with the council's treasury management advisor, Arlingclose, to borrow in the most effective way.

Interest rate exposures

20.8 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	**31/03/26 Actual**	**Impact of +/-1% interest rate change**
Sums subject to variable interest rates:		
Investments	£16.6m	+/-£0.1m
Borrowing	(£11.2m)	+/-0.0m

20.9 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

20.10 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 TMSS:

Table 9: Maturity structure of borrowing	**31/03/26 Actual**	**Upper Limit**	**Lower Limit**	**Complied**
Under 12 months	7%	25%	0%	✓
12 months and within 24 months	7%	25%	0%	✓
24 months and within 5 years	9%	25%	0%	✓
5 years and within 10 years	23%	35%	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	23%	75%	0%	✓
40 years and within 50 years	6%	100%	0%	✓

Long-term Treasury Management Investments

20.11 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	-	-	-	£5m
Limit on principal invested beyond year end	£20m	£20m	£15m	£5m
Complied	✓	✓	✓	✓

20.12 Long-term investments with no fixed maturity date can 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 2024/25, 17 July 2025

AG179: Treasury Management Mid-Year Monitoring Report 2025/26, 27 November 2025

CAB3538: Treasury Management Strategy 2026/27, 12 February 2026

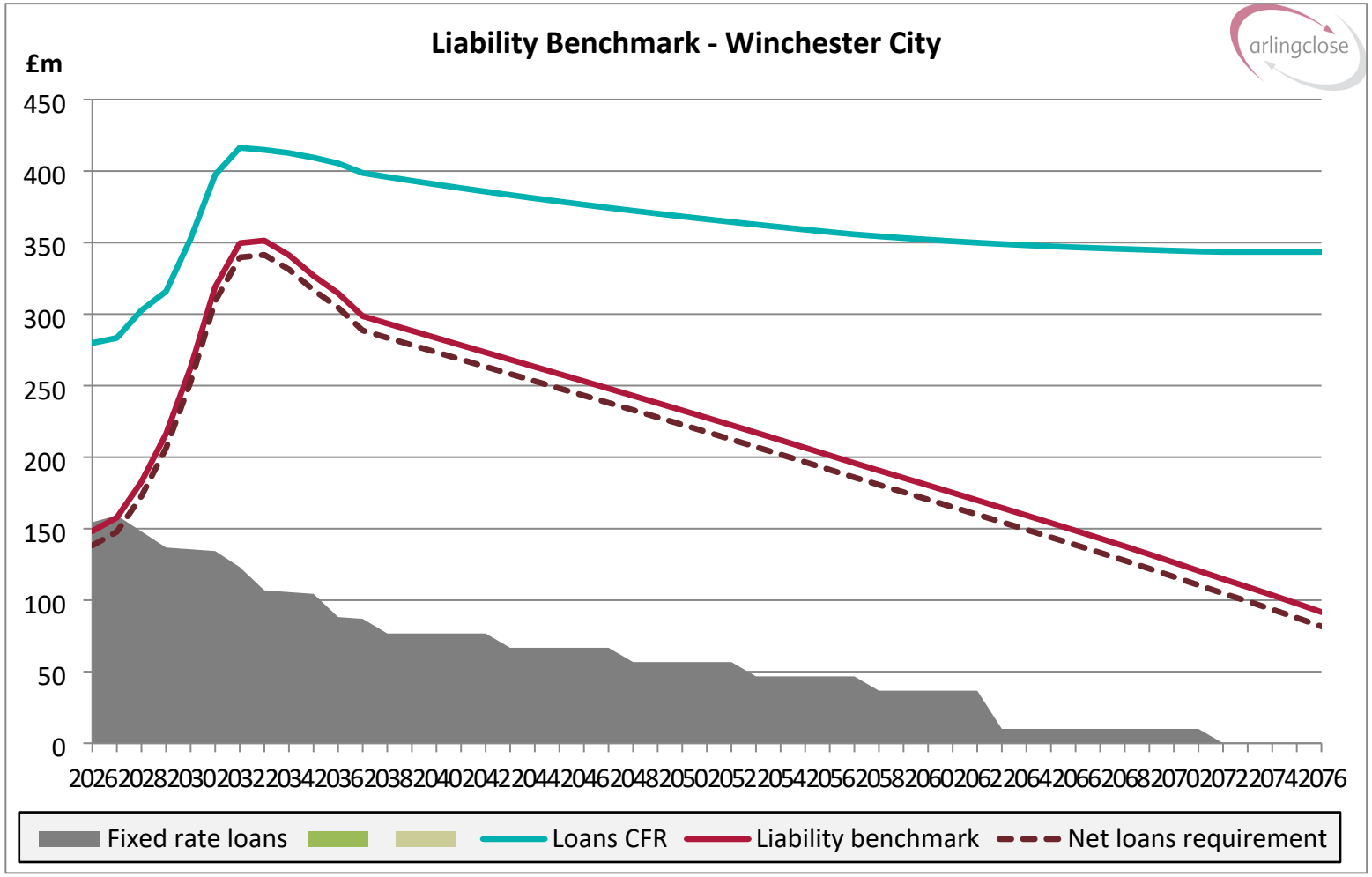
Other Background Documents:-

None

APPENDICES:

Appendix A – Liability Benchmark Graph (50 year view)

Appendix A – Liability Benchmark Graph (50 year view)



AG186
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: WORKFORCE REPORT 2025/26

16 JULY 2026

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

Contact Officer: Manjit Sandhu, Service Lead Human Resources
Tel No: 01962 848594 Email: msandhu@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide an overview of the workforce of the council and a summary of key HR activities for the year ending 31 March 2026.

RECOMMENDATIONS

1. Note the report and the data in the appendices.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 The performance of the council's workforce is critical to the delivery of all priorities set out in the Council Plan.

2 FINANCIAL IMPLICATIONS

2.1 Maintaining staffing levels and having the right staff with the right skills is critical to the delivery of the council's services and priorities. Financial implications of the workforce matters covered in this report include: the cost of recruiting and inducting new joiners; the use of agency staff for difficult to fill essential vacancies; sickness absence; and investment in learning and development.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 None.

4 WORKFORCE IMPLICATIONS

4.1 Employees are critical to the delivery of the council's services and priorities and monitoring and reporting on key employment metrics enables proactive employment practises.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 None.

6 CONSULTATION AND COMMUNICATION

6.1 This report is for information only and therefore no consultation or communication is required.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

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.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 This report does not include any confidential data and therefore a data protection impact assessment is not required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure *Failure to apply pay principles and rules fairly and consistently leading to discrimination and/or legal challenge.*	Consistent application of pay principles and rules.	Positioning the council as an Employer of Choice.
Exposure to challenge *Failure to comply with statutory reporting requirements, resulting in adverse local media coverage or legal challenge.*	Statutory reporting is embedded within HR's annual work programme, and within the committee work programme where appropriate, to ensure publication within statutory timeframes.	
Reputation *Failure to deliver public services and the Council Plan due to reduced workforce capacity, leading to public criticism and/or adverse local media coverage.*	Ongoing workforce monitoring to enable early identification and remedial action where recruitment difficulties and/or high sickness levels could impact on the council's ability to deliver public services and the Council Plan.	
Innovation	None	None
Property	None	None
Community Support	None	None
Timescales	None	None
Project capacity	None	None
Local Government Reorganisation	This report provides a 'snapshot' of workforce metrics	

	and commentary for the 2025/26 financial year and its content has limited impact on LGR. However, 'People and Culture' will be a critical LGR workstream as we prepare for change and transition to any new Unitary Authority.	
Other	None	None

11 SUPPORTING INFORMATION:

11.1 The purpose of this report is to provide the Audit and Governance Committee with an overview of the workforce of the council and a summary of key HR activities for the year 1 April 2025 to 31 March 2026. Figures throughout the report show prior year equivalents in brackets.

11.2 Appendix 1 provides a range of indicators supporting the report commentary relating to:

(i) the council's staff establishment
(ii) recruitment and turnover
(iii) sickness absence
(iv) equality

Staff Establishment

11.3 As at 31 March 2026, the council employed 472 (460) permanent and fixed-term staff, a 2.61% (3.14%) increase in headcount compared with the beginning of the year. Appendix 1 provides a breakdown of staff numbers by headcount and full-time equivalent (FTE), together with grade and contract type data.

Recruitment and turnover

11.4 In the reporting period, there were 64 (61) external appointments, made up of 44 (43) permanent employees and 20 (18) employees (including 2 apprentices) on fixed-term contracts.

11.5 There were 50 (55) leavers; 43 (48) permanent employees and 7 (7) employees on fixed-term contracts. Reasons for leaving are shown in Appendix 1.

11.6 Staff who both started and left within the same year are included in the figures above.

11.7 Total annual turnover (i.e. employees leaving the council for all reasons) was 10.74% (12.14 %) which continues to be in line with public sector turnover rates.

11.8 The average length of service was 9 years and 2 months (9 years and 2 months).

11.9 Succession and workforce planning are managed through the council's annual service planning cycle, led by Corporate Heads of Service in conjunction with the Executive Leadership Board (ELB), ensuring that workforce requirements remain aligned with organisational priorities.

11.10 This structured approach is supported by proactive people management strategies and the promotion of a positive, inclusive working environment. Together, these encompass a focus on learning and development, health and wellbeing, open communication, and the provision of discretionary employee benefits, all of which play a key role alongside salary in supporting the council's ability to recruit and retain staff.

Learning and Development

11.11 Learning and development (L&D) is actively encouraged and supported. An established induction process for new recruits, including a Welcome event with ELB and suite of mandatory training modules on the council's online learning management system (Aspire) and cyber learning management system (MetaCompliance) (see Appendix 2), ensures new recruits are properly integrated into their jobs, their service, their team and the council.

11.12 Continuing professional development, including 'upskilling' apprenticeships for existing staff, ensures staff have the right skills to do their jobs, provides for future service needs and provides and enables progression within the organisation. HR manages and coordinates organisational and service training priorities through a structured annual Learning and Development (L&D) planning process. In light of Local Government Reorganisation (LGR), HR has, during the current year, undertaken a comprehensive, organisation-wide Training Needs Analysis (TNA) covering a two-year planning horizon. This analysis has been used to identify both ongoing essential professional and technical training, as well as targeted upskilling initiatives to support readiness for transition to a unitary authority.

11.13 The key priorities of the corporate learning and development programme up until the end of March 2028 are:

(i) Leadership and management development
(ii) Digital upskilling
(iii) Change readiness
(iv) Health and Safety

11.14 The programmes for each priority are being developed, and delivery will take place from June 2026 to March 2028.

11.15 The council supports both Apprenticeships and the National Graduate Development Programme, known as ‘Impact’, which is delivered by the Local Government Association (LGA). These programmes provide structured, entry-level pathways into local government, combining ‘on-the-job’ learning with the opportunity to gain recognised qualifications. The council actively recognises and values the benefits these schemes bring in developing future talent and strengthening workforce capability.

11.16 7 (5) x full-time apprenticeships and 3 (2) upskilling apprenticeships are currently in place across different services. 2 x apprentices (1 x full-time and 1 x upskilling) successfully completed their apprenticeship during 2025/26. Of the current full-time apprentices, 3 x current are expected to complete their apprenticeship in the summer/autumn of 2026.

Employee Engagement

11.17 Volunteer leave (i.e. up to three days paid leave (pro-rata for part-time) encourages employees, individually or as part of a work-based team, to be involved in voluntary activities. The benefits of volunteering for individuals and organisations are widely reported (e.g. connection with others, developing new skills, increased productivity etc.), can provide learning & development opportunities and serve to reinforce employee engagement and wellbeing.

11.18 Open communication (i.e. reciprocal sharing and receiving feedback, providing ideas and suggestions, raising concerns) and active participation of employees in the work process are actively promoted and facilitated through an annual Employee survey, quarterly (or as required) ELB led ‘’All Staff Briefings’ with open opportunity for questions, team meetings held at an operational level, and regular meetings between HR and Unison to support organisational development and effectively manage organisational change.

11.19 A key element of the council’s LGR Transition Plan to being unitary ready is a strengthening of employee wellbeing initiatives, with a particular focus on supporting employees to navigate and manage change. A programme of LGR-focused all-staff briefings, led by the Chief Executive, has been delivered as required to ensure timely, open, and consistent communication at key updates and milestones. These are recorded and available on the Intranet to all staff. To support employees further, a dedicated LGR intranet site has been established, providing readily accessible information, regular updates, and a dynamic Frequently Asked Questions (FAQ) section to address common queries and emerging issues. Furthermore, additional training events are being developed to support staff through transition.

11.20 The Staff Forum is a representative group of employees from across the council who meet bi-monthly with senior management to share feedback from

their services on employee matters. The forum also provides an opportunity for senior management to provide key updates on workforce matters including LGR. The Forum was refreshed during the year, now chaired by Service Lead for HR, with the Director of Finance attending on behalf of ELB. The Staff Forum is anticipated to play an increasing role as a mechanism for gathering insight and supporting the effective dissemination of key messages as LGR progresses.

11.21 The annual Employee survey provides employees with the opportunity to share how they feel about various aspects of their working lives at the council. Participation rates are consistently high by industry standards and have typically shown a high level of engagement, with a 68% (66%) response rate to the 2025 survey undertaken in June/July. The 2025 survey scored positively across all of the survey's themes of employee engagement, working environment, working relationships and corporate/service priorities, with 84% (84%) strongly agreeing/agreeing with the statement *'I enjoy working at the council'*, 74% (71%) *'I would recommend the council as a great place to work to my family and friends'*, 78% (75%) *'I am proud to work for the council*', 93% (95%) *'The colleagues in my team are supportive and friendly'* and 86% (69%) *'I understand the top priorities for Winchester City Council'*.

11.22 This year's employee survey will run for four weeks, 24 June to 24 July. In addition to the standard 'core' questions, five additional LGR specific questions have been added to get a 'sense' of how staff are 'feeling' about the forthcoming organisational changes.

11.23 A programme of LGR 'pulse' surveys are currently being developed by the Hampshire wide Communications Lead group. These will support ongoing monitoring of the 'mood' of the workforce and will inform decision making in relation to the effectiveness of LGR communications, engagement and employee support initiatives.

11.24 Facilitated by HR, the council has supported the establishment of Staff Identity Networks Groups (SINGs), created by staff, for staff. These currently include the Christian Network; Women's Network (Women's Health and Women in Leadership); Carers' Network and Disability Network. Additional networks will be supported where there is staff interest.

11.25 SINGs provide a safe and inclusive space for employees, with shared aspects of identity or lived experience, to connect, inspire and support one another and contribute to positive change across the council. Each SING has its own purpose and operates on a voluntary and self-managing basis, setting its own agenda, meetings and activities.

11.26 The reported benefits of SINGs for an organisation include strengthening employee engagement, enhancing two-way communication, supporting inclusion, and informing organisational decision-making, whilst also contributing positively to culture and the effective delivery of change programmes.

11.27 A refreshed Management Forum was launched in February, this provides a supportive space for council managers who are responsible for others' performance and wellbeing to come together, explore topics and access training directly relevant to their role.

Employee Benefits

11.28 An organisation's benefits strategy has the potential to drive the employee experience, enhance the total reward package on offer to employees and be a market differentiator, impacting on an organisation's ability to recruit and retain. The employee benefits offered at the council, in addition to salary, are listed below (N.B. the actual amount of annual leave depends on grade and previous local government service and is set out in the contract of employment):

- Employer paid health care cash plan scheme.
- Cycle to Work and Green Car Benefit salary sacrifice schemes.
- Up to 33 days annual leave per year for the majority of our workforce (more than the Local Government Green Book minimum).
- Flexible working arrangements.
- Hybrid Working Policy allowing most employees to work from home for up to 50% of their working hours.
- Up to 13 days additional flexi leave per year (subject to operational requirements) where the employee has accrued enough hours.
- 3 days (pro-rata for part-time employees) paid leave to carry out volunteering.
- Option to voluntarily buy up to five days additional annual leave.
- Free park and ride scheme for all employees.
- Membership of the Local Government Pension Scheme.
- Confidential Employee Advice and Support Programme.
- Employee retail and shopping discounts.
- Season Ticket loans.
- Excellent central location.
- Support for continuous professional development.

Sickness absence

11.29 Sickness absence continues to be monitored. Reports on sickness absence and completion of return-to-work interviews are reviewed by Corporate Head of Service on a quarterly basis.

11.30 The average number of days of sickness of 4.73 days per employee in 2025/26 was a decrease from 6.71 days reported in 2024/25.

11.31 The current rates are below the average sickness rate for the public sector of 6.2 days per employee in 2025 as reported by the ONS.

11.32 The split of short term and long absence remains largely consistent, year on year, with a marginal increase in long term absence – 46% (48%) short term and 54% (52%) long term. However, month on month throughout the reporting year, it had fluctuated from as much as a 58% short term / 42% long term in September and 40% short term / 60% long term in November.

11.33 Historically 'Mental health – Personal' is regularly the most common reason for sickness absence, and this continues again in 2025/26, accounting for 21.77% of all sickness absence. This is a year-on-year percentage decrease from 23.22% in 2024/25.

This is indicative of a downward trend across all mental health related absences. Historically, when all mental health related absences are combined (personal, work and reason not stated) they account for approximately a third of all sickness absences, 25/26 has seen a reduction to 26.92% down from 34.47% in 24/25.

11.34 There has been little movement in the most common reasons for sickness in 2025/26 compared with the previous year; and the sickness absence reasons 'infections including cold & flu 'and 'neurological including headaches & migraine', together with 'mental health personal', reappear in the top 5 most common sickness absence reasons.

11.35 The biggest fall in sickness absences was for 'mental health – work related', moving down from the third most common reason in 2024/25 to the 7th most common reason in 2025/26. Conversely, sickness absence due to 'surgery related' has seen the biggest rise in 2025/26, climbing from 8th to 3rd place. However, there were actually less instances of absence for this reason compared to last year – on average, absences simply lasted longer, and, figures were inflated by several long-term absences.

11.36 It is widely reported that organisations who take a positive, proactive approach to mental health and wellbeing can benefit from improved employee retention, reduction in absence and more engaged and motivated employees. Positive results from the 2025 Employee Survey indicate high employee awareness of and value in the support offered by the council with 77% (74%) strongly agreeing/agreeing *'The council takes the health and wellbeing of its employees seriously'* and 86% (85%) strongly agreeing/agreeing *'My manager cares about me as a person.*' Building on this, additional mental health awareness events and sessions were delivered for Mental Health Week, further enhancing staff's ability to feel heard and supported in this area.

11.37 The council has proactively put in place a number of mental health initiatives, implemented by HR, to create safe and inclusive wellbeing space within the workplace and support those employees who may be experiencing poor mental health. These initiatives are available to all employees and include; wellbeing and mental health resources on the council's intranet; mental health first aiders; Wellness Action Plans; an externally provided counselling service

free of charge at the point of access; and, an Employee Assistance Programme and online wellbeing resources via the corporate health plan.

11.38 The council has a number of trained mental health first aiders across the organisation who provide; early intervention, support and effective listening for employees experiencing mental health challenges; and, signposting to accessing appropriate services and resources. Wellness Action Plans (WAP) can enable employees to actively support their own mental health, facilitate dialogue with their manager and inform appropriate intervention, helping employees to remain in work and work 'well'. Specialist trauma informed counselling is also available to teams and individuals in the event of traumatic incidents.

11.39 HR continues to support managers to manage sickness absence within their teams, including referral to an external occupational health provider as required. Managers can access online wellbeing resources and training to help them support employees across day-to-day work, life and wellbeing events.

11.40 The health and wellbeing of staff remains a high priority as the council prepares to transition to the new unitary authority through LGR. In addition to the wellbeing support already in place, HR will review this regularly and ensure information and guidance is easily accessible to all employees on the council's intranet. To strengthen this support, team and leadership development sessions have been delivered in short, bite-sized formats on topics such as handling difficult conversations, building resilience and psychological safety.

Equality

11.41 The gender profile for all of the public sector remains in favour of women at 65% female and 35% male as at quarter 4 (October – December) of 2023/24 (ONS EMP13: Employment by Industry). The council's gender profile aligns closely to this with 60% female and 40% male as at March 2026, with minimal fluctuation from last year's circa 61/39 split.

11.42 The council reported a 6.4% (6.6%) mean gender pay gap as at the snapshot date of 31 March 2025. The gender pay gap is the difference between the average earnings of men and women across an organisation.

11.43 Employees are encouraged to update their ethnicity and disability status, which is disclosed on a voluntary basis, to facilitate equality monitoring and reporting. Ethnicity data for the 34% (37%) of employees who have disclosed their ethnicity as at 31 March 2026 is included in Appendix 1.

11.44 It is not possible in this report to publish meaningful analysis from the disability data available as it could possibly result in the identification ofindividual employees.

11.45 It is proposed during 26/27 to encourage staff to update their details on the councils HR system to improve our workforce data ready for LGR.

HR Update

11.46 HR, and the Council as a whole, has over the past year found itself in the unprecedented position of having to balance ongoing “business as usual” activities with the additional demands associated with preparing the organisation for transition to a unitary authority through LGR. The impact of this challenge, which will continue for another 24 months (and beyond), is reflected throughout the commentary in this report in the relevant section.

11.47 As mentioned in 11.14, a primary focus for learning & development (L&D) over the last year has been on HR led training needs analysis exercise carried out across the council to identify L&D needs and funding priorities for the next 2 years.

11.48 Alongside this, HR has organised and managed delivery of the following online (via the Aspire learning management system) and face-to-face (external and internal) learning and development training:

- Adult mental health first aid
- Safeguarding level 2
- Handling disclosure about domestic abuse level 2
- Project management methodology
- Fire marshal
- First Aid at work

11.49 HR has continued to work with the Strategic Project Lead for Domestic Abuse on the ‘Domestic Abuse Housing Association (DAHA)’ Accreditation and on Level 2 Domestic Abuse Awareness. The council achieved DAHA Gold Accreditation (the highest level) in July 2025, recognising compliance with national standards for responding to domestic abuse and reflecting significant organisational improvements.

11.50 Circa 30 x Scale 5 and Scale 4 managers, team leaders and supervisors from across the council attended a series of management and leadership training events throughout June 2025. Delivered by Dr Ruth Adams of South East Employers, the programme was commissioned by ELB to provide ‘stretch’ to support line managers with insights and challenge to support them to progress.

11.51 Revision of the corporate L&D Policy, which shifts the focus away from traditional classroom style training to capitalising on the wealth of available and accessible self-directed learning resources to facilitate a sustainable and flexible L&D solution.

11.52 HR has worked with IT Services to successfully implement a new cyber learning platform, with IT/cyber related mandatory training now split out from Aspire and hosted on the separate learning management system, Metacompliance (see Appendix 2). MetaCompliance is a cloud-based human risk management and security awareness platform that helps the Council reduce cyber risk by improving staff behaviour and compliance. It delivers and tracks cyber security training, policy acknowledgement, and phishing simulations, supporting structured awareness campaigns. The platform also provides reporting and analytics to demonstrate compliance and track risk trends.

11.53 Central to the Government's ambition to 'make work pay', the Employment Rights Act 2025 (ERA) passed into law at the end of 2025. Widely regarded as one of the most significant changes to UK employment law in a generation, it will deliver over 25-30 substantial reforms, implemented in planned phases between 2025 and 2027. These reforms seek to improve job security and fairness and enforce employee rights. It will also reinstate and strengthen a range of trade unions rights previously restricted under the Trade Union Act 2016.

11.54 Local authority employment terms and conditions already exceed the provisions of the ERA in many cases. However, HR will continue to review and update policies and practises as required, with particular focus on ERA implications for dismissal processes, contractual arrangements, workforce flexibility, and employee relations.

11.55 Ahead of this, relevant policies were updated to reflect the introduction of Neonatal Care Leave from April 2025, a statutory entitlement enabling eligible parents to take additional time off work where their newborn requires extended hospital care in the early days following birth.

11.56 'People and Culture' will be a critical LGR workstream as we prepare for change and transition to any new Unitary Authority. This workstream will play a central role in ensuring that the workforce is supported, engaged, and equipped to navigate the significant organisational and cultural changes ahead. It will focus on key areas such as workforce planning, staff engagement and leadership development. Ensuring continuity of service delivery, retaining talent, and maintaining staff morale during a period of uncertainty will be essential to a successful transition. The Ministry of Housing, Communities & Local Government (MHCLG) has provided clear guidance of the key areas that need to be addressed as part of transition, and this includes ensuring staff have up to date job descriptions and open and regular dialogue with the trade unions. The Service Lead for HR meets with UNISON on a monthly basis; it is expected that these meetings will be more frequent over the next 18 months.

11.57 Dedicated change management capability within the HR team has evolved to support the organisation in preparing for the move to a unitary. As part of this work, organisational change readiness and team readiness towards the

upcoming transition have been evaluated through a detailed change readiness analysis, engaging staff across leadership and service teams. This has informed the development of change priority interventions that equip leaders to strengthen engagement, communication, trust, and resilience through transition.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 This report is for information only. No decisions are required therefore consideration of other options was not required.

12.2

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG63 Workforce Report 2020/21 11 November 2021

AG079 Workforce Report 2021/22 29 June 2022

AG085 Update on Employee Attitude Survey and Related Matters 10 November 2022

AG102 Workforce Report 2022/23 20 July 2023

AG114 Update on Employee Attitude Survey 2023 28 September 2023

AG126 Workforce Report 2023/24 18 July 2024

AG138 Update on Employee Attitude Survey 2024 26 September 2024

AG163 Workforce Report 2024/24 17 July 2025

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Workforce Report 2025/26 Data

Appendix 2 – Core mandatory training courses for all employees

Appendix 1

Workforce Report 2025/26 Data (as at 31 March 2026, unless otherwise stated)

Tables, charts and graphs in Appendix 1 have been extracted from the council's Access HR system and separate monitoring records.

Establishment

Table 1 – Staff numbers by headcount and Full-time Equivalent (FTE)

	Headcount	% increase	FTE	% increase
March 2025	460	+2.61%	414.77	+3.12%
March 2026	472		427.69	

Table 2 – Headcount of staff by grade

Pay Grade	Headcount
Apprentice Scale 3	6
Apprentice Scale 4	0
Scale 3	80
Scale 4	138
Scale 5	95
Scale 6	80
Scale 7	26
Scale 8	25
Scale 9	8
Scale 10	7
Scale 11	2
Scale 12	3
Chief Executive	1
Total	472

Table 3 – Contract Type

Full time (37 hours)	76%
Part-time	24%
Permanent contract	89%
Fixed-term contract	11%

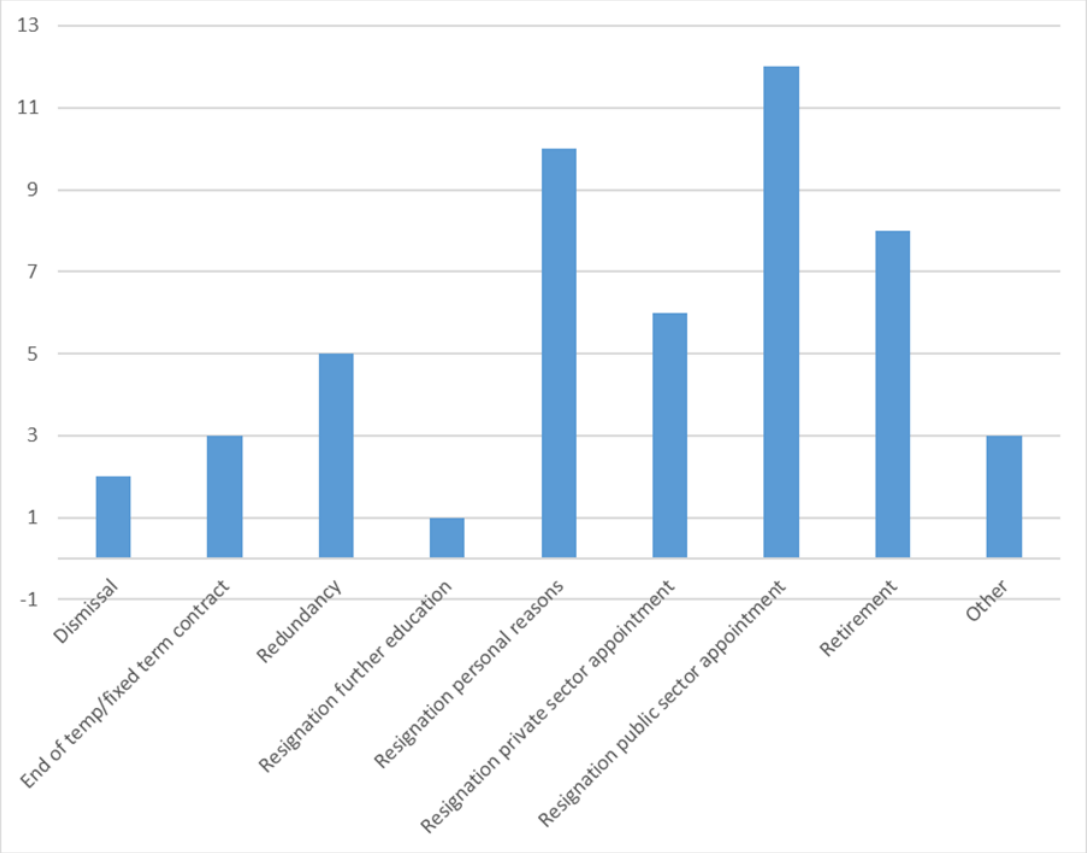
Sickness

Table 4 - Top 5 sickness absence reasons (averaged over April 25 – March 26)

Sickness Reason	Percentage of total annual sickness	Previous Year's ranking (out of 20)	Direction of travel
Mental Health – personal	21.77%	1	=
Infections incl cold and flu	19.19%	2	=
Surgery related	8.52%	8	↑
Stomach, liver, kidney & digestion	7.22%	6	↑
Neurological inc headaches & migraine	5.35%	4	↓

Recruitment and Turnover

Table 5 – Reasons for leaving the council



Equality

Table 6 – Age profile of the workforce (averaged over the 12 months)

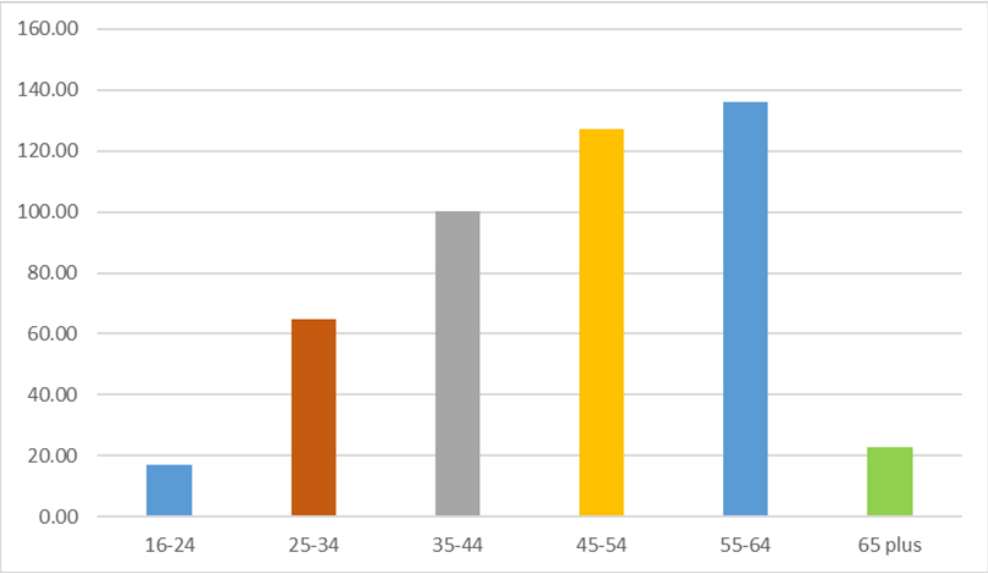
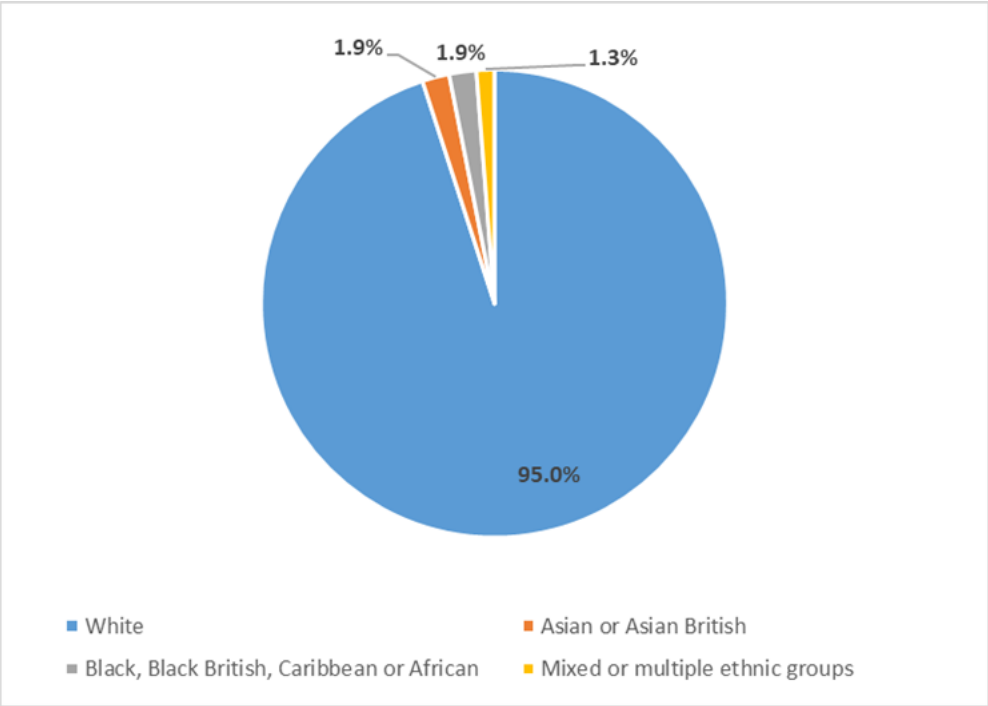


Table 7 – Ethnicity profile of the workforce



Appendix 2

Core mandatory training courses for all employees

Aspire Learning Management System:

- Display Screen Equipment (DSE)
- Data Protection: Compliance Following GDPR
- Essential Safeguarding for Children, Young People and Vulnerable Adults
- Prevent Duty Awareness Training for the Public Sector
- The Importance of Equality, Diversity and Inclusion
- Understanding Domestic Abuse
- Working Safely - An Introduction to Workplace Health and Safety for Employees

MetaCompliance

- Cyber Security Awareness
- Information Security
- IMT Policy

New starters must also attend the Corporate Welcome Event and Carbon Literacy training.

AG187
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: INTERNAL AUDIT ANNUAL CONCLUSION 2025-26

16 JULY 2026

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 UK Public Sector and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of Council's framework of risk management, internal control and governance which can be used to inform the production of the Annual Governance Statement.

The Internal Audit Annual Conclusion 2025-26 provides the Chief Internal Auditor's opinion on the effectiveness of the framework of governance, risk management and control and summarises audit work from which that opinion is derived.

RECOMMENDATIONS:

1. The Audit & Governance Committee are invited to consider and note the Internal Audit Annual Conclusion for 2025-26 attached as Appendix 1.

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 internal audit plan for 2025-26 comprised 295 audit days and was delivered within the agreed budget.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 The Accounts and Audit Regulations 2015 require local authorities to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

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 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		

10.1 The Southern Internal Audit Partnership follow a risk-based audit approach in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion was undertaken using this approach.

11 SUPPORTING INFORMATION:

11.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- Ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and

- Undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

11.2 In accordance with the Global Internal Audit Standards in the UK Public sector and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of Council's framework of risk management, internal control and governance which can be used to inform the production of the Annual Governance Statement.

11.3 The Internal Audit Annual Conclusion for 2025-26 (attached as Appendix 1) provides the Chief Internal Auditor's opinion and summarises the audit work from which that opinion is derived.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 No alternative options have been considered as this report is a requirement under relevant legislation and standards.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG164 Internal Audit Annual Conclusion 2024-25

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

AG181 External Quality Assessment – Final Report

Other Background Documents:-

None.

APPENDICES:

AG187 Internal Audit Annual Conclusion 2025-26 (Appendix 1)

Southern Internal Audit Partnership

Assurance through excellence and innovation

WINCHESTER CITY COUNCIL

Annual Internal Audit Conclusion 2025-2026

Prepared by: Antony Harvey, Deputy Head of Partnership

June 2026

1. Internal Audit Standards

The Global Internal Audit Standards, issued by the Institute of Internal Auditors and effective in the UK Public Sector from April 2025, guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. While the Global Internal Audit Standards apply to all internal audit functions, it is acknowledged that internal auditors in the public sector work in a political environment under governance, organisational and funding structures that differ from those of the private sector.

Consequently, internal audit practitioners working in, or for, the UK public sector are required to apply the Global Internal Audit Standards subject to the interpretations and requirements of the Application Note: Global Internal Audit Standards in the UK public sector, issued by Relevant Internal Audit Standard Setters.

In addition, relevant public sector bodies are also required to apply the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for the Governance of Internal Audit in UK Local Government which provides a conduit for meeting the essential conditions for governance set out in the Global Internal Audit Standards, tailored for UK local government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector.

2. 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 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 organisations' objectives.

3. Internal Audit Approach

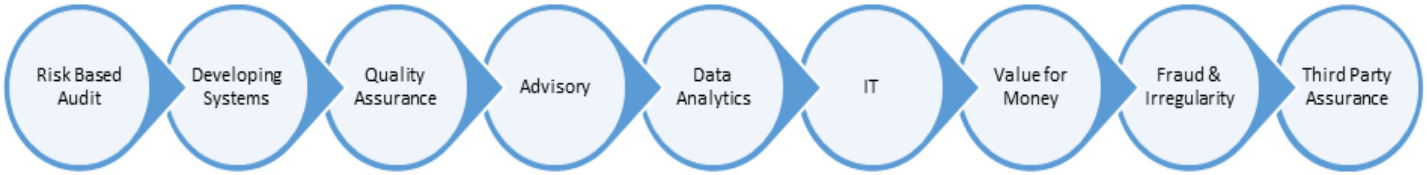
To enable effective outcomes, internal audit provides a combination of assurance and advisory activities. Assurance work involves objective assessment of how well systems and processes are designed and working, with advisory activities available to help to improve those systems and processes where necessary whilst not assuming any management responsibilities.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

A full range of internal audit services is available in forming the annual audit conclusion:



The Southern Internal Audit Partnership maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our partners, with the necessity to provide comprehensive, compliant and value adding assurance.

We have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork, however, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

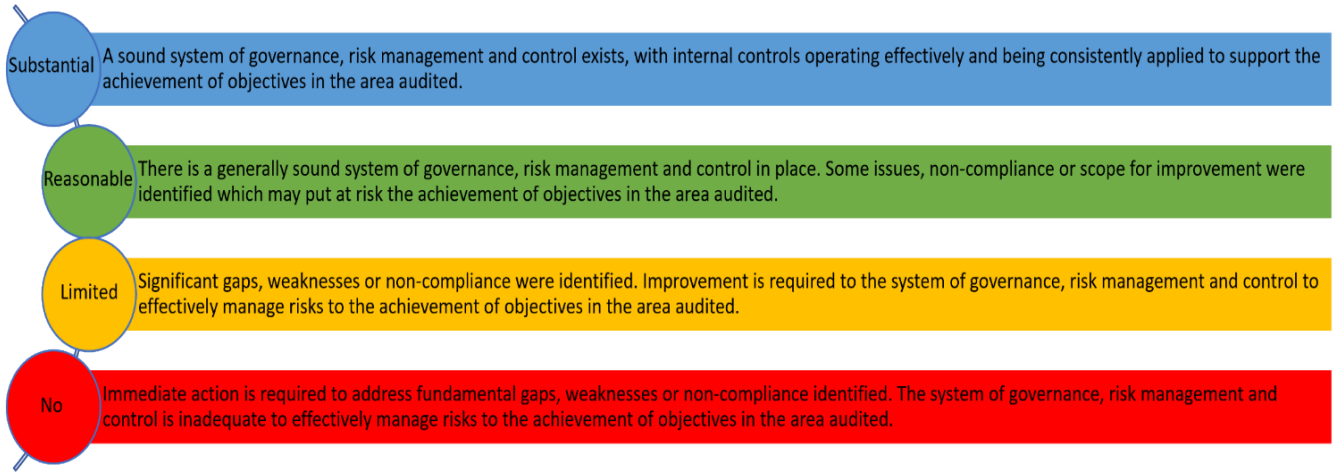
4. Internal Audit Coverage

The annual internal audit plan is prepared taking account of the characteristics and relative risks and objectives of the Council and to support the preparation of the Annual Governance Statement. Work has been planned and performed to establish if sufficient evidence is available to provide reasonable assurance that the framework of governance, risk management and internal control is operating effectively.

The 2025-26 internal audit plan was considered by the Audit & Governance Committee in July 2025. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to organisational objectives / priorities and the key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate.

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



5. Resources

The Southern Internal Audit Partnership has a strategy in place to optimise internal audit resource. Ongoing sufficiency of resources (financial, human and technological) are transparently communicated by the chief internal auditor to senior management and the Audit & Governance Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit plan and internal audit mandate at risk are reported accordingly through the aforementioned reports.

There have been no resource implications that have adversely affected the fulfilment of the internal audit mandate or delivery of the Council's internal audit plan impacting my ability to provide a conclusion on the organisation's framework of governance, risk, and internal control.

6. 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 by the Southern Internal Audit Partnership related to the scope, performance, or communication of internal audit work during the year in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

7. Impairments

There have been no impairments to internal audit activity during the year. As chief internal auditor I have ensured that the internal audit function has remained free from all conditions that threaten the ability of internal auditors to carry out their 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 and 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.

8. Limitations of Scope

There have been no limitations to the scope of internal audit work during the course of the year.

9. Internal Audit Conclusion

As chief internal auditor, I am responsible for the delivery of an audit conclusion that can be used by the Council to inform their Annual Governance Statement. The annual audit conclusion culminates in an overall opinion on the adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & advisory).
- results of any follow up exercises undertaken in respect of previous years' internal audit work.
- the results of work of other review bodies where appropriate.
- the extent of resources available to deliver the internal audit work.
- the quality and performance of the internal audit service and the extent of compliance with the Standards
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by the Audit & Governance Committee and senior management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk, and control over the 2025-26 financial year.

Annual Internal Audit Conclusion 2025-26

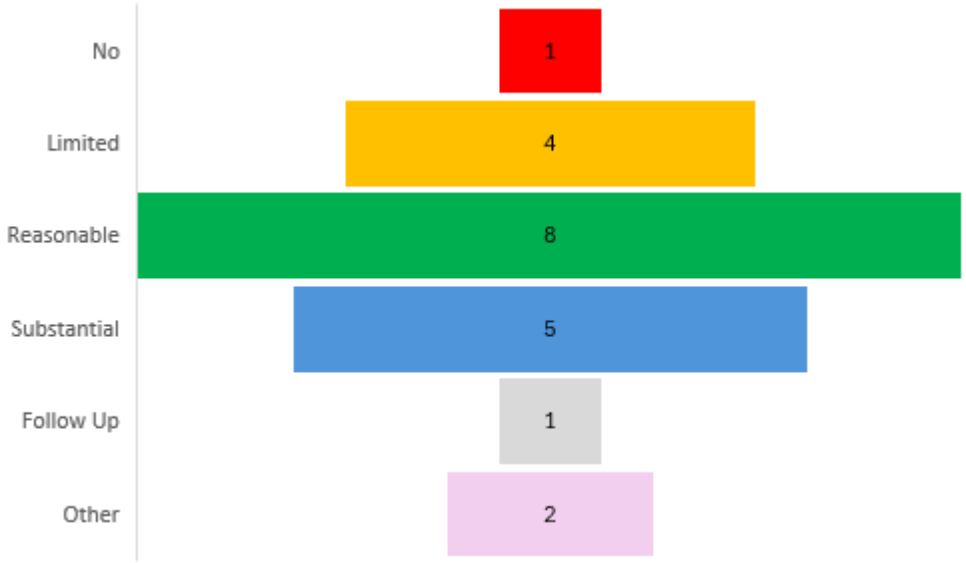
I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are '**reasonable'**, and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

10. Governance, Risk Management & Control – Overview, Key Observations & Themes

Assurance opinions for 2025-26

Significant findings from our reviews have been reported to senior management and the Audit & Governance Committee throughout the year and a summary of the assurance opinions is outlined below.



* Other relates to certifying the Bus Services Operator Grant and the Mayor's Charity Account

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities, and reporting arrangements.
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

In addition, during 2025-26 we undertook reviews of Strategic Planning and Performance Monitoring and Financial Stability – Budget Monitoring and Forecasting, which both concluded in a substantial assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit & Governance Committee to provide the opportunity for independent consideration and challenge including review of the Annual Governance Statement.

Risk management

Whilst risk management has not been formally assessed as a specific audit during 2025-26, risk management is considered, where applicable, within individual audits. For example, the audit of Strategic Planning and Performance Management included an assessment of the links between service plans and the operational risk registers. The audit confirmed that the risks assessed and corresponding mitigations linked closely to the service plans together with the individual risk RAG rating. Similarly, the audit of Financial Stability – Budget Monitoring and Forecasting confirmed that the Corporate Risk Register identified and rated significant risks to the Medium-Term Financial Strategy with testing confirming that the corresponding mitigations are in place and operating effectively.

In accordance with the Constitution, the Audit & Governance Committee play a key role with the overview of *'the Council's risk management arrangements and provide independent assurance of the adequacy of the risk management framework'.* This has been supported through the Committee's annual review of the Risk Management Policy and regular reporting of the Strategic Risk Register, providing the opportunity for on-going Member consideration and challenge.

The risk register is a key document that is considered during the development of our risk based internal audit plan. Additionally, information from the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately aligned.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2025-26 plan that were working effectively to support the delivery of corporate objectives. We generally found officers and staff to be aware of the importance of effective control frameworks, and open to our suggestion for improvements or enhancements where needed. The key areas of challenge identified through our work are outlined below:

Housing Asset Management – Repairs and Maintenance – No assurance Opinion

The purpose of the audit was to assess concerns regarding a lack of compliance with financial controls for maintenance and reactive work including raising jobs, inspection of work prior to payment, and inflation of work. This audit report followed the Regulator of Social Housing (RSH) Regulatory Judgement report (April 2025) and three SIAP Counter Fraud Unit (CFU) investigations commissioned by the Council, with the outcomes confirmed within the 2024-25 Internal Audit Annual Conclusion Report. The Repairs and Maintenance audit, which concluded in 2025-26 identified that:

- Process notes, detailing all of the key elements required in the housing repairs and maintenance process were not in place, which impacted upon the consistency and effectiveness of the associated processes.
- Jobs raised on the Orchard system that required authorisation (those with an original value of £5,000 and greater) were authorised appropriately in line with delegated authority limits, however, when works were identified, in many cases a notional value (£100 or less) was assigned to job orders.
- In many instances, the actual cost of the completed works varied significantly from the notional value however no evidence detailing the reason(s) for the variation was recorded in Orchard.
- We were advised that quotes were obtained for larger value jobs however were unable to obtain evidence of any quotes for the jobs we selected for testing as they were not held on the system or on SharePoint.
- Once works had been completed, the job is required to be signed off (via a desktop check or inspection) and recorded in Orchard in order to confirm that payment could be made for all works costing over £250 (works costing less than £250 are automatically approved for payment on the system due to the high volume of jobs). However, although there is an ‘Inspection’ tab on Orchard,

this was blank for all of the jobs selected in our sample, so there was no evidence recorded of what the Desktop Check entailed or evidence supporting the outcome of the Post Inspection.

- Batch invoices are submitted by Cardo which contain a large volume of jobs (one invoice had in excess of 1000 jobs). Analysis of all Cardo invoices from May 2024 to August 2025 confirmed the majority of the (smaller) jobs contained a breakdown of works completed and hours, however a number of the larger value jobs do not contain sufficient details, merely a total amount and designation of 662 (Unscheduled Works).
- Data analysis of all jobs invoiced by Cardo from May 2024 to August 2025 confirmed a total of 10,887 jobs across 3,819 individual properties (or groups of properties). Out of these, 88 properties had 10 or more jobs invoiced in respect of them during this period (some due to void works being carried out). A review of the 25 individual properties with highest number of invoices during this period did not establish any specific patterns or issues, although there were potential indications of unresolved maintenance issues or duplicate jobs which required further investigation.
- Testing of records for a sample of jobs carried out by other contractors identified similar issues around the lack of evidence or explanation to support the variations between the original value of jobs and the actual cost of completed works. Also, a similar lack of detail on invoices to enable an assessment of whether the cost charged for the works is accurate and appropriate and that value for money is obtained.
- To address the issues identified, a Repairs and Maintenance Action Plan has been developed with oversight from the Council's PAC Board.

Human Resources – Use of Agency Staff and Consultants - Limited Assurance Opinion

The audit identified that there was no framework/policy or guidance in place for use of agency/consultants to ensure roles and responsibilities are clearly defined, consistently applied and aligned with statutory and Council requirements, resulting in notable inconsistencies in the processes followed across departments when engaging agency staff and consultants.

- Guidance outlining the IR35 legislation rules for managers was out of date and did not reflect the latest legislative updates. There are inconsistent practices regarding IR35 assessments. For example, some managers confirmed the HMRC CEST (Check Employment Status for Tax) tool is utilised to determine IR35 status however this could not be substantiated as the resulting determinations were not retained. Other managers indicated that they rely on the agency to confirm IR35 status or that it is not required, reflecting a lack of understanding on statutory requirements.

- Under the Agency Workers Regulations 2010, agency workers must receive Day 1 rights (access to collective facilities and job vacancy information) and, after 12 weeks, equal treatment in pay, working hours, annual leave, and other basic conditions; while HR confirmed that line managers are responsible for ensuring compliance and agencies are monitoring and contacting managers, individual managers are not actively tracking these rights internally.
- All staff including agency and consultants should be enrolled onto the HR system 'ASPIRE' to receive and complete mandatory training however sample testing confirmed only two out of six agency/contractors were enrolled on ASPIRE and had completed all mandatory training.
- There is a lack of specific documented guidance regarding Procurement's involvement when sourcing agency staff and consultants and no corporate monitoring of procurement thresholds with individual agency engagements resulting in a potential risk of non-compliance with the Council's Contract Procedure Rules.
- In the absence of a formal framework for engaging agency staff or consultants - contracts or service agreements, detailing scope, payment terms, and duration, should be obtained and retained to ensure compliance with procurement requirements however we were unable to obtain copies of contracts or service agreements for the testing sample. There is no formal process or central oversight in place to monitor contract end dates, with individual managers relying on agency notifications.
- Discussions with HR and service leads confirmed that agency staff performance is managed informally through direct conversations, with no formal evidence retained, making it difficult to demonstrate consistent and accountable performance management practices.
- Appropriate actions have been agreed to address the issues identified although we have received confirmation that several of these actions have passed their agreed implementation date.

Clean Street Enforcement – Fly Tipping – Limited Assurance Opinion

Fly-tipping enforcement is focused on prosecutions to deter future incidents, however this focus was not formally set out in a strategy for the service. Although procedures were produced in 2020, setting out the process and requirements of investigative and operational work, these had not been reviewed and updated.

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 was no single record showing the current status of all investigations, making effective performance monitoring and management oversight more challenging. There was reliance on one officer

to manage the clearance and investigation of incidents, and there were 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.

Actions to address the issues identified were agreed and we have received confirmation from Council officers that all have been promptly implemented.

ICT – Thrive Actions Implementation – Limited Assurance Opinion

As reported within the 2024-25 Internal Audit Annual Conclusion Report, the Council selected Thrive *'to assess their current security programme and determine the state of organisational security posture'.* The report reviewed areas of risk across 18 implementation groups and 74 additional safeguards in alignment with the CIS Critical Security Controls (CIS Controls) framework IG Group 2. The report highlighted nine implementation groups where controls and safeguards met best practices; and both tactical and strategic recommendations to address gaps and identify improvement opportunities in a further nine areas.

Following the Thrive review, all recommendations and improvement opportunities were reviewed by IT and were used to populate the "Thrive Remediation Action Plan". The 2025-26 audit sought to assess how the actions were prioritised and the progress with implementing additional controls and safeguards to address the gaps and improvement opportunities. Testing of progress and decisions against individual issues focused on the red "Risk Identified" category from the Thrive report.

At the time of review, 14/30 Risk Identified (red) items from the report had been marked as complete and we were able to substantiate completion or the control already being in place for 13 of these, however evidence was not provided for one item and we noted that some items had been completed up to 11 months after the Thrive reports were issued and six items remained incomplete at the time of audit, which, in our opinion is inadequate for cyber security risks mitigations. Dismissed Risk Identified items were not reported to the senior management team and evidence to support the reason for the dismissal of three items was not provided.

Actions to address the issues identified were agreed and we have received confirmation from Council officers that all have been promptly implemented.

Building Control – QMS Framework – Limited Assurance Opinion

The Building Safety Regulator (BSR) have a set of Operational Standards Rules (OSR) which includes a requirement to have a Quality Management System (QMS) in place to ensure service standards are maintained. The purpose of this audit was to assess how well the Building Control function were aligned to the QMS framework.

Following the adoption of the QMS system provided by the Local Authority Building Control (LABC), WCC are required to submit an annual return which demonstrates their compliance to the QMS system framework and allows them to retain their accreditation status. A return was not submitted for 2024 and at the time of the audit, had not been submitted for 2025.

As the annual management review, including reporting against KPIs, was missed in 2024, Building Control had not self-verified the continuing suitability and effectiveness of the QMS or identified opportunities for continuous improvement. Additionally, learnings from the management review in 2023 had not been used to improve processes.

The LABC QMS Quality Manual, states the Building Control Management Team should analyse and evaluate performance data and information arising from monitoring and measurement. This should be an ongoing process with formal review within the Management Review meetings. The audit confirmed that there were no documented ongoing controls in place to meet this requirement. LABC QMS Procedures requires that the Building Control Team understands the importance of customer perception and feedback in helping to shape and continually improve the service provision. There was no mechanism in place for gathering customer feedback.

There were no reconciliations being carried out between the building control income received into the Council's financial management system and income that has been logged as received in Uniform.

Appropriate actions have been agreed to address the issues identified and we have received confirmation from Council officers that the majority have been implemented although two actions have passed their agreed implementation date.

Other Sources of Assurance

During the year internal audit have remained cognisant of other sources of assurance from which the Council benefit. Due to legal and regularity nature of some public sector assurance providers internal audit do not have engagement with or insight into the scope and timing of their work.

Where appropriate internal audit does coordinate with and place reliance on the outcomes of other assurance providers to minimise duplication and highlight potential gaps in assurance needs.

Additionally, as chief internal auditor I liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work.

During the year there have been no external sources of assurance that have been relied upon when forming my conclusion for 2025-26.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is periodically reported during the year to the Audit & Governance Committee through our quarterly internal audit progress reports.

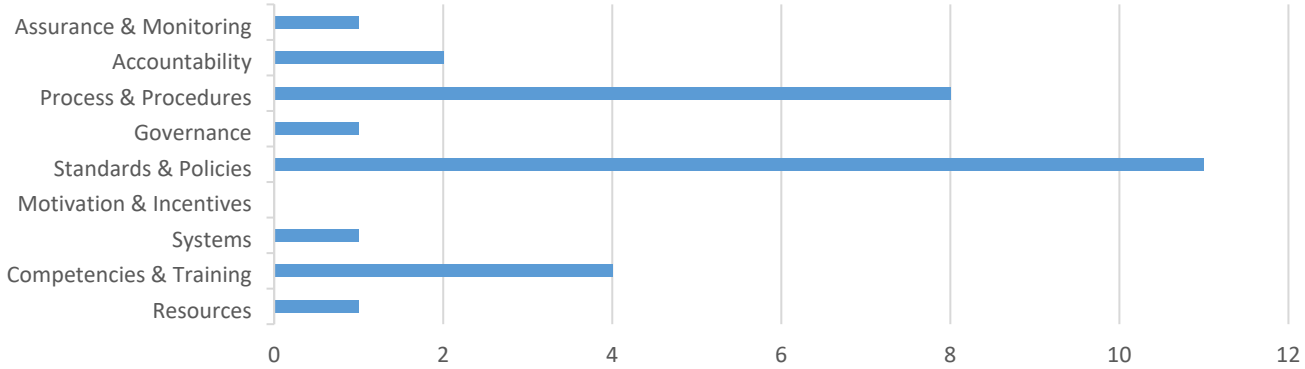
Acceptance of Risk

From the work carried out by the Southern Internal Audit Partnership during the year, I am not aware of any instances where management have accepted a level of risk that we feel exceeds the organisations risk appetite or risk tolerance.

11. Themes

The findings and conclusions of multiple engagements, when viewed holistically, can reveal patterns or trends, such as root causes.

Analysis of root cause through assurance work undertaken across the organisation's framework of governance, risk management and control processes during the year has highlighted the following themes:



*Definitions to support root cause categorisations are detailed in Annex 3

12. Anti-Fraud and anti-corruption

In accordance with the internal audit charter and the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Whilst not responsible for the detection of fraud within the Council, Southern Internal Audit Partnership's work during 2025/26 has not identified, and we have not been made aware of, any significant control deficiencies that may pose a significant fraud risk.

13. Quality Assurance and Improvement

From 1 April 2025, the 'standards or guidance' in relation to internal audit 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 shall be referred to as the Global Internal Audit Standards in the UK Public Sector.

Standard 8.4 [External Quality Assessment] requires internal audit providers to undergo an external quality assessment every five years. In September 2025 JC Training Ltd were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

In considering all sources of evidence the external assessor concluded:

'SIAP has achieved an excellent result of 'generally achieves' in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.

I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and **this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date**.'

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/ Achieves	Generally Conforms/ Achieves	Fully Conforms/ Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
	52	0	0	6	46	52

14. Disclosure of Non-Conformance

There are no disclosures of Non-Conformance to report. In accordance with Global Internal Audit Standards in the UK Public Sector, I can confirm through endorsement from the independent external quality assessment that:

> ***'The Southern Internal Audit Partnership 'generally conforms' to the Global Internal Audit Standards in the UK Public Sector and its work is performed in accordance with the International Professional Practices Framework (endorsed by the IIA).'***

15. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2025-26 through the following internal processes:

- On-going liaison with management to ascertain risk management, control and governance arrangements, key to corporate success
- On-going constructive working relationships with other assurance providers to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An external quality assessment against the industry Standards.
- Maintenance of Key Performance Indicators and ongoing overview of Internal Audit Strategy and Partnership objectives / actions (Annexe 2)

16. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey
Deputy Head of Southern Internal Audit Partnership

Summary of Assurance Reviews Completed 2025-26

Annexe 1

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.

- Strategic Planning & Performance Monitoring
- Emergency Planning
- Council Tax
- Financial Stability – Budget Monitoring & Forecasting
- Payroll

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.

- Contract Management – ID Verde & Wetton (draft final)
- Accounts Payable
- Housing Asset Management – Housing Retrofit Programme
- Taxi & Private Hire Licencing (draft)
- Accounts Receivable & Debt Management
- ICT – Patch Management
- Cyber Security – Data Back-up and Ransomware Protection
- Homelessness - Prevention

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.

- Human Resources – Use of Agency Staff and Consultants
- Clean Streets Enforcement – Fly Tipping
- ICT – Thrive Actions Implementation
- Building Control – QMS Framework

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.

- Housing Asset Management – Repairs and Maintenance (draft)

- The audits of Cyber Security – User Training and Awareness, Street Markets and Procurement have been completed and draft reports issued, with factual accuracy to be confirmed in due course.
- The Tree Management audit has been substantially completed with final queries to resolve.
- The Housing Management – Leaseholder Arrangements audit remains in the fieldwork stages.

The opinions from these audits will therefore contribute towards the 2026-27 Annual Internal Audit Conclusion.

Annexe 2

Performance Measurement

Key Performance Indicators

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%	92%	✓	n/a
2. Audits delivered within agreed timescales (% year to date)					
○ To issue of draft report	Ongoing	80%	38%	X	n/a
○ To issue of final report	Ongoing	80%	33%	X	n/a
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Generally conforms	Generally conforms	✓	n/a
4. Audits conducted optimising the effective use of data analytics (% year to date)	Ongoing	60%	58%	X	n/a
5. Stakeholder satisfaction (annual survey)					
○ Audit & Governance Committee	Annual	90%	100%	✓	n/a
○ Senior Management		90%	100%	✓	n/a
○ Key Contacts		90%	99%	✓	n/a
6. Internal audit effectively communicates with key stakeholders					
○ Audit & Governance 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 & Governance Committee	Annual	90%	100%	✓	n/a
○ Senior Management		90%	100%	✓	n/a
8. Appropriate focus on key risks					
○ Audit & Governance Committee	Annual	90%	100%	✓	n/a
○ Senior Management		90%	100%	✓	n/a
○ Key Contacts		90%	100%	✓	n/a

Internal Audit Strategy 2025/28

Action	Target Date	Update	Status
Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation.			
Confirm expectations of Partners regarding desired reporting timelines and methodology.	Dec 2025	The Terms of Reference for each audit review provides a timeline of audit activity from initial scoping through the final report. This is signed and agreed by both SIAP and the client prior to commencement. Our KPIs provide outcomes of delivery against agreed targets.	Complete
Complete a detailed analysis of bottle necks in SIAP and external to the internal audit function.	April 2026	Data has been compiled throughout the year. Analysis will commence following completion of the 2025/26 internal audit plans	Ongoing
Benchmark with peer audit services and explore opportunities to make the process 'leaner' through auditor working group.	Dec 2026	Agenda item to be taken to 'Audit Together' and Local Authority Chief Auditor Network' which are two national forums representing over 150 local authorities to explore good practice.	Ongoing
Optimise the use of technology (including audit management software) to deliver efficiencies.	Dec 2027	Currently exploring opportunities to utilise Power BI and AI technologies	Ongoing
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.			
Stakeholder, staff training & awareness and alignment of policies, procedures, practice and software to the GIAS in UK PS.	July 2025	A programme of training and staff awaydays have provided a robust overview of the GIAS in the UK PS to the SIAP team. This has been complemented through an updated suite of practice and procedure notes to fully reflect the expectations of the new Standards	Complete
Undertake a self-assessment of compliance with the GIAS in the UK PS	July 2025	A self-assessment against the GIAS in the UK Public Sector was completed in July 2025 and presented to the external assessor to help inform the External Quality Assessment.	Complete
Commission an early External Quality Assessment to assess compliance with the GIAS in UK PS.	Dec 2025	The External Quality Assessment was commission in July 2025 and delivered during September – December 2025. An outcome report was presented in December 2025 confirming 'general conformance' with the GIAS in the UK PS	Complete
Explore supplemental elements of the GIAS in UK PS Standards to fully assess value add.	Apr 2026	An action plan has been developed to explore suggested opportunities for improvement highlighted within the External Quality Assessment [December 2025]	Complete

Action	Target Date	Update	Status
Further engage with the organisation to enhance and optimise the full potential of data analytics in the internal audit process			
Implement a programme of training and awareness. Additional support through Data Analytic Champions	July 2025	Training and guidance have been delivered and remains in place for all SIAP staff. Data Analytic Champions are in place as a centre of expertise to support SIAP staff in the potential and use of data analytics.	Complete
Acquire software to support the effective use of data analytics.	Sep 2025	Knime has been acquired, implemented and utilise as our primary data analytic software. A further business case is being prepared to assess the addition of Idea to SIAPs suite of software solutions.	Complete
Refresh the existing data analytics strategy and promote a culture of data by default.	Apr 2026	Regular and ongoing training and awareness is provided to SIAP staff to embed the culture and concept of data by default. Additionally, a KPI has been developed to measure demonstrable application within the internal audit process. A review of the strategy will be undertaken during 2026.	Ongoing
Be assessed as 'data analytics enabled'.	Apr 2028	Our Data Analytics Strategy provides the framework to position the Partnership as data analytics enabled.	Ongoing

EQA / QAIP Action Plan

Standard	Detail	Target Date	Update	Status
Compliance with the Global Internal Audit Standards in the UK Public Sector; Application Note; and Code Governance				
N/A	N/A	N/A	N/A	N/A
Suggested areas of improvement				
1.1 & 1.2	SIAP **fully achieves** Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisations Ethical Expectations Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage	March 2026	The next scheduled ethics training session for the Partnership is in May 2026. The training pack is currently being updated to include practical ethical dilemmas, ethics scenarios and case studies, common challenges and how to deal with them.	Complete
3.1	SIAP **fully achieves** Standard 3.1, Competency. SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP. Staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.	July 2026	To arrange training and support to develop advisory skills to compliment future client needs (particularly in light of LGR & Devolution). All IT staff are appropriately required and must maintain comprehensive CPDs to maintain their professional accreditation. Additional training / qualification has been provided in respect of AI in recognition of its emerging prominence.	Ongoing Complete

Standard	Detail	Target Date	Update	Status
6.3 & 8.1	SIAP **generally achieves** Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction. The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code. Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.	February 2026	Discuss and present action plans to individual Partners developed following assessment of compliance with the Code of Practice for the Governance of Internal Audit in UK Local Government.	Complete
8.3	SIAP **fully achieves** Standard 8.3, Quality. The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.	December 2026	Ongoing implementation of actions within the QAIP. • Continue to develop K10 to optimise SIAP efficiencies and effectiveness • Review and update the Partnership website • Explore the opportunities presented from the use of AI in the audit process *Actions in relation to Code of Governance & Topical Requirement covered elsewhere in this action plan	Ongoing

Standard	Detail	Target Date	Update	Status
9.2	SIAP **generally achieves** Standard 9.2, Internal Audit Strategy. SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities. The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.	N/A	No action – accepting of the fact that due to SIAPs multi-client provider status we will never fully achieve this standard.	N/A
9.4	SIAP **generally achieves** Standard 9.4, Internal Audit Plan. Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.	March 2026	Due to the timing of the EQA report and the development and presentation of the internal audit plans for 2026/27 we were unable to incorporate the suggested improvement. The internal audit plan template has now been updated to ensure future inclusion of all areas assessed as high priority that are not covered in the plan along with a reason for their omission.	Complete

Standard	Detail	Target Date	Update	Status
11.1 & 11.3	SIAP **fully achieves** Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results. At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.	April 2026	A quarterly bulletin is to be introduced highlighting key cross-cutting themes and areas of good practice. It is intended for the first bulletin to be issued during Q1 2026/27	Ongoing
12.3 & 13.5	SIAP **generally achieves** both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources. SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements. While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved.	As per Strategy December 2025 to March 2027	To complete objectives within the internal audit strategy 'Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation' KPIs have been put in place to help identify process bottlenecks.	Ongoing

Standard	Detail	Target Date	Update	Status
	I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.			
13.3, 13.4, &14.3	SIAP **fully achieves** Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026. Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS. Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.	March 2026 July 2026	A Practice Note has been developed and incorporated within SIAPs process to incorporate consideration of Topical Requirements Ensure root cause is appropriately captured at year end to inform themes to be incorporated within the Annual Conclusion(s)	Complete Complete

Root Cause Categories

Annexe 3

Category	Definition	Example
Resources	The extent to which the service has sufficient, capable resources, enabling it to carry out all aspects of its operational duties efficiently and effectively.	Functions that had been carried out by a now non-existent post have fallen through the gaps; services have only enough resources to carry out key aspects of operational delivery, meaning some lower priority tasks are not executed.
Competencies & Training	The extent to which staff are appropriately qualified, trained or experienced to carry out their role	Lack of training; inappropriate training; ineffective training plans; poor recruitment; poor training material
Systems	The extent to which systems are fit-for-purpose and support the service to carry out its operations effectively.	System processes are not available or are not effective, resulting in discrepancies or workarounds to get the required outcome, system processes are circumvented or duplicated manually. Processes are carried out manually where systems processes would be more efficient.
Motivation & Incentives	The extent to which factors such as organisational or personnel change have impacted on staff desire to carry out their role efficiently and effectively.	Staff are feeling demotivated by a recent restructuring and removal of some posts, and do not feel that they should be taking on new responsibilities.
Standards & Policies	The extent to which expected standards have been made clear to staff and the necessary policies are in place to support these standards.	There is no policy/procedure in place; policies/procedures are out of date; policies/procedures have not been reviewed within appropriate timescales; policies etc. are difficult to locate/access; links in policies either do not work or are out of date.
Governance	The extent to which the service is governed by a clear structure that sets out the roles and responsibilities of officers, and the service is supported by appropriate risk management and control systems.	Lack of assigned responsibility and accountability; failure to act / ignorance; intentional misleading by management to protect themselves; underqualified / trained Board members.
Process & Procedures	The extent to which established processes are operating effectively and are supported by defined procedures.	Failure to follow set procedures (take care re materiality/proportionality); lack of separation of duties; controls being bypassed.

Accountability	The extent to which roles and responsibilities for decision-making have been defined and are accepted and acted on by all parties.	Unclear expectations; avoiding responsibility; lack of management oversight; poor communication.
Assurance & Monitoring	The extent to which internal and/or external checking controls exist to monitor the effectiveness of, and provide assurance to, the service.	Unclear responsibility; not identifying and/or taking action on recurring problems; checking the wrong things; under-sampling

AG188
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: Q4 GOVERNANCE MONITORING

16 JULY 2026

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 fourth and final quarter of the 2025/26 financial year.

RECOMMENDATIONS:

1. 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 implications 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 2026/27 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 fourth and final quarter of the 2025/26 financial year.

Internal Audit

11.2 The Annual Internal Audit Conclusion 2025-26 (Report AG187 elsewhere on this Committee's agenda) provides a summary of the work of the Southern Internal Audit Partnership and covers the period to 31 March 2026. The report also provides the Chief Internal Auditor's opinion on the effectiveness of the framework of governance, risk management and control and summarises audit work from which that opinion is derived.

11.3 The Chief Internal Auditor in his Annual Internal Audit Conclusion 2025/26 has shown that he is satisfied that sufficient assurance and advisory work have been carried out to allow him to form a conclusion on the adequacy and effectiveness of the internal control environment. It is the opinion of the Chief Internal Auditor that the framework of governance, risk management and control are 'reasonable', and audit testing has demonstrated controls to be working in practice.

11.4 Detailed information relating to the completed audit reviews is provided in the Annual Audit Conclusion 2025-26 report, however, there has been a higher than usual number of reviews concluding with limited assurance opinions with a further audit of Housing Asset Management – Repairs and Maintenance concluding with no assurance opinion.

11.5 Where weaknesses have been identified through internal audit review, internal audit has worked with management to agree appropriate corrective actions and a timescale for improvement.

11.6 The areas of weakness identified during the audit reviews with either limited or no assurance opinion can be categorised as falling within the following themes: outdated processes and procedures, standards and policies and competencies and training. Agreed appropriate corrective actions and a

timescale for improvement has been drawn up with responsible managers. A significant percentage of actions had been completed before the end of the quarter.

11.7 The draft Annual Governance Statement (AGS) references the weaknesses identified during audit reviews that concluded with limited or no assurance and included as an area of focus during 2026/7 is the review and updating of relevant policies, processes and procedures.

11.8 Progress against the actions included in the AGS Action Plan will be provided with future quarterly governance monitoring reports.

Annual Governance Statement

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

11.10 Elsewhere on this Committee's agenda is the Annual Governance Statement (AGS) 25/26 (Report AG188 refers) which provides a review of the effectiveness of governance during 2025/26. Details of significant governance issues arising during the year are given and will be the focus of consideration and action over the coming year.

11.11 Progress against the actions in the 2025/26 AGS will be included in future quarterly Governance Monitoring reports.

11.12 In accordance with statutory accounting regulations, on the 30 June the council published its draft Annual Governance Statement 2025/26 with the (unaudited) annual statements of accounts.

Declarations of gifts and hospitality

11.13 During the period 1 January 2026 to 31 March 2026, there were no declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct.

11.14 Members regularly update their register of interest forms. During the period from 1 January 2026 to 31 March 2026, 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

11.15 The council's Risk Management Policy 2026/27 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 13 May 2026. All corporate risks and their current controls were reviewed with the current Corporate Risk Register shown at Appendix 3.

11.16 During the review, ELB considered the emerging risks (and opportunities) arising from the Devolution agenda and Local Government Reorganisation (LGR) timetable. It was agreed that the risks arising from LGR would continue to be captured as a cause that might impact existing corporate risks, specifically CR001 and CR007. A comprehensive risk management strategy specifically addressing devolution and LGR is in place and regularly reviewed ensuring that the council remains well-prepared to manage any potential changes and their impact on governance, service delivery, and resources.

11.17 As a result of the ELB quarterly review there were the following updates:

- CR001 – Capacity to deliver services – minor amends including the reordering of the current controls and highlighting the consequences of failing to plan and make decisions ahead of the new unitary council.

- CR010 – Failure to effectively respond to the Climate Change Emergency and reduce the council and district emissions – during consideration ELB agreed that this risk was being responded to via a number of business-as-usual activities and should therefore be deescalated to the Operational Risk Register. Project risk registers are managed for each of the Tier 1 projects and reviewed quarterly.

- CR011 – Lack of preparedness and incapability to respond to events caused by climate change – following consideration of the comprehensive plans and processes in place to respond to an emergency incident, which had recently been refreshed ELB agreed that this was no longer a Corporate Risk but would now be included as an Operational Risk. Regular monitoring would remain with the risk escalated to the Corporate Risk Register if required in the future. Internal Audit had recently reviewed the council's preparedness to respond to an emergency incident and concluded with a Substantial Opinion with no weaknesses identified.

11.18 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.

11.19 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.

11.20 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 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 January 2026 to 31 March 2026, there was one individual dispensation granted by the Monitoring Officer and this was to Councillor Becker who is a property owner with a connection to a council sewage treatment works for which they pay an annual fee.

14. OTHER OPTIONS CONSIDERED AND REJECTED

14.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG182 Governance Monitoring Quarterly Update Q3 2025/26, 5 March 2026

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 – March 2026

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. Reporting of these KPIs is included in the quarterly Finance and Performance report, considered by Scrutiny and Cabinet.	Simon Hendey Karen Thorburn	Feb 2025	Complete.
		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 improvement journey delivering against the 'Big 6.'	Adrian Wilgoss Sarah Hobbs Heather Gibson	Sept 2025	Complete

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Compliance reporting review	Compliance reporting is produced monthly, via the scorecard. Going forwards, the 'True Compliance' system will enable this data and related reporting to be produced automatically. Through the landlord service restructure, and the creation of one centralised data team, will enable internal data assurance interrogation and monitoring. Reporting to TACT Board, Cabinet member, Scrutiny and Cabinet via a highlight report is also reported quarterly.	Adrian Wilgoss	June 2025	Complete.
		Undertake a policy principle and strategic direction workshop for each compliance area and develop and finalise each policy	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 These will then be disseminated across the service through the new policy assurance framework. A review frequency is in place and updated policies considered and adopted by future Cabinet Committee: Housing.	Sarah Hobbs Adrian Wilgoss	Sept 2025	Complete

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Review and update our procedures	The revised and updated compliance policies have been disseminated across housing and webpages updated for tenants to access details on these 6 policies. Landlord Services No Access Policy 2025-28 was agreed by the Cabinet Member for Good Homes on 17 June 2026 decision day. We have a robust policy, procedures and guidelines (PPG) framework for all housing policies with oversight at a senior management level, Board and Cabinet where this is required. Tenants have opportunities to review and provide feedback on policies through this framework.	Adrian Wilgoss	June 2026	In progress.
2.	**Local Government Reorganisation - c**apacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver	Establish an appropriate governance structure and clearly define the programme scope, including emerging workstreams and designated lead officers.	Post April governance structure drafted to be agreed once partner local authorities are confirmed. Preparatory activities underway, working with KPMG to initiate 10 LGR workstreams across partners, who meet weekly and report to the LGR Rep Group.	Liz Keys	June 2025	Ongoing

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
	local government reorganisation at pace	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 Transition Plan to be unitary ready focusses on delivery of council priorities over the next two years, ensuring service stability and driving continuous improvement building on the success of our transformation plan. Preparation of our systems, processes and services for a smooth transition and continuing our digital transformation journey. Developing and supporting colleagues, so we're in the best position and confident to thrive in change.	Liz Keys	Ongoing	Ongoing

Code of Conduct Complaints

The following is a summary of Code of Conduct complaints received by the Office of the Monitoring Officer for the period **1st January 2026 through to 31 March 2026**, along with updates on complaints previously reported.

Summary of caseload for this period:

A. Number Active Individual Complaints in this period: 1 complaint from 1 individual complainant (see 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 New complaints received in this period: 0.
F. Number of complaints closed in this period: 1.
G. Number of Standards Sub Committees held in this period: 0.
H. Number of complaints carried over to next period: 0.

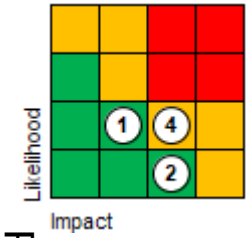
Analysis of recent active case:

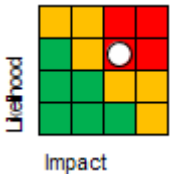
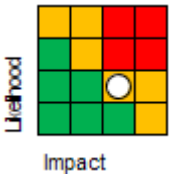
Date received	Relating to Parish/ Town/ City Councillor	Current status/update	Approx time spent on this complaint
28/10/2025	Parish	Complaint closed on the 12 January 2026 due to the resignation of the Subject Member.	28 Hours

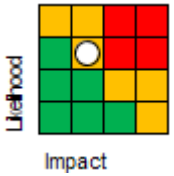
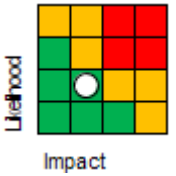
Corporate Risk Register 2026/27

As of 1 April 2026

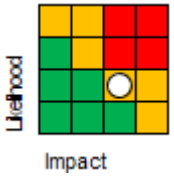
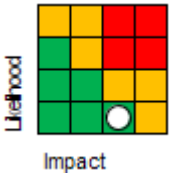
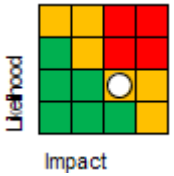
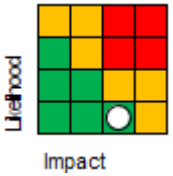
Residual Risk Summary:

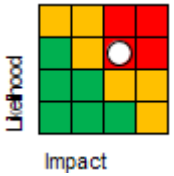
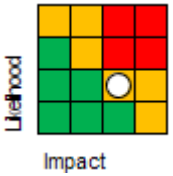


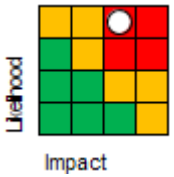
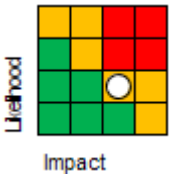
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR001	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services	Chief Executive	• 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 • Preparing for Local Government Reorganisation • Competition from the private sector for key staff roles e.g. planning, project management	• LGR is a significant national and local priority requiring the establishment of a new Mid Hampshire Council • If decision making is slow, matters and delays occur, national controls on established councils may become difficult to deliver key priority projects without referral to the future LA. • Reputation is damaged as the council is not seen to be able to deliver projects		• The council plan 2025 – 2030 sets the strategic direction for the council. • Annual service plans are prepared, and careful consideration has been given to the council's ambition balanced with the likely resource required to deliver LGR • Proactive approach to internal and external communication • 50/50 hybrid working policy agreed and embedded into the organisation • Maintaining communication	

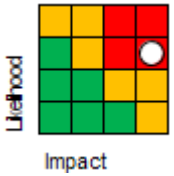
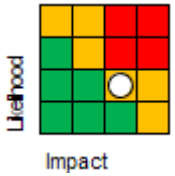
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			• Outbreak of a pandemic that increases the pressure to continue to provide critical services as well as respond to the needs of residents and businesses affected by the pandemic • Tension between day-to-day and strategic priorities • Key skills not in the right place • Budget uncertainty	• 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 redeploy resource to current priorities • If staff are diverted, then can't deliver on other lower-level priorities or day-to-day work • Local members are not always kept informed of activity in their area • Unable to deliver key council services		• Regular meetings with relevant cabinet members • Positive use of fixed term contracts to aid flexible resourcing • Targeted use of external resource • Reallocation of human and financial resources across and within the organisation as required • PAC Board regularly reviews resources available 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	• 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	• Lack of a robust and evidence-based approach to customer engagement can lead to: - Reputational damage - Views that the council is too Winchester-centric - Decisions made are Inequitable		• 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
			• 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	- 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		Programme and Capital Strategy Board • Legal and Monitoring Officer consultation on decisions made • 2024 Residents' survey undertaken in June'24 and results used to evidence Council Plan priorities and 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 refreshed Council Plan in terms of 'Listening Better' • Equality, Diversity, and Inclusion Action Plan is being embedded 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	• 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	• Unacceptable delay and uncertainty in returning to normal working after an emergency • Adverse publicity and criticism • Reputation damage • Adverse social and/or economic impact		• Business Continuity Plans reviewed and tested in 2024 and approved by ELB • IT Disaster Recovery Annual Test held on 8 June 2026. • Business critical services reviewed in 2025 with individual business continuity plans created, 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 2026 to review, update and test business continuity plans	
CR006	Breakdown of effective partnership working	Chief Executive	• 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	• 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		• Annual review by each CHoS of all partnerships undertaken to identify key strategic partners • Partnership Governance and Management Framework adopted with scoring tool available to assess partnership level • Management checklist available from Knowledge Hub	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			• Incorrect application of the procurement regulations due to a misunderstanding as to how and when they apply to partnership working • 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	• Lack of value for money (VfM)		• Guidance documents available from Knowledge Hub • Partnership register established and endorsed by ELB on 6 March.	
4007	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	• 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	• 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		• One year funding settlement in place • MTFS approach setting out medium- and longer-term options • 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 and quarterly progress reported.	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			• Impact of a Pandemic • Additional financial costs preparing for Local Government Reorganisation that are unbudgeted for. • Uncertainty over total cost of preparing for LGR			• Maintain General fund reserve of at least £2m • Regular review of reserves • Annual review of fees and charges • Monthly budget monitoring and regular HRA business plan updates • Substantial assurance opinion following internal audit of the council's financial stability (including TC25). • Cabinet approved MTFS on 19 November 2025 setting a balanced budget to the end of 2027/28	
CR008	Availability of new homes to meet the strategic need via a variety of means (build or buy).	Strategic Director S Hendey	• 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	• 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		• A variety of plans in place to deliver new homes • Regular monitoring of projects • Revised Housing Strategy and HRA Business Plan • Cost benchmarking	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
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	• 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	• 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		• 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 Security Policies) and IT Network Access Policies • 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 completed to identify actions the councils	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
						can pro-actively take to mitigate this risk further	

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AG190
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: EQUALITY, DIVERSITY AND INCLUSION – ANNUAL EQUALITY REPORT 2025/26

16 JULY 2026

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

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

WARD(S): ALL

PURPOSE

The Equality Act 2010 requires public authorities to publish information to demonstrate their compliance with the Public Sector Equality Duty and its own equality duties.

Attached as Appendix 1 to this report is the Annual Equality Monitoring Report 25/26 which summarises the activities undertaken across the council during the year demonstrating compliance with the requirements set out in the Equality Act 2010.

RECOMMENDATIONS:

1. Notes the council's equality work undertaken during the past year and notes the progress achieved towards the council's Equality, Diversity and Inclusion Action Plan

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

Achieving equality, diversity and inclusion for all residents, employees, service users and visitors to the Winchester district is essential for the successful delivery of all Council Plan priorities.

2 FINANCIAL IMPLICATIONS

Delivery of the council's equality duties have been met from existing budgets for each service, including training and there are no additional financial implications.

3 LEGAL AND PROCUREMENT IMPLICATIONS

The council has a statutory duty under section 149 of the Equalities Act 2010 that requires all public bodies to consider the needs of all individuals in their day-to-day work – in shaping policy; in delivering services; and in relation to their own employees. The Public Sector Equality Duty (PSED) is a duty on public bodies and others carrying out public functions.

This report is issued as part of our statutory duties under the Public Sector Equality Duty which requires public authorities to publish information at least once a year to show how they have complied with the equality duty.

To ensure continued compliance with our legal obligations, this report forms part of the annual workplan for the equality, diversity, and inclusion corporate workstream. There are no procurement implications arising from the content of this report.

4 WORKFORCE IMPLICATIONS

No additional resources required.

5 PROPERTY AND ASSET IMPLICATIONS

None arising from the content of this report, however in making any decision that relate to property and assets, such as whether or not to dispose and acquire, which mechanism and the property and/or project development, the PSED objectives must be taken into consideration. A further consideration will be whether public property and assets are able to comply with the PSED such as design and access

6 CONSULTATION AND COMMUNICATION

Consultation on the content of the report has taken place with Executive Leadership Board (ELB) and the Cabinet member for Healthy Communities. The Equality, Diversity and Inclusion officer group meets regularly, and

reviews progress the council is making on equality issues at its quarterly meeting.

7 ENVIRONMENTAL CONSIDERATIONS

There are no environmental implications arising directly from this report.

8 PUBLIC SECTOR EQUALITY DUTY

This report has been prepared to fulfil the council's requirements under the Public Sector Equality Duty and reports on the progress achieved during 2025/26 against the agreed objectives.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required because there is no processing of personal data, or where there is processing it does not result in a high risk to the rights and freedoms of a person or persons directly or indirectly identified.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure: Failure to comply with the Public Sector Equality Duty could result in additional costs of remedial work or delay of policy implementation; or the cost of legal challenge through Judicial Review.	The council, in the exercise of all its functions, has due regard to the Public Sector Equality Duty. All decision reports have a section highlighting the necessary considerations regarding the PSED. Equality impact assessments (EIAs) are used to systematically consider equality opportunities when making a decision and is a key mechanism that allows the council to understand and work with our communities.	None.
Exposure to challenge: Failure to comply with the Public Sector Equality Duty could result in legal challenge through Judicial Review by the ECHR or dissatisfied persons / groups.		Non-compliance could lead to challenge and litigation.
Reputation: Failure to comply with the Public Sector Equality Duty could result in legal challenge through Judicial Review which could cause adverse publicity and reputational damage to the council.		Correct compliance results in due regard for all sectors of the community and enhances the council's reputation.

Achievement of outcome: Failure to comply with the Public Sector Equality Duty could result in legal challenge resulting in decisions being overturned by the courts. Policy implementation could also be delayed		None.
Innovation		Innovative ideas and design maybe required to ensure compliance. Increased innovation leads to a more inclusive community which is at the heart of the PSED
Local Government Reorganisation – negative impacts on staff and staff disengagement from underrepresented groups	Inclusive leadership, workforce engagement and inclusive communication throughout the preparation leading up to Vesting Day.	Empowering staff voice and co-design

11 SUPPORTING INFORMATION:

11.1 As a public sector organisation, the council has a statutory duty to ensure that equality and diversity are embedded into all its functions and activities as required by the Equality Act 2010.

11.2 The Equality Act 2010 introduced a Public Sector Equality Duty. This Duty includes the General Duty and the Specific Duties. The General Duty requires public bodies to consider how the decisions that they make and the services they deliver, affect people who share different protected characteristics. The General Duty has three main aims. It requires public bodies to have ‘due regard’ to:

- Eliminate unlawful discrimination, harassment, victimisation and any other unlawful conduct prohibited by the act
- Advance equality of opportunity between people who share and people who do not share a relevant protected characteristic
- Foster good relations between people who share and people who do not share a relevant protected characteristic

11.3 This Committee approved the council's Equality, Diversity and Inclusion Framework at its meeting on 25 February 2025 (Report AG149 refers) and with it the council's equality objectives which are:

- **Understanding and working with our communities**. We will embed diversity in decision making processes, ensuring representation from all sections of our communities and making sure our decisions are based on good quality data. We will improve and develop our consultation and engagement processes and seek to inform and involve all sections of the community, but particularly disadvantaged and excluded groups, in the development of our policies and the services we provide.

- **Leadership, partnership and organisational commitment**. We are committed to delivering effective leadership at every level and developing partnerships which prioritise equality, diversity and inclusion

- **Responsive services and customer care**. We are committed to ensuring everyone can access our services and that any barriers are promptly identified and eliminated. Resources are directed to where residents need them most.

- **Diverse and engaged workforce**. We recognise the value and significance of a diverse and inclusive workforce. We will take positive steps to promote equality in employment by developing a flexible, professional and skilled workforce that is representative of the communities that we serve.

11.4 This report provides the second annual update on the progress that the council has achieved against its Equality Action Plan, adopted by this Committee on 25 February 2025.

11.5 Appendix 1 provides a monitoring report that gives examples of the work undertaken across the council during the course of the year evidencing the council's commitment to integrating the principles of equality, diversity and inclusion into everything it does. An update is also provided against the actions included in the Equality, Diversity and Inclusion Action Plan.

12. Local Government Reorganisation

12.1 As Winchester City Council prepares for Local Government Reorganisation and Vesting Day on 1 April 2028, our approach to our Equality, Diversity, and Inclusion priorities need to consider proactive transition management as well as business as usual. The establishment of the Shadow Authority within the next year, ahead of the vesting date for the new Mid-Hampshire Unitary Authority in April 2028, demands a rigorous dual-track strategy for our equality objectives.

12.2 To ensure maximum efficiency, the council will focus on the following three core operational principles:

- **Maximising 18-Month Deliverability:** We are prioritising mature, ongoing, or fully funded initiatives that directly impact our residents right now. Focusing resources on these frontline community and casework delivery areas ensures Winchester City Council continues to meet its Public Sector Equality Duty (PSED) effectively without requiring new legislative or structural overhauls during its remaining term.

- **Workforce Resilience and Stability:** Organisational mergers create natural uncertainty for staff. We are deliberately frontloading internal workforce actions, such as staff-led equality networks, corporate forums, and targeted mental health and change-management provisions to use our EDI framework as a mechanism for supporting staff through local government reorganisation. A supported, engaged workforce is a prerequisite for a successful transition.

12.3 Attached to the EDI Annual Report is an update on the progress achieved against the actions included in the Action Plan that was adopted by this Committee at its meeting on 25 February 2025 (Report AG149 refers).

13. OTHER OPTIONS CONSIDERED AND REJECTED

13.1 Not applicable as the publication of an annual equalities report, at least every four years is a statutory requirement under the Equality Act 2010.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG149 Equality, Diversity & Inclusion Policy Framework

AG161 Equality, Diversity & Inclusion Report 2024/25

Other Background Documents:-

Local Government Association Equality Framework for Local Government

APPENDICES:

Appendix 1 Equality, Diversity and Inclusion Annual Monitoring Report 2025/26

Equality Monitoring Report

2025/26

Introduction

The council has a statutory duty under both the Equality Act and subsequent Public Sector Equality Duty to ensure that equality and diversity are embedded into all its functions and activities.

As a public sector organisation, we must have 'due regard' to:

- Eliminate unlawful discrimination, harassment, victimisation and any other unlawful conduct prohibited by the act
- Advance equality of opportunity between people who share and people who do not share a relevant protected characteristic
- Foster good relations between people who share and people who do not share a relevant protected characteristic

To ensure transparency, and to assist in the performance of this duty, the Specific Duties require public authorities to publish:

- Equality objectives, at least every four years; and
- Information to demonstrate their compliance with the public sector equality duty.

This annual Equality Monitoring Report is one way in which the Council is demonstrating its compliance with the duty. It aims to highlight how the council is working towards its equality objectives as set out below.

Equality objectives

To meet the requirements of the Equality Act, the council set out its equality objectives in the Equality, Diversity and Inclusion Policy and grouped these under the following four performance areas:

(1) **Understanding and working with our communities.**
We will embed diversity in decision making processes, ensuring representation from all sections of our communities and making sure our decisions are based on good quality data. We will improve and develop our consultation and engagement processes and seek to inform and involve all sections of the community, but particularly disadvantaged and excluded groups, in the development of our policies and the services we provide.

(2) **Leadership, partnership and organisational commitment**.
We are committed to delivering effective leadership at every level and developing partnerships which prioritise equality, diversity and inclusion.

(3) **Responsive services and customer care**
We are committed to ensuring everyone can access our services and that any barriers are promptly identified and eliminated. Resources are directed to where residents need them most.

(4) **Diverse and engaged workforce**
We recognise the value and significance of a diverse and inclusive workforce. We will take positive steps to promote equality in employment by developing a flexible, professional and skilled workforce that is representative of the communities that we serve.

These performance areas also align with the Local Government Association's Equality Framework for Local Government and are being used to benchmark our equality success.

Progress against our equality objectives

Objective 1: Understanding and working with our communities

The council has made it a priority in its Council Plan under the Listening and Learning heading to better engage with under-represented groups, so everyone in the district can have their say.

Examples of this include:

- The Communities Team supported the development of the Stanmore Network by promoting collaborative working and funding training through Community First. This led to initiatives to improve local access to activities, including Youth Options delivering indoor youth sessions at The Carroll Centre. Work on addressing food insecurity also progressed, with the team supporting the community allotment and helping the pantry increase access to fresh food through Fareshare.

- Over the past year, a range of support has been provided to Ukrainian guests under the Homes for Ukraine programme, including community coffee sessions, visa support hubs, and targeted grant funding. These initiatives reached a wide group of residents, helping them transition to the Ukraine Permission Extension Scheme and access £32,130 in financial support, primarily for children, community activities, transport, and language needs. The combined approach addressed barriers such as financial hardship, language differences, and social isolation through accessible, tailored support, while promoting integration and community cohesion in line with the Public Sector Equality Duty.

- Supported the organisation of a young person's open mic night. This project embedded equality, diversity and inclusion throughout its design and delivery by placing young people—often underrepresented in cultural decision-making—at its centre. Through accessible and participatory engagement

methods, a diverse range of young people helped shape the programme, identifying barriers such as cost, accessibility and lack of safe spaces. The project addressed these challenges by delivering a free, inclusive event and creating opportunities for young people to build skills and take active roles in delivery, thereby improving access, promoting inclusion, and supporting pathways into the cultural sector.

- Delivered The Live Longer Better Project which aims to support older residents to stay active and help them to feel fit, strong, energised and also stay socially connected.

- Held four drop-in public information engagement events so local people can learn more about the Community Governance Review for the Winchester Town area.

- Hosted Central Winchester Regeneration drop-in events to give residents an update on plans and ask any questions about the progress of the project.

- Developed the councils' Preventing Homelessness Strategy published in November 2025; there was a broad range of consultation during the development of the strategy and its' aims and objectives including targeted consultation with vulnerable groups and those with lived experience who have been affected by homelessness or rough sleeping.

- Delivered school holiday activity programmes to ensure our communities have access to regular opportunities to improve their physical and mental health.

- Provided a range of sports for residents with disabilities, including disability tennis, football and swimming.

- In association with Everyone Active working in partnership with Active LD to deliver low level circuit classes, which are designed to support individuals with a disability.

- Hosted the annual Mayor of Winchester’s Community Awards on 12 March recognising the contributions by individuals and groups across the district who go above and beyond in service to others.

Case Study:

Live Longer Better Programme

The Council's Communities & Wellbeing team has prioritised understanding the specific needs of our older residents to address health inequalities and improve access to services. Through the Live Longer Better programme, the council embedded a strong co-production approach to actively involve individuals in sheltered housing, care homes, and those living independently who are at risk of inactivity and social isolation. Rather than adopting a top-down model, the team gathered vital lived-experience insights using informal, accessible engagement methods such as coffee mornings and one-to-one conversations. This direct community insight ensured that activities were tailored to diverse physical abilities, health conditions, and preferences. By delivering sessions in local, familiar settings, the programme successfully removed barriers related to transport and confidence. This targeted approach has ensured that previously underrepresented and isolated groups are actively

Objective 2: Leadership, partnership, and organisational commitment

During 2025/26, the council has demonstrated leadership, partnership and organisational commitment to equality, diversity and inclusion through the following actions:

- The council commissioned LUC to carry out the EqIA alongside a Health Impact Assessment, Sustainability Appraisal, and Habitats Regulations Assessment as part of an integrated approach to impact assessment throughout the plan-making process. The EqIA of the Main Modifications found that most policies have positive, neutral, or mixed impacts across protected characteristics and are broadly compatible with the three key duties of the Equality Act 2010, a conclusion that has been endorsed by the Local Plan Inspector's Report.

- The council-led Social Inclusion Partnership had lost momentum through a combination of apathy amongst member organisations and competing priorities for the council team leading the work. The Partnership has been relaunched as the Communities Inclusion Partnership, with a review of priorities and a less resource intensive, but more focused, approach. This brings diverse community and private sector organisations together, successfully fostering collaboration and connecting groups such as Citizens Advice and youth counselling services to strengthen district-wide support.

- An EDI Officer group has continued to meet regularly through the year with participants from Policy, HR, community teams, housing and corporate communications. The group has provided a valuable network to enable discussions on equality matters to take place and share example of activities and projects impacting on equality issues.

Equality Impact Assessments (EIAs)

An Equality Impact Assessment (EIA) provides a structured approach to considering equality, inclusion and diversity in decision-making, and is a key mechanism for helping the council understand and engage effectively with its communities. The council has maintained a well-established and effective EIA process for many years, with consistency in assessments strengthened through regular workshops and training for officers responsible for completing EIAs. This is further supported by a comprehensive toolkit, policy and guidance to ensure officers are equipped to complete high-quality, consistent assessments.

The Policy Team has continued to provide support to officers and review EIAs to not only ensure consistency, but also to identify and action any overarching trends. During the year the team also delivered training to officers to support officers to completed Equality Impact Assessments.

During 2025/16, we published 9 equality impact assessments on the council's website as part of Cabinet reports along with individual EIAs relevant to each of the updated Housing policies, adopted by Cabinet Committee: Housing.

Going forward the Equality, Diversity and Inclusion (EDI) Officer Group will be reviewing draft Equality Impact Assessments (EIAs) to provide constructive challenge, expert advice and assurance that potential impacts on different protected groups have been fully considered. The group examines the evidence, analysis and proposed mitigations within each assessment, helping authors identify any gaps, strengthen their assessment of equality impacts, and ensure compliance with the Public Sector Equality Duty. This review process supports informed decision-making and promotes the development of policies, programmes and services that are fair, inclusive and accessible to all

Case Study:
Spaces of Sanctuary Project

The Communities' Team has demonstrated a clear commitment to delivering effective leadership and building inclusive partnerships through the district-wide Spaces of Sanctuary project. This initiative supports local organisations in providing welcoming, safe environments where residents can seek guidance without fear or prejudice. To drive standards across the network, the council developed and rolled out online Equality, Diversity, and Inclusion (EDI) training covering critical topics such as embedding inclusion, identifying barriers, and tackling bias. This training has been widely adopted by external partners for their own internal development and was used to launch the council's new Staff Identity Network Groups. By proactively expanding the scheme, including an innovative awareness campaign in public facilities - the council has grown the network to 25 registered spaces.

Objective 3: Responsive services and customer care

- The new build River Park Pavilion replaced an outdated, inaccessible cricket pavilion with a new, fully inclusive facility designed to modern accessibility standards. It introduced step-free access, accessible changing rooms and toilets, improved layouts for wheelchair use, and enhanced lighting and wayfinding, alongside flexible spaces for wider community use. By removing physical barriers, enabling participation for people of all abilities, and creating a shared community venue, the project supports equality of opportunity, reduces discrimination, and promotes inclusion and social interaction in line with the Equality Duty.

Case Study

Winchester Personal Bests & Aqua Bests Events

The council is dedicated to ensuring that its services are responsive to the needs of all residents by identifying and promptly eliminating barriers to access. The Winchester Personal Bests & Aqua Bests events provide a fully inclusive, supportive, and structured environment specifically designed for individuals with learning disabilities, physical disabilities, and autism, a demographic significantly less likely to access traditional sports provision. To ensure customer care was tailored appropriately, reasonable adjustments were embedded throughout the delivery, including autism-friendly environments, adapted communication formats, and specially trained volunteers, earning the event official Autism Friendly status from the National Autistic Society. By directing resources to where they are needed most, this responsive service acts as a vital gateway, successfully building participant confidence and actively signposting individuals into sustained local sporting pathways such as football, boxing, yoga, and parkrun.

Objective 4: Diverse and engaged workforce

Over the past year, the council has worked to be an employer of choice, creating a workplace that is inclusive and welcoming to everyone.

- Continued a operate a hybrid working approach enabling staff to work a blend of in office and remote working whose job role and job duties are suitable for hybrid working.
- The council is an accredited Living Wage Employer.
- The refreshed Staff forum, which has a representative from all the services of the council, is an inclusive safe and welcoming place to share feedback with management.
- Staff Identity Network Groups (SINGs) the council is proud to champion diversity and inclusion, and the forming of SINGs creates a safe and welcoming spaces where staff can connect through shared aspects of identity or lived experience, inspire and support one another, and contribute positive change across our organisation.
- Included in the Workforce Report 2025/26 (Report AG186) is a section that provides data on the gender profile of the council. Employees are encouraged to update their ethnicity and disability status on a voluntary basis to facilitate equality monitoring and improve our workforce data.

Case Study:

Domestic Abuse Housing Alliance (DAHA) Intersectionality Project

Developing a diverse, engaged, and culturally competent workforce requires equipping staff with the analytical tools to understand how different forms of disadvantage overlap. Through the council's ongoing commitment to the Domestic Abuse Housing Alliance (DAHA) accreditation, Housing Operations established a dedicated priority area focused on intersectionality and anti-racist practice. While experiencing leadership transitions in this specific strand, the council-maintained momentum via its Operational Group to ensure continuity. Frontline staff conducted comprehensive research and analysis into homelessness approaches over a three-year period where domestic abuse was a factor. By evaluating case data through the lens of protected characteristics and demographics, the workforce has gained a deeper, data-driven understanding of client needs and service gaps. This active engagement with equality data empowers staff to recognise where individuals face multiple, intersecting disadvantages, driving service improvements across the wider partnership and fostering a more responsive workforce culture.

Additionally, the council continues to:

- Publish and report on the Gender Pay Gap in accordance with UK legislation, ensuring compliance with Equality and Human Rights Commission requirements.

- Report annually on the composition of its workforce to the Audit and Governance Committee.

- Meet the commitments as a Disability Confident Employer by ensuring that all disabled applicants who satisfy the essential criteria for a role are offered a guaranteed interview

- Undertake an annual staff satisfaction survey, analysing results by protected characteristics. This year's survey, we will be using staff forum and SING’s to support the Employee Survey action plan. We will no longer be collecting data on Age, Gender or length of service.

- Provide comprehensive health and wellbeing support to all staff, including access to Mental Health First Aiders, Domestic Abuse Advocates, and an external counselling service.

Equality, Diversity and Inclusion Action Plan

Monitoring Report – June 2026

No.	Action	Responsible	Target date	RAG	Progress updates
Objective 1: Understanding and working with our communities					
1.1	Develop and publish updated housing consultation and engagement plan	Charlotte Bailey	Feb 2027 for remaining items (Original March 2025)		Transparency, Influence and Accountability (TIA) HQN Mock inspection - **complete** (June 2026). TIA Self-Assessment nearing completion in preparation for Social Housing Regulator Inspection - (date TBC). Tenant Partnership and Engagement Plan 2025-2030 – **complete**; and formally adopted through Cabinet Committee: Housing (Feb 2026). EqIA – **complete**. Further supporting policies and procedures in development include: • Tenant Partnership Team Operational Procedure • Resident Consultation and Coproduction Policy • Digital Engagement and Social Media Policy • Communication and Feedback Procedure • Household Data Collection Strategy (includes the development of an 'Ethical Data Collection Toolkit' and the Tenant Voice Panel). Target completion date: Feb 2027
1.2	Finalise and launch Listening Better Toolkit	Simon Howson	Sept 2026 (Original March 2025)		There has been a delay in progressing the guidance which builds on our existing approaches to engagement owing to staff vacancies and available resources. This work will be completed by September 2026

No.	Action	Responsible	Target date	RAG	Progress updates
1.3	Work in partnership with the police and other partners to tackle serious violence, anti-social behaviour domestic abuse and hate crime.	Sandra Tuddenham	Ongoing		• Annual Audit of crime & disorder undertaken, the subsequent Strategy and Action Plan 2025-26 was published. • ASB Grip patrols (outside of core patrols) in response to a Grant funded opportunity. The Grip Patrols were subject to an extension from July 2025 to March 2026. A new diarised partnership Summer Campaign is in place (running May to September 2026) in relation to the management of ASB in open spaces, this is planned, minus further grant fund opportunity. • Successful grant fund application of £37k for 2025/2026, providing intervention and diversion to individuals 12 – 25yrs who are demonstrating risk factors related to ASB, Offending and/or Homelessness. • The delivery of Violence Against Women and Girls (VAWG) and Stalking Strategies/Action Plans for 2025-26. • Completed – the CS Team supported local and National awareness raising campaigns related to Domestic Abuse, Stalking and Hate Crime. This is in collaboration with external partners i.e. Women's Services, Hampshire Constabulary.
1.4	Put in place processes to collect more data on the protected characteristics of our service users, including on complaints data where possible.	Simon Howson Steve Lincoln	Ongoing		This work is ongoing and wherever possible processes are being put in place to collect equality data. Further work is underway to update our online complaints form to collect equality data voluntarily from complainants.

No.	Action	Responsible	Target date	RAG	Progress updates
1.5	Development of Community Action Programmes for our most deprived local areas and communities, co-produced with local people and including a review of the social determinants of health.	Steve Lincoln	March 2026		The council's Health Priorities Statement was approved in 2025, recognising the key factors contributing to health inequalities in our more deprived communities. Initial focus on Stanmore, as the district's community with the greatest overall level of deprivation. A range of activities has been undertaken at community settings in Stanmore, including: • Stanmore Community Network to improve joined up working amongst agencies. • School holiday sports programmes for children. • Live longer better programme for older people. • Work with key community partners to increase volunteering levels.
Objective 2: Leadership, partnership and organisational commitment					
2.1	Develop an internal EDI Officer Group to agree and deliver this action plan and provide a forum for raising any cross-service issues.	Simon Howson	December 2024	Complete	A cross-service officer subgroup has reviewed the Equality, Diversity and Inclusion Action Plan for Responsive Services and Customer Care, identifying strong examples of effective service-level activity across the council. Building on this, work is recommended to further enhance the framework by introducing clearer organisation-wide principles and expectations for inclusive service delivery. These will provide clear guidance to teams on accessibility, inclusive communication, and responding to diverse customer needs
2.2	Develop guidance for officers on using inclusive	Simon Howson/ Jade Mizen	March 2025	Complete	Guidance given to senior managers and service leads.

No.	Action	Responsible	Target date	RAG	Progress updates
	language, including training opportunities.				
2.3	Continue to work with the Winchester Social Inclusion Partnership.	Melissa Fletcher	Ongoing		The Social Inclusion Partnership is now renamed the Community Inclusion and Networking Partnership, being run quarterly last meeting in February 2026, next in person meeting 8 July 2026
2.4	Equality training opportunities for members	David Blakemore/ Simon Howson	Ongoing		All Councillors are required to complete a suite of online compliance training modules, including on “The Importance of Equality, Diversity & Inclusion”. As of the end of June 2026, 29 councillors had successfully completed this module, with a further 16 registered but still to complete.
Objective 3: Responsive services and customer care					
3.1	Develop and deliver internal training on understanding and completing equality impact assessments.	Simon Howson	January 2025		Following successful training sessions held in 2025, the training presentation slides are available to all staff, with further training available on request. The EDI officer group will commence reviewing EqIA in the autumn.
3.2	Review our Procurement Policy and processes to ensure equality standards are embedded.	Patrick Tuite	September 2026 (Original - September 2025)		Stock wording to be provided within all refreshed Procurement Templates. All tenders issued by the Procurement team will feature Public Sector Equality Duty drafting, all other templates will feature the wording as and when they are updated

No.	Action	Responsible	Target date	RAG	Progress updates
3.3	Provide guidance and advice to Corporate Heads of Service on integrating equality objectives into their 2025-26 service plans.	Simon Howson	January 2025	Complete	Actions in service plans are aligned to the Council Plan priorities, which include the priority to be a Listening and Learning council.
3.4	Implement a set of equality questions into our grant application process.	Jane Chuhan	Spring 2025	Complete	New EDI questions implemented for new grant applicants from March 2025.
3.5	Continued support for the City of Sanctuary movement and for refugees to our district.	Melissa Fletcher	Ongoing		Project ongoing. We are continuing to encourage organisations to join the scheme. EDI training and resource guide available to those who join the organisations who join the scheme.
3.6	Provide opportunities for disadvantaged groups to be involved with physical activities and sports. This includes priority work with young people in areas of high deprivation, adults with learning and physical disabilities, and older people.	Calum Drummond	Ongoing		• WCC's sports coaching provider (ActiveMe 360) continue to provide regular physical activity and sport sessions to disadvantaged groups, with focus on: - Stanmore - Wickham - Winnall - All Saints - Weeke • A cricket festival is set to take place on Friday 17 July 2026 bringing together schools to celebrate the opening of the new River Park Pavilion. • AM360 also provide sports activities during February, October and May half term to children within disadvantaged communities. In October

No.	Action	Responsible	Target date	RAG	Progress updates
					2025 we had 92 children, February 2026 we had 101 and in May we had 63. • WCC work in partnership with Everyone Active and the University of Winchester to organise a day of sports activities to adults with physical and learning disabilities which takes every September at the Winchester Sport & Leisure Park. This year, the event is set to take place on Thursday 3 September 2026. • Regular weekly community Live Longer Better classes take place in Stanmore (Carroll Centre), Wickham, Weeke and in Chesil Lodge for adults over 65. So far, we have engaged with over 200 adults.
3.7	To develop a Live Longer Better Programme within sheltered housing schemes to provide opportunities for tenants aged 65+ to be more active.	Calum Drummond	Ongoing (Original August 2026)		• Live Longer Better programmes completed in four Winchester care homes (Winchester Heights, Brendon Care, Westacre and The Dower House). Equipment was provided at the end of the 4-month programme to embed continued physical activity. • Regular weekly balance and dance classes take place at Eastacre, Normandy Court, Hyde Lodge and King Harold Court.
3.8	Targeted support and assistance for Ukrainian guests living in the district under the Homes for Ukraine programme.	Melissa Fletcher	September 2027 (Original September 2026)		Providing a programme of support which includes: • Employment support • Qualification comparisons • Integration support: housing/communities – resettlement, cultural, enabling access to services,

No.	Action	Responsible	Target date	RAG	Progress updates
					building links with HCC, supporting hosts and enabling Ukrainians to live independently
3.9	Continuation of a targeted cost of living programme both directly and via the voluntary sector and local charities, including Council Tax hardship grants.	Simon Howson	Ongoing		Working with partners, the council continues to provide information and signposting to residents who need help with the cost of living.
Objective 4: Diverse and engaged workforce					
4.1	Refresh our Learning and Development Policy to improve consistency in access to training for all employees.	Jamie Cann	March 2026	Complete	HR reports on progress against the Learning and Development Plan annually to Audit and Governance Committee
4.2	Review Disability Confident status for the organisation.	Jamie Cann	March 2027		HR have completed an initial assessment which confirms the council complies with the “Disability Confident Committed employer” standard (Level 1) and work is ongoing to identify what needs to be completed to achieve Level 2 recognition
4.3	Trial numerical, clerical and literacy aptitude tests for recruitment to lower graded posts (adjusted for neurodiverse applicants).	Jamie Cann	March 2026	Closed – not continued	Since the action plan was developed, the Service Lead: HR has determined that given the HR implications of LGR, this action is no longer an organisational priority. In addition, our recruitment policy states our commitment to make reasonable adjustments to enable people to participate fully in the

No.	Action	Responsible	Target date	RAG	Progress updates
					recruitment process. This action is no longer being progressed
4.4	To promote the council as a Dementia Friendly employer using training and communication campaigns.	Jamie Cann	Ongoing		E-learning is available for all staff and members. The Communities team recently hosted a “Dementia Awareness Bus” to promote awareness of dementia within the community
4.5	To provide appropriate mental health training for frontline employees and managers, organise refresher training for mental health first aiders, and provide a range of wellbeing focussed initiatives including short workshops around national events.	Jamie Cann	Ongoing (Original March 2026)		Subsequent to the training of four new mental health first aiders trained to provide resilience across the council, HR continue to work with the Change Enablement Lead to scope work to increase resilience and provide refresher training for managers to support colleagues through change
4.6	To consider establishing staff-led equality networks for employees.	Jamie Cann	Ongoing (Original September 2025)		We have already established four employee led ‘staff identify’ network groups - Christian Network, Women’s Network, Carer’s Network and Disability Network. Further groups may be added based on staff interest

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AG189
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2025/26

16 JULY 2026

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

This report sets out the annual governance statement for 2025/26 and the actions that will be undertaken during the coming year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit and Governance Committee approve the annual governance statement for 2025/26 as set out in Appendix 1 for inclusion in the Annual Financial Report 2025/26.

2. That the issues arising, and actions identified in Appendix 1 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.

IMPLICATIONS:

1. COUNCIL PLAN OUTCOME

The annual governance statement is a statutory document and integral to the governance framework at the council that supports the achievement of the outcomes included in the Council Plan 2025-30.

2 FINANCIAL IMPLICATIONS

There are no direct financial implications. Where further work is required to respond to the issues identified, any additional financial resources required to implement identified improvements will be raised separately or through the budget process.

3 LEGAL AND PROCUREMENT IMPLICATIONS

The annual governance statement is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively. Local authorities in the UK are required to prepare the statement in accordance with proper practices. The council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework which is still the most current documentation in this area.

In May 2025 CIPFA issued an addendum to the guidance for councils when undertaking their annual review of governance and the preparation of the annual governance statement

The necessity to confirm with these regulations and the governance framework is recognised accurately in this report.

There are no legal and procurement implications arising directly in this report. Where further work is required to respond to the issues identified these will be subject to review by Legal Services and Procurement and will require consideration of the council's Contract Procedure Rules and The Procurement Act 2023 (PA23) and governance where required.

4 WORKFORCE IMPLICATIONS

There are no direct 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

The report has been reviewed by the Executive Leadership Board and Statutory Officers. The council's internal audit team at Southern Internal

Partnership were consulted on the draft AGS and their comments incorporated.

The Leader, Deputy Leader and Cabinet Member for Finance and Transformation and Cabinet Member for Healthy Communities have also been consulted on the draft annual governance statement.

7 ENVIRONMENTAL CONSIDERATIONS

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

8 PUBLIC SECTOR EQUALITY DUTY

None arising from the content of the report, although 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 arising from the action plan.

9 DATA PROTECTION IMPACT ASSESSMENT

There are no data protection impact assessments required.

10 RISK MANAGEMENT

Risk	**Mitigation**	**Opportunities**
Financial Exposure - none	n/a	n/a
Exposure to challenge	The annual governance statement (AGS) is a statutory document required by the regulation of the Accounts and Audit Regulations 2015.	The annual review of the effectiveness of the system of internal control supports the council to identify and correct control weaknesses.
Innovation – none	n/a	n/a
Reputation	The preparation and publication of the AGS is a fundamental element of the council's governance framework.	Having a robust AGS and governance framework provides the assurance that the council is delivering good governance.
Achievement of outcome - none	n/a	n/a
Property - none	n/a	n/a
Community Support - none	n/a	n/a
Timescales - none	n/a	n/a

Project capacity - none	n/a	n/a
Other - none	n/a	n/a
Financial Exposure - none	n/a	n/a
Local Government Reorganisation	Robust governance arrangements are in place with regular monitoring and reporting.	Reset arrangements leading to improved strategic oversight of governance

11 SUPPORTING INFORMATION:

The council's constitution delegates responsibility to the Audit and Governance Committee to approve the annual governance statement (AGS) taking into account the opinion of Internal Audit on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

This report presents the AGS for the year 2025/26 for consideration by the committee.

The AGS is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively.

This AGS provides assurance to the council and its stakeholders that good governance procedures and requirements are in place and has been produced following a review of the governance arrangements by Corporate Heads of Service and Service Leads. The AGS includes an action plan to address any significant governance issues that have been identified.

The AGS must be prepared in accordance with established proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework, the most up to date guidance in this area.

In May 2025, CIPFA published "Delivering Good Governance in Local Government: addendum" which covers both the annual review of governance (to support the Local Code) and the annual governance statement. The Addendum supplements the CIPFA/SOLACE Delivering Good Governance Framework (2016) and applied to UK local government statements from 2025/26 onwards.

A key element of the Addendum is that authorities should review the effectiveness of their governance each year, to fulfil the requirements of both the regulations applicable to their authority and the Code of Practice on Local Authority Accounting in the United Kingdom.

The annual review of governance arrangements across the council was completed by Corporate Heads of Service and Service Leads during April and May 2026.

In preparing the 2025/26 AGS, the S151 officer has reviewed the CIPFA Financial Management Code 2019 (FM Code) which sets out the principles of

sound financial management; introduces an overarching framework of assurance; and sets out standards to ensure a local authority is financially sustainable. The council's governance arrangements for budgeting; the accounts; financial decision making; and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the FM Code.

The AGS is a valuable means of communication. It enables the council to explain to its residents, service users, council taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure to deliver its outcomes and priorities.

The following issues were included in the previous year's AGS for addressing during 2025/26, with progress updates included in the quarterly governance monitoring report reviewed by this committee.

- **Regulator of Social Housing Consumer Standards for Landlords**

  Following self-referral to the Regulator of Social Housing a Regulator Judgement was issued that found serious failings in how the council is delivering the outcomes of the consumer standards in relation to the Safety and Quality Standard and the Transparency, Influence and Accountability Standard.

  Actions relating to Regulator of Social Housing Consumer Standards for Landlords have been progressed during the year with key compliance policies updated and adopted by Cabinet Committee (Housing). A robust policy, procedures and guidelines framework for all housing policies with oversight at a senior management level, Board and Cabinet where this is required. Tenants are given opportunities to review and provide feedback on policies through this framework.

- **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.

  The LGR Transition Plan for the council to be unitary ready focusses on delivery of council priorities over the next two years, ensuring service stability and driving continuous improvement building on the success of our transformation plan. Preparation of our systems, processes and services for a smooth transition and continuing our digital transformation journey.

  The council will continue to use existing governance arrangements until Vesting Day, and it is proposed that Local Government Reorganisation be removed from the issues for the 2025/26 Annual Governance Statement.

Further information against each of the actions in the AGS action plan 2024/25 are available in the Quarter 4 Governance Monitoring Report (Appendix 1, Report AG188 refers).

Following a review of the completed statements of assurance, the issues that have been identified as requiring consideration and action during 2026/27 are:

- **Regulator of Social Housing Consumer Standards for Landlords**

  Following self-referral to the Regulator of Social Housing a Regulator Judgement was issued that found serious failings in how the council is delivering the outcomes of the consumer standards in relation to the Safety and Quality Standard and the Transparency, Influence and Accountability Standard.

- **Review and update of policies, processes and procedures** – material weaknesses in governance, control and oversight were identified during several internal audit reviews completed across the year resulting in either no or limited assurance. These weaknesses are compounded by outdated guidance, incomplete record keeping and insufficient monitoring.

  The internal reviews that received limited assurance opinion were:

  - Clean Streets Enforcement and Fly-Tipping
  - Building Control – QMS Framework
  - Cyber Security – Thrive Actions Implementation
  - Human Resources – Use of Agency Staff and Consultants

  There was one internal audit review that concluded with no assurance and refers to the following:

  - Housing Asset Management – Repairs and Maintenance

  Action plans are in place and activities progressing well to address the identified weaknesses during each of these audit reviews and progress will be monitored and reported throughout 2026/27 to this Committee in the quarterly governance monitoring report. All management actions responding to the weaknesses identified during the audit reviews of Clean Streets Enforcement and Fly-Tipping and Cyber Security – Thrive Actions Implementation were completed before 31 March 2026 and therefore no requirement to include relevant actions from these audits in the Annual Governance Statement Action Plan at Appendix 2.

It is proposed that the two issues highlighted above be included in the AGS 2025/26 which is attached as appendix 1 to this report.

A plan that sets out the actions to address these issues is included in Appendix 2 and progress against these will be included in future quarterly governance monitoring reports.

12 OTHER OPTIONS CONSIDERED AND REJECTED

As a statutory requirement no other options have been considered.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG162 – Annual Governance Statement 2024/25

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Annual Governance Statement 2025/26

Appendix 2 Annual Governance Statement 2025/26 Action Plan

ANNUAL GOVERNANCE STATEMENT 2025/26

1. Executive Summary

1.1 Good governance is about operating properly. It is how the council shows that it is taking decision for the good of its residents, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness, and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the council would find it difficult to operate services successfully.

1.2 This annual governance statement has been prepared in accordance with statutory regulations and is consistent with the principles of good governance set out in the Delivering Good Governance in Local Government: Framework (Governance Framework). This statement includes the result of a review of the effectiveness of our internal control and provides assurance on whether the council's governance arrangements are fit for purpose.

1.3 During the year, the council has maintained a sound system of internal control, supported by a well-established risk management framework, strong financial management, and clear decision-making processes.

1.4 The council has shown strong financial stewardship demonstrating resilience by setting a balanced budget for 2026/27 against the ongoing financial pressures and service demands. The focus has been maintained on delivery against priorities in the Council Plan 2025-30 while preparing for Local Government Reorganisation.

1.5 Where areas for improvement have been identified, targeted action plans have been developed and are subject to regular monitoring by the Senior Leadership Team.

1.6 We have discussed with the Chief Internal Auditor who has confirmed, based upon the work completed to date the Annual Internal Audit Conclusion for 2025/26 on the adequacy and effectiveness of the internal control environment, is that the council's framework of governance, risk management and control are reasonable, and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, the auditor has worked with management to agree appropriate corrective actions and a timescale for improvement.

1.7 The auditor's Annual Internal Audit Conclusion 2025/26 (report AG187 refers) will be considered by members of Audit & Governance Committee at its meeting on 16 July 2026.

1.8 The council is satisfied that its governance arrangements remain fit for purpose and that it is in a good position to continue to meet current and future challenges.

2. Scope of Responsibility

2.1 Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. Winchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

2.2 In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016.*

2.4 This governance statement explains how Winchester City Council has complied throughout 2025/26 with the council's adopted code and meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice.

3. The purpose of the governance framework

3.1 The purpose of the governance framework is to ensure that the council directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes ensuring they work effectively. It works with the council's Performance Management Framework to ensure that the council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Winchester City Council's policies aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at Winchester City Council for the financial year ended 31 March 2026 and remains in place up to the date of approval of the Statement of Accounts.

4. The principles of good governance

4.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values.

Principle 2 – Ensuring openness and comprehensive stakeholder engagement.

Principle 3 – Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 – Managing risks and performance through robust internal control and strong public financial management.

Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

4.2 Winchester City Council's Local Code of Corporate Governance, approved by the Audit & Governance Committee at its meeting on 5 March 2026, sets out and describes the council's commitment to corporate governance and identifies the arrangements that have been made to ensure the effective implementation and application in all aspects of the council's work. Aligned to each of the principles is evidence of how the council complies with the requirements of each of the principles.

5. Methodology for preparing the Annual Governance Statement.

5.1 The annual governance statement has been prepared using a process similar to that used in previous years, including.

- Service leads completing a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.
- An internal control checklist is provided to Service Leads to support the completion of their statement of assurance. The checklist requires the manager to self-assess the arrangements in their team against several criteria including risk and performance management, financial control, and staffing.
- Review of the completed statements of assurance by the S151 Officer, Monitoring Officer and Senior Policy and Performance Manager to identify the significant governance issues to be included in the Annual Governance Statement.

- Review of the Annual Internal Audit Conclusion 2025/26 report and quarterly internal audit progress reports.
- Audit and Governance Committee review the draft governance statement at its meeting in early summer and considers whether it accurately reflects the council's internal control environment, before approving.
- Once approved the governance statement is signed by the Chief Executive and Leader of the council.

6. The Governance Framework

6.1 There are several key elements to the systems and processes that comprise the council's governance arrangements and these are underpinned by the core principles of good governance which are: -

- Focusing on the purpose of the council and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

6.2 The council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by Full Council. It documents the role and responsibilities of Cabinet, each committee and members and officers. The council has approved a protocol governing relationships between members and officers as part of its constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

6.3 The council's constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All cabinet /committee agendas, minutes and cabinet member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.

6.4 The Scrutiny Committee and Audit and Governance Committee hold cabinet members to account for delivery of the council's policy framework within the

agreed budget, and protocols are in place for any departure from this to be properly examined.

6.5 The council engages with its communities through several channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.

6.6 The Council Plan 2025-30 was adopted at Council on 15 January 2025 and sets out what the council wants to achieve and informs other strategies and plans including the Local Plan and individual service plans. A range of consultation and engagement took place during 2024 in support of developing the new Council Plan and included businesses, members, council staff and parish councils. A district wide residents' survey was undertaken to better understand the opinions and views of our residents The results from the survey will provide valuable evidence that will be used to support the shaping of the priorities and objectives to be included in the next Council Plan

6.7 The Council Plan is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in more detailed business plans which are drawn up by teams across the council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.

6.8 Progress against the Council Plan priorities and budgets is monitored regularly by Executive Leadership Board and members of the cabinet. The Scrutiny Committee reviews and scrutinises the performance of the council in relation to policy objectives and performance targets, focusing on delivery of key projects and programmes of work that deliver the priorities in the Council Plan, drawing attention to other areas where progress is exceeding, or falling short of targets. Members of cabinet also monitor progress in delivery.

6.9 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from internal audit reports.

6.10 The council publishes annually a financial report (incorporating the Statement of Accounts) within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

6.11 The council is subject to independent audit by Ernst and Young and receives an annual audit letter reporting on findings. The council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit and Governance Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities.*

6.12 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 13 March, report CAB3548 refers) which also includes a Risk Appetite Statement and is reviewed annually.

7. Our assessment of effectiveness

7.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.

7.2 Mandatory awareness training for all staff has been undertaken to ensure the council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act 2000 requirements.

7.3 The council has appointed the Director of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the Section 151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Director of Finance has a direct reporting line to the Chief Executive for matters concerning the statutory officer role and attends Executive Leadership Team.

7.4 The council has appointed the Director (Legal) as the statutory "Monitoring Officer" and has procedures to ensure that he is aware of any issues which may have legal implications.

7.5 All cabinet reports are reviewed by the S151 Officer and Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan priorities and highlight resource implications. Report authors are also asked to draw out risk, equality, environmental, management and legal and procurement considerations as required. Similar procedures are in place for the scrutiny and regulatory committees.

7.6 The council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The council's Audit and Governance Standards Sub-Committee considers investigation reports in respect of Code of Conduct complaints that are referred to it by the Monitoring Officer.

7.7 Members' induction training is undertaken after each district election. Members also receive regular briefings and training on developments in local government.

7.8 In July 2024, an LGA Peer Challenge took place, where the review explored several core themes, including the council's organisational and place leadership, governance and culture, financial planning and management and capacity for improvement. Following the review the Peer Team's view was that strong governance is in place at the council.

7.9 The Chief Internal Auditor in his Annual Internal Audit Conclusion 2025/26 has shown that he is satisfied that sufficient assurance and advisory work have been carried out to allow him to form a conclusion on the adequacy and effectiveness of the internal control environment. It is the opinion of the Chief Internal Auditor that the framework of governance, risk management and

control are ‘reasonable’, and audit testing has demonstrated controls to be working in practice.

7.10 Where weaknesses have been identified through internal audit review, internal audit has worked with management to agree appropriate corrective actions and a timescale for improvement.

8. How we have improved our governance arrangements in 2025/26

8.1 Following the C3 judgement by the Regulator for Social Housing in March 2025, significant governance enhancements have been implemented to strengthen oversight, transparency and service performance.

These enhancements include:

- **Enhanced Regulatory Oversight** through regular meetings with the Regulator for Social Housing to monitor progress against the housing compliance improvement plan. Reflecting strong progress and improved service delivery, these have been transitioned to bimonthly meetings from Spring 2026

- **Strengthened officer and Member Scrutiny** via regular report updates to Programme and Capital (PAC) Board, TACT Board meetings, including tenant members and quarterly progress reports submitted to Cabinet Committee Housing.

- **Improved Performance Monitoring**, both senior management and the Portfolio Holder for Good Homes receive monthly service performance scorecards. Service performance is published monthly on the council’s website and highlighted in tenant communications, reinforcing transparency.

- **System and Reporting Enhancements**, implementation of the True Compliance system is improving data-driven reporting across the “Big 6” compliance areas along with strengthened internal controls for data management.

- **Robust Policy and Governance Framework.** A comprehensive policies, procedures and guidelines (PPG) framework has been introduced, with clear governance approval processes and embedded tenant scrutiny.

Overall, these improvements demonstrate a more structured, transparent, and accountable governance framework, with stronger regulatory engagement, enhanced tenant involvement, and more reliable performance reporting.

8.2 The council has adopted the CIPFA model terms of reference for Audit Committees and produced an annual report of the Audit and Governance Committee setting out a factual review of the committee’s work during the 2025/26 municipal year.

8.3 The year also saw changes to the internal audit reporting arrangements as a result of the of the new Global Internal Audit Standards which came into force from 1 April 2025. Internal audit arrangements are in conformance with the Global Internal Audit Standards in the UK public sector (GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit.

8.4 In May 2025, CIPFA introduced an addendum to the Delivering Good Governance in Local Government Framework covering the annual review of governance and the annual governance statement. The updated guidance would apply to governance statements for 2025/26 onwards. The council refreshed its statement of assurance template completed by senior managers to conduct their annual review of the effectiveness of governance in their service area. The scope of the annual review was broadened to assess how effective their arrangements meet the principles of good governance, if and how improvements had been made during the previous year and improvements that would be undertaken during the coming year.

8.5 An improvement plan has been developed to address the weaknesses and non-compliance relating to housing asset repairs and maintenance following an internal audit earlier in the year. Progress of the corrective actions is reported and monitored regularly by the officer Programme and Capital (PAC) Board.

9. Where our governance needs to improve

9.1 Set out below are the significant governance issues that have been identified that will require consideration and action as appropriate over the coming year:

- **Regulator of Social Housing Consumer Standards for Landlords**

  Following self-referral to the Regulator of Social Housing, a Regulator Judgment was issued that found serious failings in how the council is delivering the outcomes of the consumer standards in relation to the Safety and Quality Standard and the Transparency, Influence and Accountability Standard.

- **Review and update of policies, processes and procedures** – material weaknesses in governance, control and oversight across several internal audit reviews completed during the year resulting in either no or limited assurance. These weaknesses are compounded by outdated guidance, incomplete record keeping and insufficient monitoring.

9.2 During 2025/26 there have been a higher-than-usual number of internal audit reviews have concluded with limited assurance opinions with a further audit of Housing Asset Management – Repairs and Maintenance concluding with no assurance opinion.

9.3 The service areas where a limited assurance opinion was issued were:

  - Clean Streets Enforcement and Fly-Tipping

- Building Control – QMS Framework
- Cyber Security – Thrive Actions Implementation
- Human Resources – Use of Agency Staff and Consultants

9.4 The areas of weakness identified during the audit reviews can be categorised as falling within the following themes; outdated policies, processes and procedures and competencies and training.

9.5 An action plan is attached to this Statement and summarises the corrective actions to be undertaken during the next 12 months that address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

10. Forward look on governance

10.1 Local Government Reorganisation presents a significant structural change to local government and this council. As we prepare for the new council in 2028, we recognise the transition will have a substantial impact on the organisation and we will remain focussed on maintaining the robust governance arrangements that we have.

10.2 Working with the Corporate Head of Housing, we are strengthening further the governance oversight for Housing Services by introducing a Housing Assurance Board with key stakeholders. This is recognised as best practice across the social housing sector to inform governance and assurance.

10.3 We will also be improving our systems and data management in Housing Services through the implementation of new IT systems. Improved data management we are aiming to deliver real time performance dashboards.

10.4 We propose, over the coming year, to take steps to address the issues highlighted in this annual governance statement to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:	Signed:
Laura Taylor	Councillor M. Tod
Chief Executive	Leader of the Council
Winchester City Council	Winchester City Council
Dated:	Dated

Annual Governance Statement 2025/26 – Action Plan

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
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	Develop and adopt policies that support the council's statutory responsibilities, protect public housing assets and promote fair access to social housing.	Karen Thorburn	To follow	Results of Housing Quality Network (HWN) Mock Inspection (June 2026). Completion of data validation reconciliation process Adopted policies and procedures required by Regulator Continued engagement with tenants and residents Completion of stock condition programme
2	Positive response to significant gaps, weaknesses or non-compliance relating to outdated policies, processes and procedures as well as competencies and training identified during internal audit reviews that	Deliver actions in the Housing Asset Management – Repairs and Maintenance Action Plan that address the issues identified within the audit	Karen Thorburn	August 2026	Completion of the Repairs and Maintenance Action Plan leading to new repairs and maintenance contract commencing in August 2026.
		Building Control QMS – implement a structured improvement plan to address noncompliance, strengthen governance and improve service performance	David Ingram	Ongoing	Positive conclusion to the LABC QMS annual management review meeting that will evaluate performance indicators, compliance, feedback and complaints, audit results and resource allocation.

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
	led to No or Limited Assurance opinions	Human Resources – Use of Agency Staff	Manjit Sandhu	31 December 2026	Updated policy for engaging agency staff, with attached template and guidance for staff to follow, ensuring consistency and compliance.