

AUDIT COMMITTEE

Tuesday, 4 February 2025

6.00 pm

Committee Room 1, City Hall

Membership:	Councillors Emily Wood (Chair), Calum Watt (Vice-Chair), Annie Currier, Thomas Dyer, Gary Hewson, Callum Roper and Clare Smalley
Substitute member(s):	Councillors Pat Vaughan and Aiden Wells
Independent Members:	Jane Nellist and Dave Carter
Officers attending:	Sally Brooks, Democratic Services, Jaclyn Gibson, Zlati Kalchev, Amanda Stanislawski

A G E N D A

PLEASE NOTE THERE WILL BE A MEMBER DEVELOPMENT SESSION ON TREASURY MANAGEMENT AT 5PM DIRECTLY BEFORE THE COMMITTEE

SECTION A	Page(s)
1. Confirmation of Minutes - 10 December 2024	3 - 14
2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
3. Procurement Act 2023 & Contract Procedure Rules	15 - 84
4. Annual Governance Statement Monitoring	85 - 90
5. Prudential Indicators 2024/25 to 2027/28 and Treasury Management Strategy 2025/26	91 - 182
6. Internal Audit Progress Report	183 - 198
7. Audit Committee Work Programme 2024/25	199 - 212

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Present:	Councillor Emily Wood (<i>in the Chair</i>)
Councillors:	Annie Currier, Thomas Dyer, Gary Hewson, Callum Roper, Calum Watt and Aiden Wells
Independent Member:	Dave Carter and Jane Nellist
Apologies for Absence:	Councillor Clare Smalley

31. Confirmation of Minutes - 23 September 2024

RESOLVED that the minutes of the meeting held on 23 September 2024 be confirmed and signed by the Chair as a true record.

32. Declarations of Interest

No declarations of interest were received.

33. Procurement Act 2023 & Contract Procedure Rules

RESOLVED that due to staff illness, the agenda item titled 'Procurement Act 2023 & Contract Procedure Rules' be deferred to the next meeting of the Audit Committee, scheduled for 4 February 2025.

34. Annual Complaints Performance and Service Improvement Report 2023-2024

Joanne Crookes, Customer Services Manager:

- a) presented the annual complaints report which included reference to the Annual Review of Local Authority Complaints issued by the Local Government and Social Care Ombudsman (LGSCO), and details of the decisions of the Housing Ombudsman
- b) reported also on the overall number of complaints received by the Council including response times and percentage of complaints upheld on a directorate basis for the full year 2023-24
- c) highlighted the background to the council's complaints procedure at paragraph 2 of the report
- d) advised that the Housing Ombudsman had published a Complaint Handling Code, details of which were contained at paragraph 2.3 of the report
- e) explained that as a result of the guidance, and in consultation with the Resident Involvement Panel, new time targets for handling complaints had been introduced:
 - Initial acknowledgment within 5 days
 - Level 1 complaints to be responded to within 10 working days
 - Level 2 complaints to be resolved within 20 working days.

- f) reported that the number of complaints received over the year had slightly decreased over the peak on the previous year. There were some council services that had suspended their operations for several months, in year 2020-2021 which would have reduced the potential for something to go wrong in that time and consequently kept complaints low
- g) further detailed the breakdown of directorate complaints at paragraph 4 of the report
- h) highlighted that of the 418 complaints responded to in 2023-2024, 50% (211) were upheld, this was inline with 55% upheld last year
- i) referred to paragraph 5 of the report and detailed the complaints that were investigated by LGSCO
- j) referred to paragraph 6 and gave an overview of the two complaints that were investigated and upheld by the Housing Ombudsman Service
- k) highlighted the trend in complaints as detailed at paragraph 7 of the report
- l) highlighted the number of compliments received from members of the public acknowledging professionalism of staff across all service areas
- m) invited questions and comments from members of the Committee.

Members discussed the content of the report, commented, asked questions and received relevant responses from officers as follows:

Comment: The report had previously been presented to Performance Scrutiny Committee and Housing Scrutiny Sub-Committee. Given that housing was now being measured by an outside body, additional complaints were expected and welcomed and would ensure that the service expected was being provided. An increased number of complaints was not negative provided they could be resolved.

Response: Complaint response times were important and it was essential that complaints were responded to in a timely manner.

Comment: A split within the Housing Management Team to include an Anti-Social Behaviour Officer and an officer responsible for Rents would be positive.

Question: Reference was made to the breakdown of complaints at paragraph 4.2 of the report. Could a definition of 'Community Services' be provided?

Response: Community Services included the bins and street scene team.

Question: Reference was made to level 1 and level 2 complaints at paragraph 2.5 of the report. Could an explanation be provided of the different levels of complaints?

Response: A level 1 complaint was the initial complaint received from a customer. If the response to the initial complaint was not acceptable and challenged by the customer, the complaint would be escalated to a level 2.

Question: Reference was made to the average complaint response time at paragraph 3.3 of the report. The average response time had decreased from 70% in 2022/23 to 67% in 2023/24. What was the reason for the decrease?

Response: The percentages quoted referred to responses provided within the timescales for complaint handling which reflected the recommended response times

within the Complaint Handling Code. The difference was the number of complaints that had not been responded to within the expected time.

RESOLVED that the content of the 2023-2024 complaints report be noted with thanks.

(Note: Joanne Crookes left the meeting at this point in proceedings)

35. **External Audit - Annual Auditor's Report 2023/24**

The External Auditor:

a) presented the Annual Auditors report for 2023/24 as attached at Appendix A and provided details of the following key areas:

- Audit of the Financial Statements
- Value for Money
- Financial Sustainability
- Governance
- Improving Economy, Efficiency and Effectiveness

b) invited questions and comments from members of the Committee.

Members discussed the content of the report, commented, asked questions and received relevant responses from officers as follows:

Comment: Thanks were given for a brilliant report, it was great to see that there were no significant risks. Thanks were offered to the finance team for the hard work.

Question: Thanks were given for the report. Was the impact of the Government's changes to employer national insurance (NI) contributions known? The finance settlement had not yet been received however there was some indication that upper tier districts would not have to pay and the impact on third party contracts was also unknown. What level of assumed risk was posed to the authority?

Response: The report covered the financial year 2023/24. Consideration of the detailed risk would take place at a later date, further to the financial settlement which was expected prior to Christmas. Given the Council's level of reserves and based on the information provided by officers, judgement was reserved at this stage. Although there were risks on the horizon, there was confidence in the arrangements that had been in place for 2023/24 to manage any risk.

Question: How much additional expenditure would the Government's changes incur the Council?

Response: An updated report was presented to Executive on 18 November 2024. The approximate figures were £350K for the General Funds Account and £215K for the Housing Revenue Account. Councils would be compensated but until the finance settlement was released, accurate figures remained unknown. Compensation was anticipated through grant funding.

Comment: Thanks were offered to Rashpal Khangura for his report which was a positive reflection on how the City of Lincoln Council was run and scrutinised by its members. The hard work began from the Chief Executive down to all officers.

RESOLVED that the Annual Auditors Report 2023/24 be noted with thanks.

36. **External Audit: Audit Completion Report 2023/24**

The Council's external auditors presented the Audit Completion Report which summarised the findings from the 2023/24 audit.

The external auditor's work on the financial statements was substantially complete and, subject to satisfactory conclusion of any outstanding work, they would propose issuing an unqualified audit opinion without modification. As part of the audit, the internal controls in place relevant to the preparation of the financial statements had been considered, as a result of this work a number of recommendations were made around internal controls that management made comment on. Further details were contained in page 20-31 of the auditor's report.

In relation to misstatements in the accounts, there were four misstatements above the threshold of £100k, of these two misstatements had been amended in the final version of the Statement of Accounts. The unadjusted misstatements related to a valuation of a Council property that was deemed "optimistic" and the treatment of a historic transaction agreed by the Council's previous auditors.

A full amended copy of The Statement of Accounts was included within the agenda for this meeting at item 7.

It was reported that the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money' were yet to be completed. At the time of preparing this report, no significant weaknesses in arrangements, that required a recommendation to be made had been identified.

As part of presenting this item, the external auditors took the Committee through each page of the report and highlighted any key issues, particularly with regard to:

- Audit Findings
- Key Changes to the audit plan
- Significant risks and other audit risks
- Audit risks and the audit approach
- Key accounting estimates and management judgements – overview
- Value for money

Members discussed the content of the report, commented, asked questions and received relevant responses as follows:

Question: Reference was made to the unadjusted misstatement which related to the valuation of a Council property that was deemed "optimistic" and the treatment of a historic transaction agreed by the Council's previous auditors. Why did the valuation for the investment property differ so much? Previous external auditors had agreed with the valuations.

Response: The audit was a first-year audit. External auditors used their own valuation specialist who felt the yields used on the property, based on type and location, was slightly optimistic. When fed into the calculation, it came out at approximately £300K. Valuation specialists had access to the latest data and possibly a better range of data whereas internal valuers may not have the same access to live data. Subject to variants, numbers of such size were almost expected to see a difference. When accounts were considered, evidence of benchmarking was required to ensure happiness with the yield used.

Comment: Rashpal Khangura, KPMG requested his thanks and support to the finance team and other Council officers, be formally recorded for the work and communication that had taken place.

RESOLVED that:

- 1) The Financial Statements be recommended to Executive and subsequent referral to Council for approval.
- 2) The draft letter of representation on behalf of the Council be approved, before the external auditors issue an opinion, conclusion and certificate, and that any further amendments to the letter, should any additional issues be raised by the external auditors be delegated to the Chief Finance Officer and Chair of the Audit Committee, with any changes reported back to the Audit Committee.

37. Statement of Accounts 2023/24

Jaclyn Gibson, Chief Finance Officer:

- a) presented the Statement of Accounts for the financial year ended 31 March 2024, following substantial completion of the audit opinion
- b) reported that the Statement of Accounts for 2023/24 provided a comprehensive picture of the Council's financial circumstances and were compiled to demonstrate probity and stewardship of public funds
- c) reported that the Council was statutorily required to publish its Statement of Accounts for 2023/24 by 31 May 2024 with an audit opinion and certificate by no later than 28 February 2025
- d) noted that the Statement of Accounts for 2023/24 were still subject to final verification by external audit. The audit of accounts was being finalised by KPMG, who had commenced the audit in July. The majority of the audit work had now been completed, however, should any changes be necessary as a result of this final external audit work, these would be reported to the Chair of Audit Committee, with any material changes notified to the Audit Committee
- e) reported that the Council must make the Statement of Accounts available for public inspection for 30 working days. Following notification from KPMG, this ran from 3 June 2024 until 12 July 2024 and the external auditor was available to answer questions during this period. It was reported that no questions had been asked
- f) advised that during the completion of the external audit there were four misstatements above the threshold level of £100k, of these two misstatements had been amended in the final version of the Statement of Accounts. The unadjusted misstatements related to a valuation of a Council property which was deemed "optimistic" and the treatment of an historic transaction agreed by the Councils previous auditors. If there were any further misstatements identified as part of the completion of the external audit work, they would be reported to Audit Committee
- g) advised that the Audit Completion Report also provided a number of recommendations around internal controls that management had made comment on

- h) reported that the Council was required to provide a documented annual review of the effectiveness of its governance arrangements which sat alongside the Statement of Accounts, known as the Annual Governance Statement. The overall level of assurance provided in 2023/24 was substantial and was in line with the Council's Code of Corporate Governance. There were no significant governance issues that were identified for inclusion in the 2023/24 AGS
- i) presented the following aspects of the Statement of Accounts:
- The Comprehensive Income and Expenditure Statement
 - The Balance Sheet
 - General Balances
 - Earmarked Reserves
 - Liquidity
 - Debtors
 - Creditors
 - Non-Current Assets
 - Pensions
 - Officer Remuneration
 - Borrowing
 - Investments
- j) invited questions and comments from members of the Committee.

RESOLVED that:

- 1) The final Statement of Accounts 2023/24 be noted, recognising that the external audit was substantially complete.
- 2) The final Statement of Accounts 2023/24 be recommended to Executive and subsequent referral to Council for approval.
- 3) Any further changes to the Statement of Accounts, arising from the conclusion of the external audit be delegated to the Chief Finance Officer who would report any changes to the Chair of Audit Committee.

38. Internal Audit Recommendations Follow Up

Amanda Stanislawski, Audit Manager:

- a) presented an update to Audit Committee on outstanding agreed actions
- b) referred to Appendix A attached to the report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the Service Manager
- c) explained that within the report there was currently 1 High action and 39 Medium actions remaining to be implemented, there was no high and one medium overdue risk action
- d) reported that there were 5 actions for Limited or Low reports where the implementation dates had been extended, all related to the IT Asset Management report. Details were contained at Appendix A of the report

- e) advised that there were four reports where the actions had all been implemented. These were Housing Allocations, DeWint Court, Housing Repairs and Staff Recruitment and Retention
- f) provided a verbal update on the outstanding action in relation to Homelessness which had now been implemented
- g) invited questions and comments from members of the Committee.

Members discussed the content of the report, commented, asked questions and received relevant responses from officers as follows:

Question: How confident were officers that outstanding audit agreed actions would be completed on time?

Response: Officers remained as confident as could be and outstanding audit agreed actions were raised with management every quarter with reasons requested for any slippage.

Question: Was there any support that could be offered from Audit Committee to assist with outstanding audits?

Response: Thanks was given for the offer of support however as older audits had progressed; concerns had lowered.

RESOLVED that updates on the Audit Recommendations report be noted with thanks.

39. **Six Monthly Fraud and Error Report**

Amanda Stanislawski, Audit Manager:

- a) presented a report to update committee on the performance against the 2024/25 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations
- b) summarised the number of fraud cases during 2024/25 compared to the previous year as detailed at Appendix A
- c) gave an overview of the progress that had been made against completing the actions within the Counter Fraud Action Plan as detailed at paragraph 3.3 of the report
- d) further updated members on the following areas of work that had been undertaken as detailed within the report:
 - Housing Benefit/ Council Tax Support
 - Council Tax – Single Person Discount/ Empty Properties
 - NNDR
 - Housing Tenancy
 - Payroll and Human Resources
 - Finance
 - Elections
 - Information Technology
 - Other Fraud/Fraud Attempts

e) invited questions and comments from members of the Committee.

Members discussed the content of the report, commented, asked questions and received relevant responses from officers as follows:

Question: Reference was made to housing tenancy fraud at paragraph 4.4 of Appendix A on page 356 of the agenda pack. How soon was the audit that had been paused in July due to recommence and what was the expected end date?

Response: A response to the question would be circulated further to the meeting.

Question: Was time lost due to working from home, an issue for the Council?

Response: Only one disciplinary had taken place due to time management. The issue was not caused by duplicate employment and nothing else had been identified.

Question: It was possible in the absence of physical presence within a building, that duplicate employment could take place. Additionally, officers could have worked too many hours. At the commencement of employment with the Council, how was duplicate employment discovered and how was the issue dealt with?

Response: Employees are required to complete a secondary employment form in which it was required that duplicate employment was declared. It could be the case that such duplication arose from evening or voluntary work. It was the responsibility of line management to ensure that staff were contactable, and the output of staff appropriately measured and monitored through regular appraisals and 1-2-1's. Managers had not raised issues through Human Resources (HR) and monitoring took place through assurance work. There was a risk fraud may occur however based on the assurance work that had been carried out so far, it had not been identified as an issue.

Question: Reference was made to Council Tax, in particular single person discount fraud. Did any work take place regarding student Council Tax discount? In the case of Houses in Multiple Occupation (HMO) if one resident ceased to be a student within the academic year or continued to live within a HMO post-graduation, were there any checks to ensure that fraud to the Council was not committed?

Response: A response to the question would be requested from Martin Walmsley, Assistant Director - Shared Revenues & Benefits, further to the meeting.

Question: Reference was made to Environmental Fraud. Could additional examples be provided of how environmental fraud took place?

Response: Further information on Environmental Fraud would be circulated by officers to members further to the meeting.

Comment: Environmental audits were published on an annual basis at other authorities. It was likely that there was the equivalent for City of Lincoln Council, but it may not necessary be presented to Audit Committee.

Question: Was there a reason why there had been no prosecution for individuals that had defrauded the Council?

Response: A response would be circulated further to the meeting.

Question: Reference was made to potentially fraudulent payments through the online system for the payment of Council Tax at paragraph 4.6 of Appendix A on page 357 of the agenda pack. Could an explanation be provided of what a fraudulent payment was?

Response: A potentially fraudulent payment through the online system for the payment of Council Tax applied when a card was used which was found not to

belong to the person who attempted to make the payment. The owners of the cards had contacted their card provider who then cancelled the payments. The Council's bank then informed finance of the cancelled payments.

RESOLVED that:

- 1) Responses to questions received from members be circulated by officers further to the meeting.
- 2) The contents of the report be accepted and noted with thanks.

40. National Fraud Initiative Policy

Amanda Stanislawski, Audit Manager:

- a) presented the updated National Fraud Initiative (NFI) policy for approval by Committee
- b) advised that the Council's NFI policy was part of a range of counter fraud policies and was reviewed every two years prior to the commencement of the bi-annual exercise carried out by the Cabinet Office
- c) referred to the updated Policy contained at Appendix A of the report and highlighted the changes that had been made to the document
- d) invited questions and comments from members of the Committee.

Comment: Thanks were offered to Amanda Stanislawski, Audit Manager for the highlighted changes within the National Fraud Initiative Policy which made for easier reading.

RESOLVED that the updated National Fraud Initiative Policy be approved.

41. Audit Committee Work Programme 2024/25

Emily Wood, Chair of Audit Committee:

- a) presented a report to inform members of the Audit Committee of the work programme for 2024/25 as detailed at Appendix B of the report
- b) referred to paragraph 3 of the report which highlighted the changes to the work programme
- c) advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- d) referred to paragraph 4 of the report and gave an overview of learning and development for Audit Committee Members. The CIPFA Audit Committee Update was contained at Appendix C of the report for information
- e) invited questions and comments from members of the Committee.

RESOLVED that:

- 1) The deferred agenda item titled 'Procurement Act 2023 & Contract Procedure Rules' be added to the next meeting of Audit Committee on 4 February 2025.
- 2) The contents of the Audit Committee work programme 2024/25 be noted.

42. Information Governance Update

Sally Brooks, Data Protection Officer:

- a) presented a report to update Audit Committee on progress made with Information Governance monitoring the Council's compliance and associated risks with data protection legislation including the General Data Protection Regulation, the Data Protection Act 2018 and the Freedom of Information Act 2000
- b) highlighted that update reports were submitted to Audit Committee on a bi-annual basis. The last report was provided on 4 June 2024
- c) provided details of the following key areas:
 - Data Protection Training (Risk 1)
 - Policies and Procedures (Risk 3- Policies and Procedures)
 - Retention and Disposal of Personal Data (Risk 5)
 - Data Subject's Rights (Risk 8)
 - Freedom of Information Requests
 - Annual Governance Statement (AGS)
- d) invited questions and comments from members of the Committee.

Members discussed the content of the report, commented, asked questions and received relevant responses from officers as follows:

Question: Were former Council employees permitted to decline the sharing of their information with other organisations and authorities, upon receipt of a request for a reference?

Response: A request for a reference would be received from another organisation. If a former employee wished for their data to be deleted, there would be certain exemptions to the request as there was a legal requirement that employment records be retained and a reference be provided.

Supplementary Question: Reference was made to the red risk register. After a specified period of time, individuals were removed from the register. Was this the case in the instance of information retained regarding former employees in relation to employment references?

Supplementary Response: There were HR rules which prohibited the sharing of derogatory information. When a request for a reference was received by HR, the only information that could be shared regarding a former employee was confirmation of their employment and date, their sickness record and any disciplinary records. The information was factual only.

Question: Reference was made to the completion rates for Data Protection Act requests (DPAs) at paragraph 7.1 of the report. It was positive to see the percentage that had been completed on time. With data migration, had ease of access to information been ensured across the various departments and teams within the Council?

Response: Legal retention periods were adhered to during cleansing and data would not be deleted within the legal retention period. Information would remain as available; the migration of data only changed the way the information was stored and did not impact on availability.

RESOLVED that the content of the report be noted with thanks.

43. Exclusion of Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following item(s) of business because it was likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

44. Information Governance update - Appendix A

(Note: Councillor Aiden Wells left the meeting at this point in proceedings)

Minute number 42 included details of the discussion associated with this item.

(Only Appendix A 'Information Governance Risk Register' was contained here as exempt information).

RESOLVED that Appendix A (Exempt Information) be accepted.

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AUDIT COMMITTEE**4 FEBRUARY 2025**

SUBJECT:	PROCUREMENT ACT 2023 & CONTRACT PROCEDURE RULES
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHORS:	CAROLYN WHEATER – CITY SOLICITOR AND HEATHER CARMICHAEL – PROCUREMENT MANAGER

1. Purpose of report

- 1.1 To update Audit Committee of the new Procurement Act 2023 and the subsequent revision of the Council's Contract Procedure Rules, and to seek any comments.

2. Executive Summary**Procurement Act**

- 2.1 The Procurement Act 2023 (PA23) received Royal Assent in October 2023 and is due to come into force in February 2025. The Act will supersede existing legislation governing public procurement, including the Public Contract Regulations 2015.

- 2.2 The PA23 has been designed to create a simpler, more flexible commercial system which meets the UK's needs. The aim of the Act is to provide a number of benefits to suppliers and buyers including:-

- Cutting red tape and supporting innovation
- Improving transparency by creating a fully open and transparent system, meaning everyone has access to public procurement data
- Faster competitive processes for emergency buying, allowing buyers to meet urgent needs quickly and efficiently
- Simplifying the process of working with the public sector, supporting more small to medium enterprises (SME's) to bid for contracts

- 2.3 This transformation of public procurement represents a huge change for all public bodies and is seen as a significant opportunity to make procurement processes better to deliver outcomes for the taxpayer.

2.4 Contract Procedure Rules

- 2.5 In order to comply with the PA23 the procurement manager has updated and refreshed the Council's contract procedure rules (CPR's). These CPR's, which are required by the Local Government Act 1972, set out the rules by which the Council spends money on the goods, services and works needed to deliver services to the residents of Lincoln.

2.6 The CPRs have seven main purposes:

- To support the delivery of the Council's Corporate Objectives
- To provide a legal framework for the Council's procurement activities
- To provide an auditable framework for the Council's procurement activities
- To help the Council obtain value for money so that in turn it may provide value for money services to the public
- To comply with the UK law governing spending of public money
- To comply with UK law as required through the Public Contract Regulations (2015) and Procurement Act 2023
- To protect staff and members of the Council from undue criticism or allegation of wrongdoing.

2.7 The revised CPR's adopt the whole procurement lifecycle approach, and the intention is that these are easier to read, make clear the requirements linked to contract values and clarifies the limited circumstances where an exception to the normal route can be applied. The CPR's set out the Council's own rules for contracts and procurement and are the layer below procurement legislation.

3. PA 2023

3.1 The PA23 makes significant changes to the Public Contract Regs 2015, some of which are outlined below (though not an exhaustive list):-

3.2.1 That 'procurement' is to be seen in its widest sense, so the term now means not only the procurement process itself, but also pre-market steps in the route to award, the operation and management of the contract once awarded, and the exit whether by termination or expiry.

3.2.2 Pre-market engagement sees the introduction of two new public notices Planned Procurement Notices and Preliminary Market Engagement Notices.

3.2.3 Competitive Tendering Procedure – moves from six procedures to the creation of one concept of competitive tendering procedure, which may be either a single stage open procedure or; 'any other competitive procedure that the authority considers appropriate', introducing the freedom to design a procedure.

3.2.4 A new concept is introduced of 'excluded suppliers' – excluded on a mandatory ground and 'excludable suppliers' excludable on a discretionary ground.

3.2.5 Allows the modification of the term of the procurement provided the tender deadline has not passed.

- 3.2.6 Allows for the direct award of a contract in special/limited cases.
- 3.2.7 Introduces a new concept of an open framework which can operate for a maximum of eight years and allow new suppliers to join during the lifetime of the framework.
- 3.2.8 Reduces the standstill period after a contract has been awarded, from 10 to 8 days.
- 3.2.9 Where a contract is valued at more than £5 million, introduces a requirement to publish at least three key performance indicators (KPI's) via a contract performance notice.
- 3.2.10 Introduces Contract Change Notices which will be required for all contract amendments, except where this doesn't change the scope of the notice.
- 3.2.11 Introduces a central digital platform for suppliers to register and store their details so that they can be used for multiple bids and be able to view all opportunities in one place.

3.3 Transition

- 3.4 The new PA23 will only apply to new procurements commenced from the date the Act comes into force. This means contracts let prior to 24 February 2025 will continue to be governed by previous legislation and will not be subject to the requirements of the PA23.

3.5 Notices

- 3.6 Linked to the transparency thread running through the PA23, the most significant change for public authorities contemplating entering into a contract is the number of notices that are now required to be published. As identified above, whilst not all mandatory, these notices apply even before the contract has been identified and throughout the contract period until expiry of such.
- 3.7 This a significant step change for the Procurement Manager to manage and once the contract has been awarded, for the identified contract manager to monitor, review and publish.
- 3.8 There are now a significant number of contract notices required to be published covering the following stages:
 - Planning stage
 - Procurement stage
 - Contract award and extension
 - Contract performance
- 3.9 Whilst the transparency of the above is understood, the pushing out of this increased information does have a significant draw on resources and poses

an increased risk of challenge as there is so much more information available.

- 3.10 It is clear that whilst the proposed changes by the PA23 will see a reduction in the amount of 'red tape' for the market and businesses, this will not be the case for contracting authorities such as the Council. The Act does require additional work and steps during each procurement.

3.11 Pipeline Notice

- 3.12 One of the main changes to be introduced is the publishing of a Pipeline Notice. This is seen as an important new step as contracting authorities can provide the market with information about current and future public contract opportunities by publishing a forward-looking procurement pipeline.

This is seen as a particular benefit to SME's and social enterprises as it provides them with time to plan for future work.

This is a requirement for any contract with an estimated value of more than £2 million. It is the collection of individual procurements that make up a contracting authority's procurement pipeline over the next reporting period. The 'reporting period' is 18 months, commencing on the first day of the financial year in which the notice is published.

4. Contract Management

- 4.1 Whilst there is already a procedure in place for any contract exercise to identify a contract manager, whose responsibility it is to monitor, and manage the contract for the length of the term and all relevant performance issues, the Act will now place additional responsibilities on that contract management. As identified above, the PA23 places additional responsibilities for the duration of the contract for the publishing of any relevant notice, once the award notices have been completed by the Procurement Manager. There will also be a requirement for relevant AD's, service managers or contract managers to identify any contracts which may need to be included in the pipeline notice.

5. Contract Procedure Rules

- 5.1 As identified above the CPR's are a legal requirement and form part of the Constitution. Whilst the CPR's have been updated to reflect the necessary changes under the PA23, they also set out the process to be followed for contracts for goods, services and works and all relevant thresholds for these which sit under the PA23. They also identify that there may be occasions where they may be an exception to the normal route for entering into a contract, and these exceptions are listed and limited to those as set out.
- 5.2 They also identify that whilst there may be the necessity and the wish to use a Framework agreement, that a simplified procedure will still be required to make clear why a framework has been used.

6. Training

- 6.1 Appropriate training will be undertaken on the PA23 and the revised CPR's with members, CMT, AD's and contract managers, over the coming months to ensure that all those who have a role in contracts are fully prepared for the Act coming into force in February.

6.2 Strategic Priorities

N/A.

7. Organisational Impacts

7.1 Finance

There will be a cost of circa £22,000 to assist with the implementation of the Act to cover training as outlined above, and to purchase a suite of documents relevant to implementing the Act. This cost is accommodated within existing budgets.

7.2 Legal Implications including Procurement Rules

As outlined in the report.

7.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination.
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

The Procurement Act 2023 and the Council's contract procedure require the council to conduct all contracts in a fair, transparent and non-discriminatory manner.

8. Risk Implications

- 8.1 If the Council does not implement the Act properly or does not update the CPR's as necessary, there will be a risk of challenge to the procurement process.

9. Recommendation

- 9.1 That Audit Committee make any comments and note the new Procurement Act and revision to the contract procedure rules.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 1

List of Background Papers: None

Lead Officers:

Carolyn Wheater – City Solicitor
Email: carolyn.wheater@lincoln.gov.uk

Heather Carmichael - Procurement Manager
Email: heather.carmichael@lincoln.gov.uk

Contract Procedure Rules

November 2024

1.	Scope of Contract Procedure Rules
1.1	Overview
	<p>These Contract Procedure Rules (CPR's) set out the rules by which we spend money on the supplies (goods), services and works we need to deliver services to the residents of Lincoln. They are an integral part of the Council's Constitution and must be used for any purchase or procurement exercise by ALL employees of the Council or any authorised person buying on behalf of the Council.</p> <p>The following sections provide a high-level snapshot of the requirements set out within these CPR's:</p> <p>Section 4 – para 4.3 – page 14 – Summary Table of Applicable Thresholds</p> <p>Section 16 – page 59 – 60 – Procurement Flowcharts</p> <p>As a public authority the Council has a duty to allow the market the freedom of opportunity to trade with it. If the Council fails in this duty, a potential supplier or contractor may have a legitimate cause for complaint.</p> <p>The CPRs have seven main purposes:</p> <ul style="list-style-type: none"> • To support the delivery of the Council's Corporate Objectives • To provide a legal framework for the Council's procurement activities • To provide an auditable framework for the Council's procurement activities • To help the Council obtain value for money so that in turn it may provide value for money services to the public • To comply with the UK law governing spending of public money • To comply with UK law as required through the Public Contract Regulations (2015) and Procurement Act 2023 • To protect staff and members of the Council from undue criticism or allegation of wrongdoing <p>Some of the rules set out in the document are required by law, others have to be put in place to provide a complete, clear and coherent framework in which people can work.</p> <p>These CPRs recognise that the Council has certain responsibilities as a public authority for which it needs to act collectively:</p> <ul style="list-style-type: none"> • to make the best use of shared buying power • to produce information to comply with the law • to understand the big picture of spending activity to allow the Council to plan, to measure and improve performance and to train and develop its officers. <p>These Rules DO apply to:</p>

	<ul style="list-style-type: none"> • all contracts for the supply of works, goods or services (including consultancy and agency staff) to the Council, regardless of value • partnership and collaborative arrangements with other public bodies • concession contracts. • contracts for the purchase or sale of any interest in land, (including leasehold interests), where the Council imposes design requirements, and/or specifications and certain outputs (land development transactions) <p>They DO NOT apply to:</p> <ul style="list-style-type: none"> • contracts for the purchase or sale of any interest in land, (including leasehold interests) which do not impose the above * • contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies • sponsorship agreements • supply of works, goods and services by the council or one of its public sector partners. However, the City Solicitor and the Chief Finance Officer must be consulted where the Council is contemplating this route. <p>These CPRs promote good commercial practice, public accountability and deter corruption. Following these procedures is the best defence against allegations that a procurement activity has been undertaken incorrectly, fraudulently or unlawfully. These procedures cover contract and procurement activity undertaken on behalf of the Council and within a partnership arrangement, regardless of the source of funding.</p> <p>Officers responsible for procurement and contracting, MUST ensure compliance with these CPRs, the Public Contract Regulations 2015, Procurement Act 2023, Financial Procedure Rules, applicable Grant Fund spending regulations and conditions, and with all UK legal requirements.</p> <p>In addition to the above, due regard to statutory guidance issued by the Crown Commercial Service must be paid, as required by the Public Contract Regulations 2015 and the Procurement Act 2023 (PPN's).</p> <p>These CPR's do not contain procedures relating to making payments and undertaking purchasing activity, i.e. raising purchase orders or using a purchasing card. These procedures are found within Financial Procedures Rules.</p> <p>It should also be noted that these CPR's lay down minimum requirements. More stringent requirements may be appropriate for particular contracts and procurements, dependent on a number of factors.</p> <p>In accordance with the Constitution, the City Solicitor has the authority to make minor amendments to these CPR's, more comprehensive amendments must be approved by Full Council.</p>
1.2	Basic Principles/Compliance
	<p>All procurement activity, including the entering into contracts, on behalf of the Council, must:</p> <ul style="list-style-type: none"> • comply with these Contract Procedure Rules

	<ul style="list-style-type: none"> • comply with the Council's Financial Procedure Rules • comply with all relevant UK legislation • adhere to procurement principles by being undertaken in a transparent, non-discriminatory and proportionate manner • achieve best value in respect of the use of public money • demonstrate high regard to integrity <p>Each Director and Assistant Director is responsible for ensuring that his/her department/section complies with these Contract Procedure Rules, Financial Procedure Rules and ALL applicable legislation. They MUST ensure that procurement requirements are appropriately planned, resourced, reported, monitored and awarded. They may delegate the practical elements of the processes to competent officers within their departments, who are then equally responsible for ensuring these CPRs are adhered to.</p> <p>All members of staff and consultants engaged in any capacity to manage or supervise the procurement of any works, goods or services for the Council and/or the subsequent contract MUST comply with these CPR's.</p> <p>In addition to the above, all those involved in any form of procurement/entering into a contract/contract management, must ensure:</p> <ul style="list-style-type: none"> • relevant professional advice is sought, in a timely manner, from Procurement, Legal and Finance. • any external grant funding is used in line with these rules and the conditions to which it was assigned. Where there is conflict Procurement, Legal and Finance advice should be sought • any conflict of interest is declared • payment is only made for goods, services and works delivered at the contract price, the quantity and quality standards quoted for • the budget holder monitors all expenditure through their budget • a fully signed/sealed contract (dependent on value) is entered into prior to the commencement of the provision • an appropriate contract manager is identified, who is accountable for ensuring the contract delivers the goods, services and/or works as set out within the contract • the contract manager follows the required contract management monitoring, and this is fully documented to provide a clear audit trail • the Council's retention policy is adhered too <p>It is also proposed that these CPRs are reviewed on a regular basis to ensure that they are still fit for purpose and that a full review will be undertaken every three years.</p>
1.3	Contracts
	<p>A contract is an arrangement made by, or on behalf of the Council, with a third party, instructing them to undertake works or for the supply of goods or services.</p> <p>This includes:</p> <ul style="list-style-type: none"> • the supply of goods • the delivery of services • the execution of works • the hire, rental, repair, maintenance or lease of goods/equipment

	<ul style="list-style-type: none"> the appointment of agency staff or consultants <p>It does not include:</p> <ul style="list-style-type: none"> Partnering arrangements (albeit there may be a requirement for a legal arrangement to be entered into) Membership of and/or subscriptions to a recognised bodies (and associated work that they undertake on our behalf) Contracts of employment which make an individual an employee of the council Agreements regarding acquisition, disposal or transfer of land Awarding of grant monies
1.4	Joint Commissions
	<p>Where the council jointly procures/commissions services with other public sector bodies i.e. local authorities, health authorities etc. the following shall apply:</p> <ul style="list-style-type: none"> A lead authority will need to be determined for the purposes of the provision to be procured and their processes will be adhered too, and any subsequent contract entered into, will be deemed compliant with these CPR's thus meaning no exception to normal routes is required If the procurement/commission is with a NHS body, then adherence to specific regulations will apply i.e. the NHS bodies & LA Partnership Arrangement Regulations 2000 as amended by the NHS Bodies & LA Arrangements (Amendment) Regulations 2015 <p>Where the Council works jointly to procure/commission any goods, services and/or works with other organisations such as those from the private sector, where there are no legislative requirements, the following shall apply:</p> <ul style="list-style-type: none"> Regardless of who the identified lead is, these CPR's will apply as the Council has a legal duty to ensure adherence to various legislation etc Where the contract is procured on behalf of the Council but not in joint names, then there may be a requirement for the third party to indemnify the Council and vice versa.

2.	Roles & Responsibilities
2.1	Overview - Tree of Responsibility
	<p>This section sets out the Tree of Responsibility in terms of ensuring that the Council has a robust governance process in place to ensure adherence to the requirements of these CPR's.</p> <p>There is a "golden thread" that runs through from Corporate Management Team (CMT) to Contract Managers and in order for these CPR's to be effective, it is essential that all involved understand and comply with them.</p> <p>Whilst inevitably there may be some elements of overlap within the responsibilities of different areas, it should be clear what is required from individual roles when overseeing or undertaking a procurement exercise.</p>
2.2	Procurement Manager
	<p>The Procurement Manager is responsible for:</p> <ul style="list-style-type: none"> ensuring that all procurement undertaken is done so in strict accordance with these CPR's, Public Contract Regulations 2015, The Procurement Act 2023 (depending on when the procurement was commenced/contract entered into). for ensuring that the CPR's are kept up to date on a regular basis and that a full review is undertaken at least every three years. Where appropriate or requested by an Officer within the authority, ensure that any framework arrangement/agreement (ESPO, Scape, CCS etc.) is fully compliant prior to any discussions being entered into or procurement exercise undertaken. ensuring that where a procurement activity is undertaken electronically via the Councils recognised portal (currently Pro Contract), that all requirement stages are completed. This will include the initial entry being made on the Corporate Contracts Register. However, it should be noted that it is then ultimately the responsibility of the relevant Contract Manager to ensure that all details held on the Contracts Register are correct and up to date. ensuring that all staff and elected members are aware of their responsibilities under these CPR's and receive adequate training and guidance. <p>In addition to the above, the Procurement Manager is ultimately responsible for ensuring that where a procurement activity is required, that it hasn't been split into smaller requirements in order to avoid undertaking the necessary procurement process.</p> <p>In conjunction with the City Solicitor, they have responsibility for ensuring that any exception to the normal procurement route is captured and recorded so as to provide a full audit trail of decisions being made. It should be noted though that exceptions to the normal route can only be granted where the contract value is below the relevant threshold.</p>

2.3	City Solicitor
	<p>The City Solicitor has delegated responsibility for ensuring that these CPRs are properly administered, adhered too and reflect the most up to date legislation and statutory guidance.</p> <p>As stated above (para 2.2), the City Solicitor will in conjunction with the Procurement Manager, ensure that any exception to the normal route is captured and recorded so as to provide a full audit trail of decisions being made.</p>
2.4	Corporate Management Team (CMT)
	<p>Corporate Management Team (CX, Director of Major Developments, Director of Housing & Investment, Director of Communities & Environment) are collectively responsible for ensuring that all staff fully understand their responsibilities with under the CPR's and comply with them, and that resources are in place via the Procurement Manager/City Solicitor to provide adequate training and guidance.</p> <p>Director's duties are as follows:</p> <ul style="list-style-type: none"> • To ensure that their officers seek and obtain value for money and secure continuous improvement in all procurements. • To ensure no contract is entered into by their Directorate without there being adequate and agreed budget provision, in accordance with FPR's, and by adhering to these CPR's • To ensure compliance with all applicable legislation and seeking advice from the Procurement Manager, where appropriate, prior to the commencement of any procurement related activity • To ensure that Non-Commercial Considerations (i.e. personal conflicts, peer pressure) do not influence any decision to seek quotations or tenders or to enter into any contract. • To ensure all staff (including any agents or consultants acting on their behalf) dealing with procurement for their directorate, are fully aware of and comply with these CPRs and to arrange adequate training on their operation. Ideally training on these should form part of their induction process to the post they hold. • To ensure every contract has a named officer with responsibility for it. • To ensure that their officers keep records of all signed contracts and copies of all relevant documentation to provide a full audit trail of actions taken. • To ensure that the Council's Contracts Register for all contracts greater than £5000 in value is kept up to date • To ensure the Corporate Procurement Pipeline is kept up to date with all procurements greater than £2m in value to be carried out for the next 18 months.

2.5	Assistant Directors
	<p>All Assistant Directors are responsible for ensuring that Officers within their respective areas adhere to the requirements of these CPR's.</p> <p>It is their responsibility to ensure that procurement is undertaken compliantly and that all contracts entered into:</p> <ul style="list-style-type: none"> • Sign off all tender documents prior to the tender going live, where the tender is over the threshold for goods and services (this also applies to works contracts even though the threshold for this is significantly more) • Appear on the Council's contracts register as soon as they are signed and in advance of any goods/services being received and/or works being undertaken • All contracts are managed in accordance with the requirements of the Council's contract management guidance (see section 12) • Appointed/designated contract managers within their area have undertaken the relevant training and fully understand the requirements <p>Risk Registers are in place and reviewed in accordance with the Council's Lincoln Project Management Model (LPMM) and risk register requirements (see section 14).</p>
2.6	Legal Services
	<p>Legal Services are responsible for ensuring that all contracts entered into are lawful and provide adequate protection to the council, and that they are properly signed/sealed.</p> <p>It is their responsibility to ensure that the form of contract is relevant, appropriate and proportionate to the provision, and/or to raise any shortcomings in relation to proposed forms, especially where appointments are being made via the use of frameworks/agencies and changes cannot be made. In addition to this they are also responsible for ensuring that any external grant funding requirements are reflected appropriately.</p> <p>They are also responsible for providing advice/guidance in relation to all legal matters, that may form part of, or be associated with, the required provision. This will may include the following, but it should be noted that this list is not exhaustive:</p> <ul style="list-style-type: none"> • Subsidy Control • Collateral Warranties • Deeds of Warranties • Framework provisions • Use of providers own form of contract i.e. agency staff, recruitment agencies etc
2.7	Chief Finance Officer (S151) & Financial Services
	<p>The Chief Finance Officer (S151) is the officer responsible for the proper administration of the financial affairs of the Council and as such have a duty to provide financial advice and support in relation to all procurement activities and ensure compliance with Financial Procedure Rules.</p> <p>In addition to the above, they are also responsible for:</p>

	<ul style="list-style-type: none"> ensuring that processes detailed within these CPR's are reflected where necessary and compliment the requirements of Financial Procedure Rules. Any conflicts identified, should be discussed with both the Procurement Manager and City Solicitor in order for a resolution to be found and be reflected within both CPR's and FPR's. ensuring that where appropriate, contracts entered into provide adequate financial protection to the council. Whilst suppliers are able to self-certify in respect of their financial standing as part of the procurement activity, a review of this will be undertaken by Financial Services. In addition to this, Financial Services will also undertake financial checks at agreed points during the contract period, as notified by contract managers, as well as in response to a contract manager raising warnings/concerns over a contractors financial standing. ensuring that the form of contract, and the proposed terms/provisions within it, are relevant, appropriate and proportionate from a financial perspective i.e. inflationary clauses, capped liabilities etc. Where it is not, then any shortcomings should be addressed, so that any amendments can be enacted or where it is an appointment being made via the use of frameworks/agencies and changes cannot be made the contract manager is aware of the risks and procedures are put in place to help mitigate these. reviewing the provision being procured and provide the requirements in relation to the insurance cover required. ensuring that any financial related external grant funding requirements are reflected appropriately In conjunction with the City Solicitor providing advice/guidance in relation to all finance related matters, that may form part of, or be associated with, the required provision. This will may include the following, but it should be noted that this list is not exhaustive: <ul style="list-style-type: none"> Performance Bonds Parent Company Guarantees Framework provisions Use of providers own form of contract i.e. agency staff Embedded Leases
2.8	Service Managers (if not contract managers)
	Service managers are responsible for ensuring that all procurement related activity undertaken by them and their staff within their service area follow the requirements of these CPR's.
2.9	Contract Managers
	Contract Managers are responsible for ensuring that they manage the contract effectively, efficiently and in accordance with these CPR's (primarily section 12). In summary this will include:

	<ul style="list-style-type: none"> • Monitoring performance of the supplier/contractor against the agreed programme or service level, as appropriate. • Monitoring the continuing level of operational and financial risk (including the risk of fraud) to which the Council may be exposed. • Facilitating the resolution of issues between the supplier/contractor and the key user(s) • Ensuring the prompt settlement of invoices / payments correctly and properly submitted by the supplier/contractor in accordance with the contract. • Ensuring that key certifications are in place i.e. insurance levels, performance bonds
2.10	Elected Members
	<p>Whilst there is no direct responsibility arising from CPRs in relation to the role of elected members, as members are precluded from entering into contracts on behalf of the authority, they should have an awareness of the requirements of these, and the requirements placed on officers with regard to procurement and contract management, in order to ensure effective scrutiny.</p>

3.	Exceptions to the Normal Route
3.1	Overview
	<p>Whilst the expectation is that any tendering of contracts will be compliant with these CPR's, it is acknowledged that there that may be exceptional situations where it is not possible to follow the normal route.</p> <p>This section sets out those limited occasions where an exception to the normal route may apply:</p>
3.2	Exceptions
	<p>Any exception to the normal route is provided for in exceptional circumstances, as identified below, and only with the agreement of both the City Solicitor and Procurement Manager as well as the relevant Assistant Director/Director.</p> <p>It should be noted that an exception can only be granted where the total value of the provision being procured DOESN'T exceed the relevant threshold. Where the value of the provision exceeds this, this action will require the publication of a Transparency notice and will need to satisfy the mandatory requirements of the relevant procurement legislation.</p> <p>Exceptions are as follows:</p> <ul style="list-style-type: none"> i. Where urgent/emergency repairs are necessitated by breakdown or other failure of buildings, plant, machinery or ICT software/equipment, necessary to maintain and ensure efficient and continuous service delivery. <i>The relevant definition of "emergency" or "urgent" describes it as "brought about by events unforeseeable by and not attributable to the contracting authority"</i> ii. Where renewals, repairs and upgrades to buildings, plant, appliances, machinery, vehicles or ICT equipment/software can only be efficiently carried out and most economically supplied with regard to time, cost and speed of delivery, by the original contractor/supplier or their successors or other sole specialists, subject to it not exceeding the relevant thresholds when aggregated. iii. Where urgent alternative arrangements are required to maintain the delivery of critical services due to the failure of an existing service provider or supplier. iv. Where an emergency situation exists as defined in the Council's Emergency Plan and/or the Corporate Business Continuity Plan v. Works orders placed with utility companies i.e. for re-routing cables or pipework vi. Where the City Solicitor and the Procurement Manager are satisfied that there is only one potential supplier of the required goods, supplies or services vii. Where it is not possible for the direct approach to be made to a local supplier as per the definition in the Local Purchasing Strategy. However, this is only where the City Solicitor and the Procurement Manager are satisfied that there are no more providers.

	<p>viii. Where it is not possible to request two quotations from local suppliers it is acceptable for all quotations to be from non-local suppliers. However, this is only where the City Solicitor and the Procurement Manager are satisfied that there are no more providers.</p> <p>The use of the Exceptions to Normal Route template is a requirement for all exceptions covered within this section and a copy of this can be found within paragraph 17. Sign off from the relevant Assistant Director/Director is required prior to the completed form being sent to the Procurement Manager and/or City Solicitor for final approval PRIOR to any procurement activity taking place.</p>
3.3	<p>Specific Processes for Selected Areas (specific category types)</p> <p>In addition to the above exceptions, there is also the exception process in respect of specific category types (below relevant threshold) and this allows for a direct approach to be made to a single supplier up to the relevant threshold, as follows:</p> <ul style="list-style-type: none"> • Where the appointment is in respect of specialist legal advice or for a barrister for defence or prosecution of a specific case. Appointment can only be made by the City Solicitor or an authorised representative. • Where the appointment is in respect of specialist services in respect of The Representation of the Peoples Act then each election i.e. City, County, PCC, BID etc. can be procured on an individual basis with the agreement of the Democratic Services and Elections Manager in conjunction with the City Solicitor. • Where the appointment is in respect of specialist services in respect of a General Election and/or a government authorised election such as a Referendum, then this can be procured on an individual basis with the agreement of the Democratic Services and Elections Manager in conjunction with the City Solicitor. • Where the appointment is in respect of specialist financial advice or specialist internal & external audit support. Appointment can only be made by the Chief Finance Officer or an authorised representative • Where the appointment is in respect of specialist property advice in respect of a one-off bespoke project. Appointment can only be made by the Strategic Property Services Manager or an authorised representative • Where the appointment is in respect of specialist planning advice in respect of a one-off bespoke project. Appointment can only be made by the Assistant Director Planning. <p>Whilst the above provides an exception to the normal procurement process it is still a requirement of the appointment that all the relevant governance and contractual arrangements are put in place. This may include the drawing together of a contract; issuing a brief and receiving the contractor's response; ensuring insurances are in place etc. Advice should always be sought from the Procurement Manager and/or City Solicitor prior to the commencement of this.</p>

4.	Thresholds
4.1	Council Set (below mandatory legal threshold)
	<p>The following values have been set by the authority and should be followed when undertaking a procurement exercise. All thresholds set by the Council are exclusive of VAT, whereas those set under the relevant procurement legislation are inclusive. There is summary table at the end of this section which provides an at a glance guide.</p> <p>The Threshold levels are set out in paragraph 4.2.</p> <p>In respect of Goods, Services & Light Touch Regime (LTR) the following applies:</p> <p>Less than £5,000 – there is no requirement for any formal procurement process to be followed but a purchase order is still required to be raised. There is also no legal requirement for the contract to be recorded within the Councils contracts register, however this would be seen as good practice.</p> <p>£5,001 to £15,000 – there is no requirement for any formal procurement process to be followed. However, it is the responsibility of contract managers and their Assistant Directors, to ensure that they have undertaken a due diligence review prior to entering into any arrangement and that they are satisfied that it doesn't expose the Council to any unnecessary risk i.e. required insurance levels in place, H&S assessment undertaken etc. Where the review flags up any concerns the use of the contract managers checklist should be undertaken. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p>£15,001 to £30,000 – a direct approach can be made to one single supplier. You cannot make an approach to multiple suppliers separately. Completion of the contract managers checklist is required and ideally use of the Council's Request for Quotation template (this is not mandatory). The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p>£30,001 to Relevant Threshold for Goods & Services – a quotation exercise to be undertaken using the Council's Request for Quotation (RFQ) template. This process is to be undertaken electronically utilising the Council's procurement portal. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p>APPOINTMENT OF CONSULTANTS OR AGENCY STAFF:</p> <p>All of the following thresholds allow for a direct approach to be made to one consultant or agency. However, it is the responsibility of the appointing officer to ensure that the appointment delivers best value for money, and it is advisable for a file note to be made detailing this. If this cannot be demonstrated, then a quotation exercise as detailed within the Goods & Services section above should be followed (over £30,001)</p> <p>Less than £5,000 – Discussion with HR is required to compliance with IR35. Officers will be expected to undertake a review of any terms and conditions (T&C's) being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>

	<p>£5,001 to £15,000 – As per the requirement above for up to £5,000 however the appointment needs to be entered onto the Council's contracts register. Authorisation of the appointment should be made by the Assistant Director</p> <p>£15,001 to £75,000 – Completion of the contract managers checklist is required and where possible the relevant T&Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised. Authorisation of appointment needs to be made by relevant Director.</p> <p>£75,001 to Relevant Threshold for Goods & Services – Completion of the contract managers checklist is required and where possible the relevant T&Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised. Authorisation of appointment needs to be made by CMT.</p> <p>APPOINTMENT OF RECRUITMENT AGENCY:</p> <p>Less than £5,000 – Officers will be expected to undertake a review of any T&C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, a Purchase Order is to be raised.</p> <p>£5,001 to £50,000 – a direct approach can be made to one single supplier. You cannot make an approach to multiple suppliers separately. Use of the Council's Request for Quotation template is required as well as completion of the contract managers checklist. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p>£50,001 to Relevant Threshold for Goods, Services and Light Touch - a quotation exercise to be undertaken using the Council's Request for Quotation (RFQ) template. This process is to be undertaken electronically utilising the Council's procurement portal.</p> <p>IT LICENCES AND MODULES UPGRADES:</p> <p>Up to the threshold for Goods, Services and Light Touch – a direct approach can be made to a single supplier. Completion of the contract managers checklist is required and where possible, the relevant T&Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised. Where the total value of the contract is below £5,000, there is no requirement for any formal procurement process to be followed, however, a purchase order is still required to be raised.</p> <p>WORKS AND CONCESSION CONTACTS:</p> <p>Less than £5,000 – there is no requirement for any formal procurement process to be followed but a purchase order is still required to be raised.</p> <p>£5,001 to £30,000 – there is no requirement for any formal procurement process to be followed. However, it is the responsibility of contract managers and their Assistant Directors, to ensure that they have undertaken a due diligence review prior to entering into any arrangement and that they are satisfied that it doesn't expose the Council to any unnecessary risk i.e. required insurance levels in place, H&S assessment undertaken etc. Where the review flags up any concerns the use of the contract managers checklist</p>
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	<p>should be undertaken. The councils contract register needs to be updated on award and the raising of a purchase order is required</p> <p>£30,001 to £1,000,000 – a direct approach can be made to one single supplier. The use of the RFQ direct approach template is mandated. Completion of the contract managers checklist is required. You cannot make an approach to multiple suppliers separately.</p> <p>£1,000,001 to £2,500,000 - a quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal.</p> <p>£2,500,001 to Threshold - a quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal.</p> <p>Exceptions to the Above</p> <p>Whilst all of the above thresholds are in place, Officers can, where they feel it would provide better value for money, advertise the opportunity to the marketplace and/or follow the quotation route rather than make a direct approach. In these circumstances full engagement with the relevant processes is required as detailed within this document. However, prior to this process being undertaken, a file note should be made as to why this was the chosen route which should be signed off, by the relevant Assistant Director for that area.</p> <p>Where a framework is being utilised, the above thresholds do not apply, and the framework providers requirements will need to be followed. However, the contract managers checklist will still be required to be completed and circulated along with the framework providers form of contract and any specific framework information relating to terms i.e. insurance levels etc.</p>										
4.2	Statutory Set (Goods & Services, Light Touch and Works)										
	<p>The relevant thresholds as revised under Public Contract Regulations 2015 on 1st January 2024 are as follows:</p> <table border="1"> <thead> <tr> <th>Type</th><th>Threshold (inc. of VAT)</th></tr> </thead> <tbody> <tr> <td>Goods & Services</td><td>£214,904</td></tr> <tr> <td>Works</td><td>£5,372,609</td></tr> <tr> <td>Light Touch</td><td>£663,540</td></tr> <tr> <td>Concessions Contract</td><td>£5,372,609</td></tr> </tbody> </table>	Type	Threshold (inc. of VAT)	Goods & Services	£214,904	Works	£5,372,609	Light Touch	£663,540	Concessions Contract	£5,372,609
Type	Threshold (inc. of VAT)										
Goods & Services	£214,904										
Works	£5,372,609										
Light Touch	£663,540										
Concessions Contract	£5,372,609										
4.3	Summary Table of Proposed Levels										
	<p>The following table provides an at a glance summary of the procurement requirements based on the various contract value thresholds.</p>										

Value	Goods Services & Light Touch	Consultancy & Agency Staff	Recruitment	IT Licences & Module Upgrades	Works
Up to £5,000	No Formal Requirement				
£5,001 to £15,000	No Formal Requirement				
£15,001 to £30,000	Direct Approach				No Formal Requirement
£30,001 to relevant threshold	RFQ process	Direct Approach	Direct Approach	Direct Approach	n/a
£15,001 to £75,000	n/a	Direct Approach	Direct Approach	Direct Approach	n/a
£75,001 to relevant threshold		Direct Approach	Direct Approach	Direct Approach	n/a
£30,001 to £1,000,000	n/a	n/a	n/a	n/a	Direct Approach
£1,000,001 to £2,500,000	n/a	n/a	n/a	n/a	RFQ process
£2,500,001 to relevant threshold	n/a	n/a	n/a	n/a	RFQ process

5.	Calculating the Contract Value
5.1	Overview
	Prior to the commencement of any procurement activity, it is essential that the procurement lead (this can be the contract manager or the operational lead) calculates the total contract value. In order to do they will need to determine the estimated annual spend and the preferred length of contract, including all extension provisions, so that when multiplied together, it provides an estimated annual cost
5.2	Determining the contract length
	<p>It is important when determining the length of time, the contract will be in place for, that the following is considered:</p> <ul style="list-style-type: none"> • How long will the council utilise the provision being procured • Does the marketplace have an optimum length that it will quote for • Is there a high churn of suppliers in the marketplace • Is the marketplace volatile • How does the proposed length reflect internal trends in spend • Impact of inflationary factors • Length of time spent procuring v initial period of contract
5.3	Determining the total value
	<p>Where a contract/provision has been in place historically, the use of annual spend data held by the Council will help to determine estimated spend. The usual process is to look at the spend over a three-year period to provide an average and then review this to ensure that it is realistic given known parameters/volume of the requirement moving forward along with any inflationary factors that need to be considered. Financial Services will be able to help with the element.</p> <p>Where it is a new contract/provision then officers will need to utilise any market intelligence available and/or their own professional intelligence in this area.</p> <p>It is also important to remember that when calculating the contract value in respect of those which exceed the relevant threshold that VAT is included within the calculation as the thresholds stated are shown in this way. The contract value to be procured will then be:</p> <p><i>Annual spend x total years provision to be in place for</i></p>

6.	Procurement Routes for above threshold contracts
6.1	Overview
	<p>Where the contract value exceeds the relevant procurement threshold, then the legal requirements and processes must be complied with. Where the procurement is commenced prior to the 24th February 2025, adherence should be made to the requirements of Public Contract Regulations 2015. After this date adherence to the Procurement Act 2023 should be followed.</p> <p>Section 9 of these Contract Procedure Rules contains more detailed guidance as the processes to be followed.</p> <p>Specific guidance should always be sought from the Procurement Manager prior to the commencement of any procurement activity that exceeds the procurement threshold.</p>
6.2	Public Contract Regulations 2015 (PCR2015)
	<p>Where the procurement activity was commenced prior to 24th February 2025, then PCR 2015 will apply. This will also apply in respect of any management, variations, modifications in relation to the provision in place. There are five types of contract award procedure under the 2015 Regulations.</p> <p>These are:</p> <ul style="list-style-type: none"> • Open • Restricted • Competitive Dialogue • Competitive with negotiation • Innovation Partnership <p>There are no restrictions in the legislation on the use of the open and restricted procedures. The competitive dialogue, competitive with negotiation and innovation partnership procedures can only be used in certain specified circumstances. Predominantly, the council uses the open and restricted route, and these are covered in more detail in section 9.</p>
6.3	Procurement Act 2023 (PA23)
	<p>Where the procurement activity was commenced on or after the 24th February 2025, then PA23 will apply. This will also apply in respect of any management, variations, modifications in relation to the provision in place as well as the requirement to publish any notices for the duration of the contract as stipulated within the Act.</p> <p>The new Act uses only three procedures, not including frameworks and dynamic markets (the new name for dynamic purchasing systems).</p> <p>The new procurement procedures are:</p> <ul style="list-style-type: none"> • Open Procedure • Competitive Flexible procedure • Direct award.

6.4	Frameworks, Dynamic Purchasing System & Dynamic Markets
	<p>The Council allows for the use of frameworks, dynamic purchasing system (DPS) and dynamic markets (DM) where appropriate. They can help to balance the need to achieve/demonstrate value for money with the resource impact of undertaking a quotation/full tender process.</p> <p>A procurement framework, also known as a framework agreement, is an umbrella agreement put in place between a provider or range of providers that enables buyers to place orders for goods, services and works, without facing the lengthy tendering process for each individual task. Suppliers can only be included at the start of the framework and not at any other time. They can only be in place for a maximum of four years.</p> <p>A Dynamic Purchasing System (DPS) is similar to a framework agreement, but new suppliers can join at any time. It is to be run as a completely electronic process and should be set up using the restricted procedure. They have no restriction in length of contract period.</p> <p>A dynamic market under the Procurement Act 2023 is a list of qualified suppliers who are eligible to participate in future procurements. A dynamic market may be split into categories/parts, with suppliers only eligible to participate in the parts for which they have qualified. DM's must remain open to new suppliers to join at any time. Dynamic markets are available for all types of purchases of goods, services or works, other than those purchased under concession contracts unless the concession contract is also utilities contracts.</p> <p>Where a framework has been identified it is paramount that prior to the commencement of any activity in relation to the appointment of a supplier by this means, both value for money and compliance checks are undertaken. The Procurement Manager will be responsible for ensuring that the Council has been named within the original contract notice (this may be via the framework stating that it can be used by all UK LA's). Contract Managers/Operational Leads will be responsible for ensuring that rates quoted for on the framework reflect those available in the marketplace.</p> <p>In addition, it is also a key requirement that the framework agreements are reviewed by the relevant sections to ensure that they are fit for purpose. Framework agreements in general cannot be amended and must always be awarded in accordance with their documentation. This may leave the Council exposed to more risk and so an assessment of this will need to be undertaken prior to a final decision being made to continue via this procurement route.</p> <p>Frameworks can be used, where the agreement allows for an award via a direct approach or further competition/mini competition. Where its being utilised by way of further competition, then it is essential that the agreement is reviewed to ensure all evaluation of submissions is compliant. For example, in some cases the framework will stipulate the award criteria to be used.</p>
6.5	Concession Contract
	A concession contract is an arrangement between the Council and a supplier, where the supplier is given the right to exploit works and/or services provided for

	<p>their own gain. Suppliers under this regime are often referred to as the “Economic Operator”.</p> <p>Economic Operators can either receive consideration for their services solely through third party sources, or partly through consideration from the Council, along with income received via third parties.</p> <p>There are two types of concession contracts: works and service concessions.</p> <p>A works concession is where the economic operator undertakes the development of, operates and maintains infrastructure.</p> <p>A service concession is where the economic operator provides services of general economic interest. This could be where the Council allow the operator to operator a café in a council site, utilising council owned assets BUT they carry all the commercial risk in terms of profit & loss, and no payment is made by the Council to the operator in return for running the service.</p>
6.6	Light Touch Regime (LTR)
	<p>The LTR is a specific set of rules in relation to certain service contracts that tend to be of lower interest to the marketplace. They were prior to the implementation of PCR2015, known as Part B services and were predominantly social, health and education services. Not all Part B services are now covered under the LTR.</p> <p>Section 10 of these CPR’s provides more detail as to how to undertake this type of procurement exercise</p>
6.7	Contracting Authority to Contracting Authority
	<p>The Council may enter into arrangements with other contracting authorities. This can be in respect of two or more public authorities coming together to deliver public functions in circumstances where a separate legal organisation such as a Teckal company is not formed. Legal advice should always be sought in respect of setting up these arrangements, but it should be noted that there is no requirement to undertake a procurement in accordance with these rules.</p> <p>If the setting up of such an arrangement is considered to be meet the requirement of a Teckal company, then Legal and/or procurement advice should be sought prior to the arrangement being formalised into a contract. Where an entity meets the needs of a Teckal company there is no requirement to undertake a procurement in accordance with these rules.</p>

7.	Steps to be taken Prior to Commencing a Procurement Activity																																
7.1	Contract Managers Checklist																																
	<p>The Council has in place an agreed and formal Contract Managers Checklist. There is one in respect of a new procurement exercise and one for a variation to or extension of a current provision. These must be completed prior to the commencement of any dialogue with any suppliers, whether they are the incumbent or potential suppliers</p> <p>The latest versions of the forms can be found within Net Consent along with various appendices which will help provide you with guidance as to how they need to be completed. Advice is available from the various section leads as identified in the checklist and this checklist will form the master source document as the procurement process progresses.</p>																																
7.2	Approvals in Place																																
	<p>Authority to commence with any procurement should always be in place prior to the commencement of any procurement activity. The following table details the requirements where the budget is in place. Where it's not, then authority for funding will need to be authorised in accordance with FPR's prior to the award of the procurement exercise:</p> <table><tr><td>Type</td><td>Value (£)</td><td>Authority Required</td></tr><tr><td>Goods & Services</td><td>Up to £25,000</td><td>Service Manager</td></tr><tr><td>Goods & Services</td><td>£25,001 to £75,000</td><td>Assistant Director</td></tr><tr><td>Goods & Services (except consultancy & agency appointments)</td><td>Over £75,001</td><td>Director</td></tr><tr><td>Goods & Services (consultancy & agency appointments)</td><td>Over £75,001</td><td>CMT</td></tr><tr><td>Works</td><td>Up to £25,000</td><td>Service Manager</td></tr><tr><td>Works</td><td>£25,001 to £500,000</td><td>Assistant Director</td></tr><tr><td>Works</td><td>£500,001 to £2,500,000</td><td>Director</td></tr><tr><td>Works</td><td>£2,500,001 to threshold</td><td>CMT</td></tr><tr><td>Works</td><td>Over Threshold</td><td>CMT/Executive</td></tr></table>			Type	Value (£)	Authority Required	Goods & Services	Up to £25,000	Service Manager	Goods & Services	£25,001 to £75,000	Assistant Director	Goods & Services (except consultancy & agency appointments)	Over £75,001	Director	Goods & Services (consultancy & agency appointments)	Over £75,001	CMT	Works	Up to £25,000	Service Manager	Works	£25,001 to £500,000	Assistant Director	Works	£500,001 to £2,500,000	Director	Works	£2,500,001 to threshold	CMT	Works	Over Threshold	CMT/Executive
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Works	Over Threshold	CMT/Executive																															
7.3	Business Case for using Frameworks																																
	<p>Business cases/file notes will be required as follows:</p> <ul style="list-style-type: none">Where a direct approach for goods, services and light touch, via a framework is being undertaken and the value of the appointment exceeds																																

	<p>that set by the council by way of a direct approach but is less than £75,000 a short file note/business case (see section 18) should detail the rationale as to why this process has been taken and should be signed off by the relevant Service Manager</p> <ul style="list-style-type: none"> • Where a direct approach for goods, services and light touch, via a framework is being undertaken and the value of the appointment exceeds £75,001 but is less than threshold (and there is no allowance for a direct approach within the council's set levels), a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Assistant Director • Where a direct approach for goods, services and light touch, via a framework is being undertaken and the value of the appointment exceeds threshold a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Director • Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds £25,000 but is less than £75,000 a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Service Manager • Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds £1,000,001 but is less than £2,500,000 a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Assistant Director • Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds £2,500,000,001 but is less than threshold a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Director • Where a direct approach for works, via a framework is being undertaken and the value of the appointment exceeds threshold a short file note/business case should detail the rationale as to why this process has been taken and should be signed off by the relevant Board and/or CMT • Where the provision is currently outsourced and there is an option for it to be delivered in house then a detailed business case should be signed off by CMT then Executive, with the agreement of any relevant committees. (initial discussions should be held informally to determine whether there is the capacity or appetite for it to be brought in house)
7.4	Social Value
	<p>The Public Services (Social Value) Act 2012, which came into force on 31st January 2013, requires all public bodies in England and Wales, for the first time to legally consider how the services they commission and procure might improve the economic, social and environmental well-being of their area.</p> <p>The Council has developed a set of outcomes/principles that will enable it to consider the economic, social and environmental well-being of the City and its residents when commissioning/procuring its contracts. These outcomes/principles are based on the vision, values and priorities set by the Council. More specifically the following has been defined as the Social Value position for the Council:</p>

	<p><i>“A process by which benefits can be made that will improve the quality of life & life chances of City of Lincoln residents and enhance our Civic pride in the city”</i></p> <p>It should be noted that the only legal requirement for SV to be considered for inclusion within a procurement activity is when the value exceeds the relevant threshold. However, it is the Council’s aim that consideration will be given in respect of all procurement exercises, where appropriate and relevant to do so.</p>
7.5	Subsidy Control
	<p>Following the UK leaving the European Union, State Aid rules have been replaced by Subsidy Control.</p> <p>A subsidy is where a public authority such as central or local government provides support to an enterprise that gives them an economic advantage, this could be a grant, cash payment, a loan on favourable terms, or free use of office space or equipment.</p> <p>The Council has in place guidance on this and as part of the completion of the contract managers checklist, the implications of Subsidy Control should be considered.</p> <p>Advice specifically in relation to this, should be sought from the City Solicitor, and any decision as to whether something is a subsidy is decided by a panel comprising the City Solicitor, Chief Finance Officer and Director of Major Developments</p>
7.6	Key Performance Indicators (KPI’s)
	<p>A Key Performance Indicator (KPI) is a measurable target that indicates how a supplier is performing in terms of meeting the goals set within the parameters of the contract.</p> <p>It is essential that KPI’s are fit for purpose and enable both the Council and the supplier to determine whether performance is at the required standard, as well as providing evidence to understand where there maybe issues and how these can be addressed.</p> <p>KPI’s should be reviewed as part of the ongoing contract management meetings and where necessary amended to reflect the current requirement.</p> <p>There is no minimum requirement as to the number of KPI’s a provision should have in place. It is more essential to ensure that they provide meaningful information as well as being relevant and proportionate.</p> <p>Guidance in relation to KPI’s shows that the best plans use between five and seven KPIs to track and manage progress. It also references that the best structured KPI plans include each element of what is called “SMART” criteria:</p> <ul style="list-style-type: none"> • Specific: define what each KPI is intended to measure, and why it is important • Measurable: KPIs should include standards for measurement • Achievable: the KPI should be a realistic, achievable goal

	<ul style="list-style-type: none"> • Relevant: KPIs are intended to move a business forward, so they need to be relevant to improving outcomes • Time-bound: it's important to set a realistic time frame based on past performance, and make sure that the team sticks to the agreed-upon deadlines <p>The Procurement Act 2023 (see section 9) requires at least three KPI's in contracts with a value in excess of £5m must be set. It is also a requirement that all these KPI's are published on the relevant platform by way of a notice annually, and that the top three are identified and highlighted. KPI's will also need to be included within the original call for competition notice at the start of the procurement exercise as well as on termination too. Advice on this should be sought from the Procurement Manager in respect of this.</p>
7.7	External Grants/Funding
	<p>Some procurement exercises are wholly, or part funded through the use of external grants. Whilst this is a most welcome source of funding it can bring about additional risks and requirements that the Council would not usually encounter. Some funding bodies will as part of the grant conditions, insist that a procurement is undertaken in a certain way or that an award cannot be made until they have received a detailed procurement report, and this has been signed off by them. It is therefore crucial to understand what, if any, requirements are attached to the accepting of the external funding and how these impact on the Council's usual route.</p> <p>The contract managers checklist has a section for this and as such, should capture all the relevant information, in order for an informed decision to be made.</p> <p>In addition, the Council has in place a Grants Register and this is held by Financial Services. Guidance should be sought prior to the application for any external funding from Chief Finance Officer/Financial Services as detailed within FPR's.</p>
7.8	Pre-Market Engagement
	<p>Prior to the commencement of any procurement activity, it can be advantageous to consult with suppliers in order to:</p> <ul style="list-style-type: none"> • Gain an insight into what/where the market is currently and how that can be used to help shape the requirement being tendered • Help to shape, prepare and plan the procurement <p>Section 9 of these CPR's looks in more detail as to how legislation governs this process when above threshold. However regardless of the value of the contract, the principle of being Open, Fair and Transparent should be applied regardless.</p> <p>Guidance should be sought from the Procurement Manager prior to any discussions being held with any supplier, the incumbent included.</p>

7.9	Appointment of Consultants/Agency Staff
	<p>Officers should consult with the Procurement Manager and/or Legal Services prior to the commencement of any engagement with a third party (Agency or a Consultant directly).</p> <p>The contract managers checklist should be completed and circulated along with any specific terms and conditions to which the third parties are insisting the Council are signed up too. These can then be reviewed, and any risks highlighted to the contracting officer.</p> <p>Where risks are identified, these should be reviewed by the relevant Assistant Director, and it is their decision as to whether the appointment is to be made. This decision should be captured on the contract managers checklist.</p> <p>An assessment will also need to be undertaken in respect of IR35 and Human Resources will be able to support this process – again this is captured on the checklist.</p> <p>Each appointment of an individual consultant will be viewed as a separate contract and as such the thresholds as detailed within paragraph 4.1 will apply.</p>

8.	Below Threshold Processes
8.1	Overview
	<p>Where the value of the provision being procured is below the relevant threshold then the Council set thresholds will apply as shown in Section 4. Officers must not sub-divide requirements in order to circumvent the relevant regulations. The principles of above threshold procurement apply and should be adhered to – Open, Fair and Transparent.</p> <p>In general, the use of a Standard Questionnaire (SQ) or any assessment of bidders in order to reduce the numbers of those bidders being invited to the tender stage is not allowed for, albeit there are certain exceptions to this. It is however acceptable for bidders to be asked “suitability” questions but these need to be relevant to the provision being procured and also proportionate. Advice can be sought from the Procurement Manager as to the suitability of the questions being proposed and the use of an SQ.</p>
8.2	Goods, Services & Light Touch Regime
	<p>The following all relates to the procuring of goods, services and light touch regime.</p> <p>Goods are items that are usually (but not always) tangible, such as office equipment, fleet, or IT Hardware.</p> <p>Services are activities provided by other people, such as surveys, project management, training.</p> <p>Light Touch Regime primarily covers off Social Care elements</p> <p>Taken together, it is the production, distribution, and consumption of goods and services which underpins all economic activity and trade.</p>
8.3	Direct Approach under £5k
	<p>A direct approach can be made to one single supplier. You cannot make an approach to multiple suppliers separately.</p> <p>Officers will be expected to undertake a review of any T&C’s being imposed by the supplier in order to ensure that the Council isn’t exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed, an award notice to be published or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>
8.4	Direct Approach over £5k but below Relevant Council Set Threshold
	<p>A direct approach can be made to one single supplier. You cannot make an approach to multiple suppliers separately. Please see section 4.1 for the relevant contract value levels.</p> <p>The contract managers checklist needs to be completed prior to contact being made with the supplier so as to ensure that all the relevant sections are covered.</p>

	<p>Ideally, the direct approach RFQ template should be issued to the supplier along with the form of contract (T&C's) and other relevant appendices where necessary.</p> <p>The template should include suitable assessment questions to which the supplier is expected to respond. This will then form part of the contract and will enable all parties to see what the requirement of the Council was and how the supplier has stated they will ensure this is delivered.</p> <p>This can then be emailed to the supplier for completion with a required return date. A review of the response should be undertaken by the contract manager to ensure that it demonstrates compliance with the requirement and that it is detailed enough to ensure that the contract can be managed effectively. Clarifications can be sought where needed from the supplier. Once it is deemed compliant then the Contract Manager should contact the Procurement Manager to ask for a formal award letter to be issued to the supplier and Legal Services should be supplied with all the relevant information in order for the contract to be populated. This will include all the documents issued to the supplier along with their responses</p> <p>Once the contract has been signed, the contracts register needs to be updated and this is the responsibility of the contract manager. A copy of the contract should be kept by the contracts manager as well as one also being lodged with Legal Services and the final copy being issued to the supplier.</p> <p>A purchase order should also be raised in respect of the contract being let and advice on this can be sought from Financial Services.</p>
8.5	Request for Quotation over £5k but below Relevant Council Set Threshold
	Where the market is not known or there is a concern in relation to Best Value being achieved etc., Officers are required to follow the process set out within 8.6 below rather than that detailed in 8.3/8.4 above.
8.6	Request for Quotation over Relevant Council Set Threshold but below Threshold
	<p>A quotation exercise is to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal. Guidance on this should be obtained from the Procurement Manager as it is their responsibility to create the specific tender portal</p> <p>The contract managers checklist should be completed and circulated to the relevant officers and all responses incorporated within the RFQ template where applicable.</p> <p>A minimum of 4 suppliers should be selected to provide quotations, of which at least 2 should be "local", as defined within the Local Policy (see section14). Where less than the four submit a quotation, the process can still continue but it should be noted that an award does not have to be made if quotations received are not deemed suitable.</p> <p>A formal assessment criterion needs to be determined and this should be split between price and quality. There is no corporate approach to this, it is based on a bespoke case by case basis and should always be relevant and proportionate</p>

	<p>to the contract being let. The Procurement Manager can provide examples of previously used criteria and help shape these to fit the provision being tendered.</p> <p>Once all the documentation has been finalised and signed off as required, then the Procurement Manager will upload to the electronic procurement portal. The selected suppliers will then be found on the system and will be formally invited to partake in the procurement activity.</p> <p>The portal will be “live” for a minimum of 4 weeks but again this will depend on the complexity of what is being tendered. The Procurement Manager will be responsible for the monitoring of the portal and will download all clarifications received from bidders. The Procurement Manager will then utilise a Q&A log which will capture all clarifications and ensure that all bidders see all correspondence. Only commercially sensitive clarifications/questions will be answered directly to the supplier and a determination on this status will be undertaken by the Procurement Manager in conjunction with the City Solicitor.</p> <p>A deadline for clarifications from bidders will be set (usually a week before the bid deadline) as well as a deadline for bids being submitted.</p> <p>No late submissions will be accepted.</p> <p>The evaluation of submissions will be undertaken as details of which are set out in these CPR’s.</p> <p>Once the contract has been signed, the contracts register needs to be updated and this is the responsibility of the contract manager. A copy of the contract should be kept by the contracts manager as well as one also being lodged with Legal Services and the final copy being issued to the supplier.</p> <p>A purchase order should also be raised in respect of the contract being let and advice on this can be sought from Financial Services.</p> <p>There is also the option, as there is with all procurement, where the marketplace is unknown, or Officers feel that it would be advantageous for an “open” process to be followed. This will still be undertaken in the same way as detailed above but rather than invite a selected number of suppliers to bid for the provision, a contract notice is issued for below threshold value and the opportunity is opened up to any supplier within the marketplace. Advice will need to be sought from the Procurement Manager prior to the commencement of any activity.</p>
	Agency Staff & Consultants
8.7	Less than £5,000
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money (the criteria for this should be based on the appointing officer’s knowledge of the marketplace etc). Discussion with HR is required to compliance with IR35. Officers will be expected to undertake a review of any T&C’s being imposed by the supplier in order to ensure that the Council isn’t exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>

8.8	£5,001 to Threshold for Goods & Services
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money (as per above). Completion of the contract managers checklist is required and where possible the relevant T&Cs should be circulated with this for review by Legal and Financial Services. Discussion with HR is required to compliance with IR35, where applicable. The appointment needs to be entered on the Council's contracts register and a purchase order raised.</p> <p>Where a direct approach is not being followed then the process as detailed within paragraph 8.6 above should be adhered too.</p>
	Recruitment Agencies
8.9	Less than £5,000
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money. Officers will be expected to undertake a review of any T&C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.</p>
8.10	£25,001 to £50,000
	<p>A direct approach can be made to one agency or consultant, but the appointing officer must be able to demonstrate value for money. Completion of the contract managers checklist is required and where possible the relevant T&Cs should be circulated with this for review by Legal and Financial Services. The appointment needs to be entered on the Council's contracts register and a purchase order raised.</p> <p>Where a direct approach is not being followed then the process as detailed within paragraph 8.6 above should be adhered too.</p>
8.11	£50,001 to Threshold for Goods & Services
	The process as detailed within paragraph 8.6 above will need to be adhered too.
8.12	Frameworks, Dynamic Purchasing Systems & Dynamic Markets
	<p>As detailed in paragraph 6.4 within these CPR's, the use of the above is permitted.</p> <p>There are no statutory thresholds in place in respect of the processes to be followed whilst using frameworks. So, whilst in essence, you can award a contract via a framework for any value, each framework provider will set their own rules as to how the provision must be used. This may mean that some of the following apply, however, please note that this list is not exhaustive, and guidance should always be sought from the Procurement Manager prior to the commencement of any engagement with either a framework provider or individual supplier.</p> <ul style="list-style-type: none"> • Some will have specific value bands especially with regard to works contracts

	<ul style="list-style-type: none"> • Some will allow for a direct call-off/approach from the framework • Some will allow for only further competition to be undertaken • Some will allow for the formation of your own form of contract i.e. specific clauses as allowed for within a NEC4/JCT <p>Legislation in respect of Dynamic Purchasing Systems and Dynamic Markets is slightly different to that of frameworks as detailed above under the new PA23 and prior to the use of either of these routes, advice should be sought from the Procurement Manager.</p>
	Works
	<p>The following paragraphs relate to the procuring of works.</p> <p>Works is defined as a contract issued to carry out construction, installation, erection, repair, renovation, maintenance, alteration of any movable or immovable property.</p>
8.13	Direct Approach under £5k
	Officers will be expected to undertake a review of any T&C's being imposed by the supplier in order to ensure that the Council isn't exposed to unnecessary risk etc. There is no need for the contract managers checklist to be completed or an entry made on the contracts register. However, there is the need for a Purchase Order to be raised.
8.14	Direct Approach over £5k but below £1,000,000
	A direct approach can be made to one single supplier. You cannot make an approach to multiple suppliers separately. The contract managers checklist needs to be completed prior to contact being made with the supplier so as to ensure that all the relevant sections are covered. The direct approach RFQ template should be issued to the supplier along with the form of contract (T&C's). Once the contract has been signed, then the contracts register needs to be updated and a purchase order raised.
8.15	Request for Quotation over £1,000,001 but below £2,500,000
	A quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal. A minimum of 3 suppliers should be selected to provide quotations, all of which should be "local", as defined within the Local Policy (see section 14). It should be noted that the process can still continue should less than the 3 suppliers submit a quotation. Once the contract has been signed, then the contracts register needs to be updated.
8.16	Request for Quotation over £2,500,001 but Threshold
	A quotation exercise to be undertaken using the Council's RFQ template. This process is to be undertaken electronically utilising the Council's procurement portal. A minimum of 4 suppliers should be selected to provide quotations, all of

	<p>which should be “local”, as defined within the Local Policy (see section 14). It should be noted that the process can still continue should less than the 4 suppliers submit a quotation. Once the contract has been signed, then the contracts register needs to be updated.</p> <p>There is also the option as there is with all procurement where the marketplace is unknown, or Officers feel that it would be advantageous for an “open” process to be followed. This will still be undertaken in the same way as detailed above but rather than invite a selected number of suppliers to bid for the provision, a contract notice is issued for below threshold value and the opportunity is opened up to any supplier within the marketplace. Advice will need to be sought from the Procurement Manager prior to the commencement of any activity.</p>
8.17	Request for Quotation over £5k but below Threshold
	<p>There is the option that where there is a concern in relation to undertaking a Direct Approach, Officers can follow an “open” process. This will still be undertaken in the same way as detailed above (para 8.11 to 8.13) but rather than invite a selected number of suppliers to bid for the provision, a contract notice is issued for below threshold value and the opportunity is opened up to any supplier within the marketplace. Advice will need to be sought from the Procurement Manager prior to the commencement of any activity.</p>
8.18	Communication With and Clarification of Tender Documents by Bidders
	<p>No form of communication is allowed for with bidders other than via the electronic procurement portal. If site visits are contemplated for within the tender process, lead officers should ensure that minimal communication is undertaken and that where clarifications are sought from the bidder these are requested to be submitted through the electronic procurement portal. These will then be responded to by following the protocol as outlined below.</p> <p>Bidders are allowed to seek clarity on the information included within the tender documentation. Clarifications can only be made electronically through the procurement portal. If Bidders seek clarification via any other method, then no response will be given, and they will be asked to submit via the portal.</p> <p>Where clarifications are received the use of Q&A log will be required and this will detail the clarification sought and the Council's response. It will not detail who raised the clarification, but the Q&A log must be shared with all bidders.</p> <p>Clarifications will have to be submitted within the permitted timeframe detailed within the tender documents.</p>
8.19	Evaluation Process and Role of Evaluation Team Members
	<p>Where tender submissions are received, they will need to be formally reviewed and assessed in accordance with the selection and/or award criteria laid out within the tender documents. These Officers will need to ensure that they have read and fully understand the tender documents issued and will be required to have a training/refresher session with the Procurement Manager to ensure that they are aware of the requirements of evaluating tender submissions.</p>

	<p>Evaluations will be based on the requirements as detailed within the relevant tender documents but in general will be based on the following:</p> <ul style="list-style-type: none"> • A price/quality split which has been set in order to provide the most economical tender being awarded • A set of assessment questions in relation to the quality submission, each of which will have weighting/score attached to it • An overall scoring matrix which will determine whether the submission is non-complaint to excellent. This will be applied to the question weighting to determine its score per question then added together to provide an overall score <p>It is the role of the Evaluation Team Members to undertake the initial review and ghost marking on an individual basis prior to a moderation/scoring meeting being held.</p> <p>They will also be expected to complete an evaluators scoresheet which will provide comprehensive reasoning and justification as to why the score attributed to each supplier's assessment question was as such.</p>
8.20	Clarification of Submissions by Evaluators
	<p>Where submissions are reviewed, and the evaluators need to clarify any elements of the submission with Bidders this will be undertaken via the electronic procurement portal. A Q&A log will be produced for each individual bidder, and they will be asked to respond to this within a detailed timeline. This will usually be no longer than one working day, given that clarifications will be based on information they should have to hand. They are not being asked to redraft their submissions.</p> <p>All Q&A logs will be shared with all evaluation team members regardless of who has raised the clarification.</p> <p>Advice on responses given may be required from other services not formally part of the evaluation team i.e. Finance and Legal and this will be permitted.</p>
8.21	Presentations
	<p>The use of presentations is permitted where it is deemed proportionate and relevant to the procurement activity being undertaken. It will be a requirement of the tender documentation to include full details of the process. This will include but not be limited to the following:</p> <ul style="list-style-type: none"> • Setting the presentation question • scoring attributable to the presentation question set • mechanism for how the presentation will work
8.22	Moderation/Scoring Meeting
	<p>Once all submissions have been evaluated/reviewed individually by the team then a moderation meeting will be held whereby the scores will be discussed to ensure</p>

	<p>that there are no major discrepancies. Depending on the detail held within the tender documentation this meeting will either be to moderate the scores so that they are within one mark of each in order to ensure consistency or be to discuss each question and agree to an agreed score. Details of this process will be detailed within the relevant tender documentation issued as part of the procurement process.</p> <p>The meeting will require all evaluators to attend and will be chaired by the Procurement Manager</p>
8.23	Award
	<p>Once the submissions have been fully appraised/reviewed and the contract manager/lead officer satisfied with the outcome then the formal award can be made. The Procurement Manager will issue a letter to all suppliers who have bid informing them of the outcome.</p> <p>Direct Approach – letter issued to the successful supplier notifying them of our intention to enter into contract with them based on their submission</p> <p>Quotation exercise (under threshold) – letter issued to the successful supplier notifying them of our intention to enter into contract with them based on their submission. Letters also issued to the unsuccessful suppliers detailing their scoring for each question along with those of the successful supplier. In addition, feedback will be given as to why it was deemed that their submission could only score as it did.</p>

9.	Above Threshold Processes
9.1	Overview
	<p>Above threshold procurement is determined by following the requirements set out within the relevant legislation.</p> <p>Where the procurement activity has commenced prior to the 24th February 2025, then it will be subject to the requirements laid out within Public Contract Regulations (2015).</p> <p>All procurement activity commenced after this date will be subject to the Procurement Act 2023.</p> <p>There are some significant differences between the two and the following paragraphs detail the high-level processes which need to be adhered in respect of both. Further advice should be sought from the Procurement Manager prior to the commencement of any procurement activity.</p>
	<i>Public Contract Regulations (2015)</i>
9.2	Pre-Market Engagement
	<p>Premarket engagement is allowed for within the regulations and allows for the consultation of suppliers (both incumbent and prospective) in order for officers to:</p> <ul style="list-style-type: none"> • understand fully what the market can deliver in general terms in relation to the provision being procured • prepare and plan the procurement activity • use experts to help inform and refine the provision being procured <p>It is essential that all steps possible are taken to ensure that the procurement legal requirements of being Transparent, Proportionate and Non-Discriminatory are adhered to at all times. Officers also need to ensure that any engagement doesn't lead to distortion of competition by being shaped by one supplier more than another. The provision/requirement whilst taking into account feedback from the marketplace needs to primarily still be based on and meet the full needs of the Council.</p> <p>Full minutes/comprehensive notes must be kept of the meetings held and ideally where possible all suppliers should be asked the same initial questions. It is essential that this is undertaken as these can be disclosable and may be appended to the tender documentation issued to be fully transparent.</p> <p>Ideally a Prior Information Notice (PIN) should be published by the Procurement Manager notifying the market that this process is being undertaken and asking those that interested in taking part register their interest.</p> <p>The Procurement Manager should always be consulted prior to any engagement with the market in relation to a forthcoming tender.</p>

9.3	Open Process
	The “open” procedure is where there is a limited marketplace, and it is not anticipated that there will be a high volume of interest. It is a one stage process which assesses both the history/standing of the contractor alongside its ability to deliver the specification. Submissions are undertaken by way of Invitation to Tender. The documentation is a combination of the Selection Questionnaire (SQ) and Invitation to Tender (ITT) used within the restricted process.
9.4	Restricted Process
	<p>The “restricted” procedure is where it is anticipated that the marketplace is large, and interest will be high. This route allows for the shortlisting of suppliers by way of an assessment using a standard selection questionnaire followed by the completion of an ITT by those that have been selected for the second stage. The Standard Selection Questionnaire (SQ) is a standard document which assesses various general aspects of the contractor such as:</p> <ul style="list-style-type: none"> • Financial standing • Company policies i.e. Equality & Diversity, Health & Safety • Previous relevant experience <p>It should be noted that any criteria assessed at this stage cannot be used again at ITT (Award stage).</p>
9.5	Procurement Notices (PIN, VEAT, Contract Notice, Award Notice)
	<p>PCR’s 2015 mandate the use of various procurement notices at various stages of the procurement. The publication of these is the responsibility of the Procurement Manager.</p> <p>The main notices used are:</p> <ul style="list-style-type: none"> • PIN – prior information notice – this can be used as a notice to alert the marketplace that the Council is potentially looking to procure the provision within the next 12 months. It can also be used as a call for expressions of interest in relation to pre-market engagement • Contract Notice – this notice is the formal notification to the marketplace that the proposed procurement activity is to commence • Award Notice – this is the notice that informs the marketplace that the procurement activity has concluded and that an award has been made • VEAT – voluntary ex anti notice - this notice is to inform the marketplace of the intention to enter into a contract where no formal procurement activity has been followed.
9.6	Standard Selection Questionnaire (SQ)
	Following the PCR 2015 coming into force there is a fundamental change in the use of standard selection questionnaire. Historically, Councils’ have used these documents as a way of shortlisting for procurement exercises under thresholds. The legislation now clearly states that this is no longer possible for under threshold exercises.

	<p>Where the tender process is over the relevant threshold and a restricted process is being followed, a SQ can be used. This is a standard document which takes a historic look at the operation of the supplier, from both a financial and experience perspective. Information assessed at this stage cannot then be assessed at the ITT stage</p> <p>The use of the SQ enables a reduction in the number of bidders to be undertaken. It is essential though that any shortlisting be identified within the contract notice and in the SQ itself. This can either be a range or an exact number.</p>
9.7	Invitation to Tender (ITT)
	<p>All exercises must be conducted by way of using the electronic portal. No other method is permitted. Submissions received after the deadline will not be considered under any circumstances.</p> <p>The standard template must be used, and this has to be finalised prior to the publication of the contract notice</p> <p>The ITT must:</p> <ul style="list-style-type: none"> • Include a full specification which must describe clearly the Council's requirements in sufficient detail to enable the submission of competitive offers. In preparing the specification, the Lead Officer must have regard to any guidance given from a procurement perspective. • It should also clearly state that the Council is not bound to accept any tender submission. • Detail the award criteria to be applied when evaluating the submission • Clearly state that submissions will only be accepted electronically
9.8	Evaluation Process and Role of Evaluation Team Members
	<p>Where tender submissions are received (SQ and/or ITT), they will need to be formally reviewed and assessed in accordance with the selection and/or award criteria laid out within the tender documents. These Officers will need to ensure that they have read and fully understand the tender documents issued and will be required to have a training/refresher session with the Procurement Manager to ensure that they are aware of the requirements of evaluating tender submissions.</p> <p>Evaluations will be based on the requirements as detailed within the relevant tender documents but in general will be based on the following:</p> <ul style="list-style-type: none"> • A price/quality split which has been set in order to provide the most economical tender being awarded • A set of assessment questions in relation to the quality submission, each of which will have weighting/score attached to it • An overall scoring matrix which will determine whether the submission is non-complaint to excellent. This will be applied to the question weighting to determine its score per question then added together to provide an overall score <p>It is the role of the Evaluation Team Members to undertake the initial review and ghost mark on an individual basis prior to a moderation/scoring meeting being held.</p>

	<p>They will also be expected to complete an evaluators scoresheet which will provide comprehensive reasoning and justification as to why the score attributed to each supplier's assessment question was as such.</p> <p>Evaluating Officers must justify all comments on an objective basis. The more contentious the comments the fuller the justification needs to be. Evaluating Officers must take great care to ensure that the scores match the written record for each evaluation and that there is consistency across all Bidders. It is essential that the written record demonstrates why the highest scoring Bidder provided the best submission.</p> <p>Evaluating Officers must ensure that all scoring commentary is in a professional, business-like language which helps to justify the score that has been awarded. Evaluating Officers should be aware that their commentary may be disclosed to Bidders if there is a legal challenge or a Freedom of Information request. Evaluating Officers should be aware that the evaluation process is an activity where the risk of legal challenge is high.</p>
9.9	Communication With and Clarification of Tender Documents by Bidders
	<p>No form of communication is allowed for with bidders other than via the electronic procurement portal. If site visits are allowed for within the tender process that lead officers should ensure that minimal communication is undertaken and that where clarifications are sought from the bidder these are requested to be submitted through the electronic procurement portal. These will then be responded too by following the protocol as outlined below.</p> <p>Bidders are allowed to seek clarity on the information included within the tender documentation. Clarifications can only be made electronically through the procurement portal. If Bidders seek clarification via any other method, then no response will be given, and they will be asked to submit via the portal.</p> <p>Where clarifications are received the use of Q&A log will be required and this will detail the clarification sought and the Council's response. It will not detail who raised the clarification, but the Q&A log must be shared with all bidders.</p> <p>Clarifications will have to be submitted within the permitted timeframe detailed within the tender documents.</p>
9.10	Presentations
	<p>The use of presentations is permitted where it is deemed proportionate and relevant to the procurement activity being undertaken. It will be a requirement of the tender documentation to include full details of the process. This will include but not be limited to the following:</p> <ul style="list-style-type: none"> • Setting the presentation question • scoring attributable to the presentation question set • mechanism for how the presentation will work

9.11	Moderation/Scoring Meeting
	<p>Once all submissions have been evaluated/reviewed individually by the team then a moderation meeting will be held whereby the scores will be discussed to ensure that there are no major discrepancies. Depending on the detail held within the tender documentation this meeting will either be to moderate the scores so that they are within one mark of each in order to ensure consistency or be to discuss each question and agree to an agreed score. Details of this process will be detailed within the relevant tender documentation issued as part of the procurement process.</p> <p>The meeting will require all evaluators to attend and will be chaired by the Procurement Manager</p>
9.12	Alcatel (Standstill Period)
	<p>Where the contract value is over the relevant threshold then the Alcatel period (which is a mandatory standstill period) will need to be followed. This is a 10-day period (calendar not working days) between the issuing of a successful/unsuccessful letter and the formal award letter. Allowance needs to be made for any bank holidays.</p> <p>During this period, no contact can be made with the successful tenderer. The purpose of the standstill period is to give unsuccessful bidders some time to consider the feedback and seek further information, this is also the time when an unsuccessful tenderer can legally challenge the proposed award. They have to do so in writing formally within the 10-day period. If a “challenge” is made, then the Authority has to respond as soon as is possible (preferably within 24 hours of receipt of the letter) in order to not delay the pending award of contract</p> <p>The City Solicitor and the Procurement Manager are responsible for responding to any challenges received. It is their decision in conjunction with the relevant Director for the service area as to whether the challenge is to be defended. Their combined decision is final and will be communicated to all suppliers/contractors involved where appropriate</p>
9.13	Award
	<p>Once the Alcatel period has passed without an upheld challenge being made, then the award letter can be issued. This will be undertaken by the Procurement Manager</p> <p>Once the award letter has been issued and formal confirmation of acceptance of the appointment has been received from the successful bidder then a formal contract award notice will be issued. This will be undertaken by the Procurement Manager</p>
9.14	Regulation 84 Report
	<p>This report is a requirement of the regulations and captures a full audit trail of the process followed throughout the procurement exercise. It doesn't have to be published but has to be available if requested to be disclosed. The Procurement Manager will complete this report and hold on file.</p>

	Procurement Act 2023																														
9.15	Procurement Notices (Pre-Commencement; Award; During Contract)																														
	<p>One of the most significant changes within the new Procurement Act is the number of new notices that contracting authorities legally have to produce when undertaking a procurement activity.</p> <p>There are a significant number of Notices that could be required to be published in respect of each procurement activity (contract value dependant) and one of these is a requirement to detail significant advance planning (a minimum of 18 months) of procurement activity. Failure to comply with these requirements will result in a high risk of legal challenge</p> <p>The following tables shows all the notices that could be required to be published in respect of both the procurement process and also following award, as part of the contract management of the provision.</p> <p>The Procurement Manager will publish these notices as required. However, it is the responsibility of the Contract Manager and their Assistant Director to ensure that all information required to complete this function is provided in a timely manner to the Procurement Manager. It is not the responsibility of the Procurement Manager to populate or chase for this information.</p> <p>Notices numbered 1 to 5 are all published prior to the “go live” date of the tender process</p> <p>Notices numbered 6 to 8 are all part of the “live” tender process</p> <p>Notices numbered 9 to 11 are all part of the award of contract stage</p> <p>Notices numbered 12 to 16 are all part of the contract delivery stage</p> <p>Notices numbered 17 to 18 are all part of the termination process</p> <table><tr><th></th><th>Notice</th><th>£25k to Threshold (Goods & Services)</th><th>Threshold (Goods & Services) to £1m</th><th>Above £1m</th></tr><tr><td>1</td><td>Pipeline Notice (Corporate Procurement Service – annually)</td><td></td><td>Advisable</td><td>Yes (£2m)</td></tr><tr><td>2</td><td>Pre-Market engagement activity</td><td></td><td>Yes</td><td>Yes</td></tr><tr><td>3</td><td>Lot Division</td><td></td><td>Yes</td><td>Yes</td></tr><tr><td>4</td><td>SME barrier removal</td><td></td><td>Yes</td><td>Yes</td></tr><tr><td>5</td><td>Preliminary Market Engagement Notice</td><td></td><td>Yes</td><td>Yes</td></tr></table>		Notice	£25k to Threshold (Goods & Services)	Threshold (Goods & Services) to £1m	Above £1m	1	Pipeline Notice (Corporate Procurement Service – annually)		Advisable	Yes (£2m)	2	Pre-Market engagement activity		Yes	Yes	3	Lot Division		Yes	Yes	4	SME barrier removal		Yes	Yes	5	Preliminary Market Engagement Notice		Yes	Yes
	Notice	£25k to Threshold (Goods & Services)	Threshold (Goods & Services) to £1m	Above £1m																											
1	Pipeline Notice (Corporate Procurement Service – annually)		Advisable	Yes (£2m)																											
2	Pre-Market engagement activity		Yes	Yes																											
3	Lot Division		Yes	Yes																											
4	SME barrier removal		Yes	Yes																											
5	Preliminary Market Engagement Notice		Yes	Yes																											

	6	Tender Notice		Yes	Yes
	7	Dynamic Market Notice		Yes	Yes
	8	Transparency Notice		Yes	Yes
	9	Assessment Summary		Yes	Yes
	10	Contract Award Notice		Yes	Yes
	11	Contract Notice Details	If below threshold notice used	Yes	Yes
	12	Contract Performance Monitoring		Yes	Yes
	13	KPI Publication (annually)			Yes
	14	Contract Performance Notice (annually)		If monitored	Yes
	15	Contract Change Notice		Yes	Yes
	16	Payment Compliance Notice (annually)	Yes	Yes	Yes
	17	Contract Termination Notice (for any reason, including natural end)	If below threshold notice used	Yes	Yes
	18	Procurement Termination Notice (for any reason other than award)	If below threshold notice used	Yes	Yes
	Further information in relation to the above is available from the Procurement Manager.				
9.16	Open Process				
	<p>The Open Procedure has been carried over from the current regime. It is the only one that has a prescribed form in the Act — namely, a single stage tendering procedure without a restriction on who can submit tenders.</p> <p>The main difference between the current Open Procedure and the new one is that the minimum time limits set out between the publication of a contract notice and the deadline for the receipt of tenders is no longer procedure specific. Instead, time limits are generally dependent on other factors, as set out in s.54 of the Act. This means that the Open Procedure no longer has its own specific time limits.</p>				

9.17	Competitive Flexible Process
	<p>This procedure is described in the Act as a competitive tendering procedure <i>“which is such procedure as the contracting authority considers appropriate for the purpose of awarding the public contract”</i>.</p> <p>In essence it could be used to construct a “restricted process” as previously allowed within PCR (2015).</p> <p>S.20 of the Act clarifies that when using this procedure, contracting authorities may:</p> <ul style="list-style-type: none"> • limit the number of participating suppliers — either generally or in respect of particular tendering rounds or selection processes • provide for the refinement of award criteria • prevent participation of suppliers that didn’t submit a tender in an earlier round of tendering or were excluded following an earlier round • let a contract by using lots (to which the number of lots a supplier is bidding for can be limited). <p>This represents a significant shift away from the current regime. There is no mandatory process for the procedure provided that it’s “a proportionate means of awarding the public contract, having regard to the nature, complexity and cost of the contract” (as stated in the Act). Again, there are no procedure specific time limits beyond the general time limits in s.54.</p> <p>This move away from a regulated framework for undertaking a procurement procedure is designed to offer more flexibility to contracting authorities and allow them to design their own procurement procedures that best fit the opportunity for which they are advertising. This helps to meet their needs without the contract in question being straitjacketed into a specific procedure. Also, a more complex procurement can require a more complex procurement procedure without any need to justify whether any gateway for such procedure is met.</p> <p>It should be noted, however, that such flexibility also places a significant burden on contracting authorities. A contracting authority must ensure that whatever process they design for a specific procurement complies with the general procurement objectives and meets the proportionality requirement mentioned above. Given the increased transparency requirements woven throughout the Act, there will be greater scrutiny on the contracting authority’s approach.</p> <p>Regulation 19 of the Procurement Regulations 2024 (which expands on a number of points in the Act) sets out what would be required in a tender notice for a competitive flexible procurement.</p> <p>These requirements include:</p> <ul style="list-style-type: none"> • a description of the process that the procedure will follow • clarity on the number of suppliers that will be invited at different stages • any limits on the number of tenderers • how tenders can be submitted. <p>This demonstrates a need for a fully realised process to be established prior to going to market.</p>

	Advice should be sought from the Procurement Manager at the earliest opportunity to ensure compliance.
9.18	Direct Award/Negotiated Procedure without Prior Publication
	<p>Direct awards are available in limited circumstances under the current regime as part of the Negotiated Procedure without Prior Publication.</p> <p>Under s.41, the new Act allows for direct awards — provided that one of the limited grounds in Schedule 5 is present. While this is relatively similar to the current regime, the direct award ability is widened out to additional abilities in s.42 and s.43.</p> <p>It should be noted that this is not direct awards as allowed for under threshold values (i.e. Council set levels) and also those which are allowed within any framework arrangements.</p>
9.19	Evaluation Process and Role of Evaluation Team Members
	<p>Where tender submissions are received, they will need to be formally reviewed and assessed in accordance with the selection and/or award criteria laid out within the tender documents. These Officers will need to ensure that they have read and fully understand the tender documents issued and will be required to have a training/refresher session with the Procurement Manager to ensure that they are aware of the requirements of evaluating tender submissions.</p> <p>Evaluations will be based on the requirements as detailed within the relevant tender documents but in general will be based on the following:</p> <ul style="list-style-type: none"> • A price/quality split which has been set in order to provide the most economical tender being awarded • A set of assessment questions in relation to the quality submission, each of which will have weighting/score attached to it • An overall scoring matrix which will determine whether the submission is non-complaint to excellent. This will be applied to the question weighting to determine its score per question then added together to provide an overall score <p>It is the role of the Evaluation Team Members to undertake the initial review and ghost mark on an individual basis prior to a moderation/scoring meeting being held.</p> <p>They will also be expected to complete an evaluators scoresheet which will provide comprehensive reasoning and justification as to why the score attributed to each supplier's assessment question was as such.</p> <p>Evaluating Officers must justify all comments on an objective basis. The more contentious the comments the fuller the justification needs to be. Evaluating Officers must take great care to ensure that the scores match the written record for each evaluation and that there is consistency across all Bidders. It is essential that the written record demonstrates why the highest scoring Bidder provided the best submission.</p> <p>Evaluating Officers must ensure that all scoring commentary is in a professional, business-like language which helps to justify the score that has been awarded.</p>

	Evaluating Officers should be aware that their commentary may be disclosed to Bidders if there is a legal challenge or a Freedom of Information request. Evaluating Officers should be aware that the evaluation process is an activity where the risk of legal challenge is high.
9.20	Presentations
	See paragraph 9.10
9.21	Moderation/Scoring Meeting
	See paragraph 9.11
9.22	Clarification of Bids
	See paragraph 9.12
9.23	Award
	<p>This is one of the most significant areas of change within the new Act.</p> <p>Where previously the suppliers were notified whether they had been successful or not by way of a letter which then enacted the standstill period this is now replaced by the publication of an Assessment Summary Notice on the required procurement platform. Once published this should be followed by letters being issued to each bidder as previously undertaken but only once the letters have been issued does the standstill period commence. The standstill period has also been changed and this is now 8 working days rather than 10 calendar days.</p> <p>Once this period has been successfully navigated, then the contract needs to be issued for signing by both parties and only on completion of this (and within 30 days of this being completed), is the Contract Award Notice published.</p>
9.24	Regulation 84 Report
	This report is a requirement of the regulations and captures a full audit trail of the process followed throughout the procurement exercise. It doesn't have to be published but has to be available if requested to be disclosed. The Procurement Manager will complete this report and hold on file.

10.	Light Touch Regime
10.1	Overview
	<p>The light touch regime is a specific set of rules which covers certain service contracts that tend to be of low interest to competition. These services replace those that prior to the PCRs (2015) were known as Part B services and include areas such as social, health and educational services as defined by Common Procurement Vocabulary (CPV) codes.</p> <p>The threshold for LTR procurements is detailed within Section 4.</p> <p>There are a number of regulations within the PA23 which clearly define how a LTR procurement should be undertaken. Further guidance on this can be obtained from the Procurement Manager prior to the commencement of any related procurement activity.</p>

11.	Contract Formalities
11.1	Contract Register
	<p>The Contract Manager is responsible for ensuring that the Council's contract register is kept up to date with all the relevant information pertaining to all contracts with a total value over £5,000 which fall within their remit. This will be in relation to the initial entry following award (where the award has been made by way of a direct approach or via a framework provision) and also any subsequent modifications such as a variation and allowed for extensions. Please note that all contracts mean:</p> <ul style="list-style-type: none"> • procured the "normal" way via RFQ/Full Tender • procured via a framework • procured via a direct approach • procured which relate to agency or consultancy appointments • procured via an exception to the normal route <p>However, where the initial procurement exercise was undertaken electronically (by way of a RFQ or full tender process or mini competition via a framework) it will be the responsibility of the Procurement Manager to populate the initial contract register entry and assign this to the named contract manager. It will then be the contract manager's responsibility to ensure that this is correct and assume responsibility for the entry moving forward.</p> <p>The Council's contract register can be viewed at:</p> <p>www.eastmidstender.org click view contract register</p> <p>Entries/amendments/updates will be made through the Council's procurement portal, Pro Contract. Log In (due-north.com)</p> <p>Guidance and training are available from the Procurement Manager.</p>
11.2	Contract Documentation
	<p>Contract Managers should ensure that contracts are in place clearly set out requirements in respect of contract management and performance, in addition to requirements re specification, pricing, business continuity and exit plan, where relevant.</p> <p>The Contract Manager is responsible for ensuring that all tender documentation originally issued, and the supplier's submission is pulled together into the relevant contract template. This should be undertaken in conjunction with Legal Services and a thorough check made to ensure that no amendments have been made to the original form of contract etc that has not been officially agreed too.</p> <p>Contract Managers will need to issue the contract to the supplier for signing and then on return ensure that two copies of the contract are signed/sealed as per paragraph 11.4 below. Once fully signed by both parties, one copy should be issued to the supplier and the other lodged with Legal. They should also ensure</p>

	that they retain a copy of all contracts for which they are responsible to enable contract management and monitoring to be undertaken effectively and efficiently.														
11.3	Supplier/Sub-contractor/Supply Chain														
	<p>In accordance with relevant legislation every contract must state that the council will pay the supplier’s undisputed invoices within 30 days from receipt of a valid invoice.</p> <p>In addition, the contract should also require that the supplier has a responsibility to pay their sub-contracted suppliers within 30 days of them submitting an undisputed, valid invoice. Please note that this is not 30 days from when the Council has paid the main supplier. It should also be noted that this process should pass down through the supply chain.</p>														
11.4	Contract Signing and Sealing Requirements														
	<table><tr><th>Total Contract Value</th><th>Method of Completion</th><th>By Whom</th></tr><tr><td>Up to £25,000</td><td>Signature</td><td>Service Manager with responsibility for the area</td></tr><tr><td>£25,001 to £75,000</td><td>Signature</td><td>Assistant Director with responsibility for the area</td></tr><tr><td>Above £75,000</td><td>Signature/ Sealing</td><td>Legal & Democratic Service Manager/City Solicitor</td></tr></table>			Total Contract Value	Method of Completion	By Whom	Up to £25,000	Signature	Service Manager with responsibility for the area	£25,001 to £75,000	Signature	Assistant Director with responsibility for the area	Above £75,000	Signature/ Sealing	Legal & Democratic Service Manager/City Solicitor
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Above £75,000	Signature/ Sealing	Legal & Democratic Service Manager/City Solicitor													
11.5	Lodging of Contracts														
	<p>Where possible all contracts should be lodged with Legal Services and a copy kept by the contract manager. However, the minimum requirement in respect of the lodging of contracts is as follows:</p> <p><u>Total contract value over £75,000</u></p> <p>Once a contract or an agreement has been sealed, then legal services will retain one original copy to be allocated a deed packet number and then stored in the Deed Room, with another original copy to go to the other party(ies). Officers will then be notified of the deed packet number for your records. The Contract Manager must keep a copy of any contract or agreement entered into, with a note confirming that the original is in the deed room with the relevant number so it can be traced if needed.</p> <p><u>Total contract value under £75,000</u></p> <p>Whilst it is not a requirement, it is good practice for any signed contract or agreements to store the original documents with Legal Services so that it can be allocated a deed packet number and then stored in the deed room, with the other original going to the other party(ies). Again, you will be given a deed packet number for records. It is advisable that the Contract Manager retains a copy of any contract or agreement entered into, with a note confirming that the original is in the deed room with the relevant number so it can be traced.</p>														

12.	Contract Management						
	<p>Contract management must be an integral part of the consideration when seeking to award a new Contract. All contracts should have in place a named Contract Manager. It is there responsibility to ensure that:</p> <ul style="list-style-type: none"> • the contract delivers all the elements that have been tendered for • that suppliers are paid in a timely manner but only for services/works that have been delivered • that all contract related report information is provided in a timely manner • that the supplier has in place a dedicated contract manager • that contract management meetings are held, and the details recorded in accordance with the risk assessment of the contract • they know and understand their contract fully • they obtain all relevant certificates i.e. insurance on an annual basis • all associated costs, KPI's, deliverables, requirement etc is reviewed on a regular basis and formally updated to reflect current position as and when required <p>It should be noted that, whilst all of the above are elements that should be included within contract management, it should be set at a level that is proportionate and relevant to the provision being managed.</p> <p>All Contracts should contain a dispute resolution procedure. If a contractor raises a dispute, which is not clearly within the terms of a contract, the contract manager must not enter into any form of negotiation regarding a settlement until discussions have been held with the relevant Assistant Director, The City Solicitor and the Chief Finance Officer.</p>						
12.1	Contract Management Risk Assessment						
	<p>The following table, based on the Council's Contract Tiering Tool, sets out the frequency of which contract management meetings should be undertaken. The requirement for contract management meetings should be clearly set out in the contract documentation.</p> <table border="1"> <thead> <tr> <th>Total Value of Contract (£)</th><th>Process to Be Followed</th></tr> </thead> <tbody> <tr> <td>Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.</td><td> <p>Six monthly contract meetings initially but can be flexed to annual if no issues or concerns with contract deliver.</p> <p>Where contract includes for delivery of specific events a formal post event debrief meeting should take place.</p> </td></tr> <tr> <td>Over threshold for goods & services but below £2.5m - Works Contract only</td><td> <p>Goods & Services should have in place quarterly contract management meetings initially but can be flexed to half yearly if no issues or concerns with contract delivery.</p> <p>Works will be monthly project meetings.</p> </td></tr> </tbody> </table>	Total Value of Contract (£)	Process to Be Followed	Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.	<p>Six monthly contract meetings initially but can be flexed to annual if no issues or concerns with contract deliver.</p> <p>Where contract includes for delivery of specific events a formal post event debrief meeting should take place.</p>	Over threshold for goods & services but below £2.5m - Works Contract only	<p>Goods & Services should have in place quarterly contract management meetings initially but can be flexed to half yearly if no issues or concerns with contract delivery.</p> <p>Works will be monthly project meetings.</p>
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12.2	Contract Management Meetings		
	<p>Contract Management Meetings should be subject to a formal agenda which is issued at least 3 working days in advance. All relevant reports/information to be discussed should also be issued with the agenda so as to allow Officers to digest the information and proper scrutiny be undertaken during the meeting. Agendas should contain standing items such as the following, however it should be accepted that not all will need to be discussed at all meetings.</p> <ul style="list-style-type: none"> • Previous Action Points Update • Invoicing/costs • Delivering the requirement/compliance with specification • Performance • Risk Management • Issues <p>Minutes and action points from the meetings should be issued within promptly (ideally within 2-3 working days) following the meeting taking place so as to enable them to be formally agreed by all parties and also to ensure that action</p>		

	<p>points are reviewed and completed by the assigned person(s) where possible, prior to the next meeting.</p> <p>Performance management should also be discussed in detail at these meetings and where necessary any issues with performance addressed.</p> <p>An escalation procedure should also be in place for any disputes arising from the contract and where it is not possible for this to be resolved by the two contract managers.</p> <p>Internally contract management should form part of Directorate Management meetings as a standing item and evidence provided to these (or to the relevant Assistant Director) so that this can be clearly monitored.</p>
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13.	Contract Modifications
	<p>Modifications to contracts can be undertaken where the contract allows for this to happen and/or where it meets the strict requirements of the relevant procurement legislation under which the contract was procured – Public Contract Regulations 2015 and Procurement Act 2023</p> <p>Any modifications to contract need to be formally captured within the contract documentation and as such, no agreement should be entered into without first consulting with the Procurement Manager and/or the City Solicitor</p>
13.1	Contract Extensions – included for within existing provision
	<p>Contract Extensions can only be entered into where the original contract has provision to do so. It is the contract managers responsibility to ensure that they are aware of these provisions as well as the relevant clauses which pertain to the relevant notification periods that must be observed where an extension is to be granted. It is also their responsibility to ensure that they have also discussed any related increases to cost/pricing schedules for the extension period and also any updates to the original contract i.e. specification requirement, KPI's etc.</p> <p>The contract managers checklist for extensions/variations should be completed for these changes so that the relevant officers can ensure that the proposed changes are in line with legislation etc.</p> <p>Legal Services will draft the letter based on the information provided and pass this to the Contract Manager to issue.</p>
13.2	Contract Extensions – not included for within existing provision
	<p>Where there is no provision for an extension within the original contract then an extension cannot be entered into. However, there are limited exceptions to this, and advice should be sought from the Procurement Manager and/or the City Solicitor prior to extending the current term i.e. where regulations are not breached in relation to modifications to contracts</p> <p>All contract extensions must be updated in the council's contract register and a copy of the extension letter must be lodged with the original contract.</p>
13.3	Contract Variations
	<p>As with contract extensions, variations can only be made where there is provision within the original contract for them to be made. Where provision has not been made, then prior to any being granted, compliance with the relevant legislation which was in place when the procurement was undertaken originally will need to be followed.</p> <p>Any variations that are undertaken should be done so via the contract managers checklist prior to any agreement being entered into with the supplier.</p>

	<p>Legal Services will provide the formal contract variation documentation once it has been determined that there are grounds within which the variation can be enacted.</p> <p>It is the responsibility of the contract manager to provide all the relevant information in order for this instruction to be undertaken and also for ensuring that the variation is formally signed/sealed by both parties involved.</p> <p>The contracts register should also where relevant be updated with any variations granted and the formal variation lodged with the original contract in Legal Services.</p>
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14.	Other Formalities
14.1	Performance Bonds
	<p>A Performance Bond is an insurance policy under which the Council can make a claim if the supplier does not deliver the requirements as detailed within the contract. It is there to provide protection against a level of costs arising from the Supplier's failure.</p> <p>Factors to be considered as to whether a Performance Bond is required will include:</p> <ul style="list-style-type: none"> • If the contract is of a high value • Where it's a construction contract • Where it's a high profile/high risk contract • If there is no retention on a contract • Any other factor considered to be relevant <p>If a Performance Bond is required, then 10% is a reasonable standard percent to use in most circumstances, however, if there were significant contracts with a higher risk, it may mean that consideration is given to increasing this based on the circumstances.</p> <p>This will be included for within the tender documents issued and each bidder will have to agree to put this place prior to the commencement of any contract. The form of contract/terms and conditions may also need to be amended to reflect the use of a performance bond.</p> <p>Advice should always be sought from Financial Services prior to the commencement of any procurement activity, by way of the contract managers checklist.</p>
14.2	Parent Company Guarantees
	<p>A Parent Company Guarantee is a legally binding contract between the council and the parent of a subsidiary company which is entering into the contract (the supplier). If the supplier fails to do what it is supposed to do under the contract, then the Council can require the parent company to step in and ensure the provision is delivered. This will be included for within the tender documents issued and each bidder will have to agree to put this place prior to the commencement of any contract. The form of contract/terms and conditions may also need to be amended to reflect the use of a performance bond.</p> <p>Advice should always be sought from Financial Services prior to the commencement of any procurement activity, by way of the contract managers checklist.</p>
14.3	Financial Reviews/Assessments - During Initial Contract Term & Prior to Extensions
	<p>During the lifetime of a contract regular reviews should be undertaken as to the financial standing of the supplier. Whilst the following is proposed as a minimum</p>

	<p>process to follow, where appropriate and proportionate to the contract being delivered the frequency of reviews maybe regular.</p> <p>Instances when this may arise could be market intelligence showing a significant change in circumstances for the supplier; information received by way of contract monitoring meetings; whistle blowing by supplier employees; supply chain issues etc. All financial reviews will be undertaken by Financial Services.</p> <p>Financial Reviews as a minimum should be undertaken as follows:</p> <table border="1"> <tr> <th>Total Value of Contract (£)</th><th>Process to Be Followed</th></tr> <tr> <td>Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.</td><td>Prior to the end of the initial period of the contract ending and an extension being granted but only where the contract manager has concerns.</td></tr> <tr> <td>Over threshold for goods & services but below £1.5m - Works Contract only</td><td>Prior to the end of the initial period of the contract ending and an extension being granted.</td></tr> <tr> <td>Goods & Services over threshold plus works over £1.5m</td><td> Based on the tiering tool and ranked: <ul style="list-style-type: none"> • Gold – financial review should be undertaken on an annual basis • Silver – financial review should be undertaken on a minimum 2-year period • Bronze – financial review should be undertaken on a minimum 3-year period </td></tr> <tr> <td></td><td></td></tr> </table>	Total Value of Contract (£)	Process to Be Followed	Value is Under Current Threshold for Goods & Services but includes for Works, LTR, Concessions etc.	Prior to the end of the initial period of the contract ending and an extension being granted but only where the contract manager has concerns.	Over threshold for goods & services but below £1.5m - Works Contract only	Prior to the end of the initial period of the contract ending and an extension being granted.	Goods & Services over threshold plus works over £1.5m	Based on the tiering tool and ranked: <ul style="list-style-type: none"> • Gold – financial review should be undertaken on an annual basis • Silver – financial review should be undertaken on a minimum 2-year period • Bronze – financial review should be undertaken on a minimum 3-year period 		
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14.4	Fraud & Corruption										
	<p>All Officers involved with the procurement exercise must comply with the Council's Code of Conduct and must not accept any gift, hospitality or reward from a supplier (or a related subsidiary of the company) whilst the procurement activity is in progress. Where Officers believe that there could be a conflict, they should notify the Procurement Manager and/or City Solicitor immediately for them to make a decision as to whether it is appropriate that they are involved within the process further.</p> <p>Any gifts, hospitality and/or rewards should be recorded on the Council's gifts and hospitality Register. It should also be noted that this should be undertaken at any time, not just during a procurement process.</p>										
14.5	Conflict of Interests										
	<p>From time to time there will be conflicts of interests that occur during a procurement activity. This can be where a close relative works for the supplier bidding for work etc. Where an Officer feels there is a conflict, it is their responsibility to notify immediately their Line Manager and also the Procurement</p>										

	Manager. A decision can then be made as to whether there is a conflict of interest. In the event that it is deemed there is a conflict, then the officer will be removed completely from the process in order to remove any risk of challenge to the Council. Any advice on this should be given by the City Solicitor.				
14.6	Purchase Orders				
	A Purchase Order should be raised and issued to the supplier, for each contract that is entered into. Financial Services will provide advice as to how this is to be done and for what amount etc.				
14.7	Local Policy				
	<p>The Council has in place a Local Purchasing Strategy which details its requirements in detail. However, the definition below defines what is meant by “local” and this is to be adhered too when selecting the required number of “local” suppliers when tendering under threshold provisions.</p> <p><i>“Those suppliers whose trading premises are located within Lincolnshire and/or a 20-mile radius of the county of Lincolnshire’s boundary”</i></p>				
14.8	Form of Contract/Terms & Conditions				
	Procurement activity can include various forms of contract/terms & conditions. It is a legal requirement that the ones being used are published along with the initial contract notice. It is therefore essential that discussions are held with both Legal and Finance as to the suitability of proposed forms/clauses so as to mitigate risk exposure to the Council. The contract managers checklist should be completed, and this should detail the process followed in developing the form of contract. This form will then be used to help respond to any queries raised during the tender process.				
14.9	Risk Register				
	<p>The contract manager must identify, minimise, and manage risk within the contract being procured. This includes supply risk, demand risks, process risks, control risks, environmental and social risks. If a risk is identified, it should be reported to the relevant Assistant Director or Director and then formally monitored as part of the contract management meetings (where there is no formal risk register in place).</p> <p>In line with it’s approach to contract management meetings and financial assessments, the Council utilises it’s contract tiering tool to identify where specific risk registers are required. The requirements under the Lincoln Project Management Model (LPMM) are also taken into consideration.</p> <table border="1"> <tr> <td>Total Value of Contract (£)</td><td>Process to Be Followed</td></tr> <tr> <td>Value is Under Current Threshold for Goods &</td><td>No formal risk register required, unless identified as part of LPMM.</td></tr> </table>	Total Value of Contract (£)	Process to Be Followed	Value is Under Current Threshold for Goods &	No formal risk register required, unless identified as part of LPMM.
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	Over threshold for goods & services but below £1.5m - Works Contract only	No formal risk register required, unless identified as part of LPMM.
	Goods & Services over threshold plus works over £1.5m	<p>Based on the tiering tool and ranked:</p> <ul style="list-style-type: none"> • Gold – formal risk register required during procurement process and as part of ongoing contract management for goods and services. For works, risk register required as part of LPMM, during procurement activity and contract period. • Silver – formal risk register required during procurement process for goods and services. For works, risk register required as part of LPMM, during procurement activity and contract period. • Bronze - For works, risk register required as part of LPMM, during procurement activity and contract period.
	<p>Where a formal risk register is required (based on the tiering tool) these should be put in place at the start of the procurement activity. During the procurement activity they should be a standing item on the relevant operation team meeting/board meeting and any amendments captured as the procurement progresses.</p> <p>Following award, they should be a standing item on the contract management meeting and reviewed/updated as part of this process. Where appropriate risks may need to be highlighted to Directorate Management meetings as part of the Contract standing item on those departmental meetings and appropriate action taken/recorded.</p>	
14.10	Collateral Warranties	
	<p>Collateral warranties are used as a supporting document to a primary contract where an agreement needs to be put in place with a third party outside of the primary contract. It can also provide the third-party contractual rights enabling it to claim for losses which would not otherwise be recoverable.</p> <p>The Council has standard Collateral Warranties.</p> <p>This will be included in the tender documents and terms and conditions, as required. Advice can be sought from Legal Services in respect of this.</p>	

15.	Definitions
	The following table provides definitions of the key terms that have been referred to within this document.

Key Term	Definition
Award Criteria	<p>The criteria used by the Council in order to assess/evaluate the suppliers bids against the requirement detailed within the specification. Criteria can be as follows but not limited to:</p> <ul style="list-style-type: none"> • Price, total cost, schedule of rates • Quality such as resources, qualifications, H&S, innovation, risk mitigation, compliance with the requirement, deliverability of scheme, social value, staff experience, company experience, financial standing
Bidders/Tenderers/Suppliers	Those who will be engaged to deliver the provision being let
Chief Finance Officer	This is the Council's statutory lead financial officer and designated S151 officer
City Solicitor & Monitoring Officer	This is the Council's statutory lead legal officer
CMT	Corporate Management Team comprising: Chief Executive, Director of Housing & Investment, Director of Community & Environment and Director of Major Developments
Code of Conduct	Council's policy for regulating the conduct of Officers and Members
Collaborative Arrangements	Use of a framework which is managed by a third party such as Pagabo, Espo OR a joint procurement exercise which involves two or more parties
Constitution	This is a document approved by Full Council which allocates the powers and responsibilities within the Council. It delegates authority to act to the Executive, Committees, Executive Councillors and Officers as well as regulating behaviours of individuals and groups through rules of procedure, codes and protocols
Consultants	An individual contracted for a specific length of time to work on a defined project/provision with clear outcomes to be delivered. They are usually engaged to bring specialist skills or knowledge to the process and to bridge the gap within the Council where there is no ready access to

	employees with the relevant skillset, experience and/or capacity to undertake the requirements
Contract Register	An electronic register which is held by the Council and contains all contractual engagements entered into with a value of over £5,000. It is a legal requirement for this to be maintained
Contract Tiering Tool??	The corporate mechanism to be used into the assess the contract management requirement of a contract
Corporate Contract	A contract used by more one than one department
Deed	A signed and sealed instrument containing a legal transfer, bargain or contract
Dynamic Purchasing System	A fully electronic compliant "Approved List" which operates on a similar basis to a framework other than suppliers can join at any point while the DPS is live, subject to them meeting the relevant criteria
Electronic Tendering	A secure online facility for undertaking a procurement process
Estimated Total Contract Value	This is estimated value based on the annual spend x number of years the provision is in place for
Evaluation Team	This is the officers chosen to review, assess and score the submissions received in respect of the provision being procured
Financial Procedure Rules	These are the rules which outline officer responsibilities for financial matters
Form of Contract	This is a type of term and condition and as such is the legal/financial model which determines how the contract will operate
Framework Agreements	A legislation compliant agreement between a third party and a supplier(s), the purpose of which is to establish the terms under which subsequent procurement related appointments/awards can be made by a contracting authority
Framework Supplier	A supplier who has been successful in attaining a place on a framework
Invitation to Tender	A key stage/document within the tender process. Used to assess the supplier's suitability to deliver the stated provision
Modification of a Contract	Any change to the original provision of the tender and/or contract
Parent Company Guarantee	A contract which binds the parent of a subsidiary to act if the subsidiary fails to do so.

PA23	Procurement Act 2023 is the legislation that sets out how procurement should be undertaken. It comes into force with effect from 24 th February 2025. Any procurement undertaken from this date will be governed by these requirements.
PCR 2015	Public Contract Regulations 2015 is the legislation that was embedded into UK law and set out how procurement should be undertaken. Any above threshold procurement from February 2015 to 24 th February 2025 is governed by the requirements of this.
Performance Bond	This is a form of insurance policy which provides protection to the contracting authority in the event that the supplier fails to deliver on the requirements of the contract
Request for Quotation	Procurement process for under threshold value exercises
Seal	Process by which a contract is “signed” when over a certain limit and when executing a deed
Selection/Standard Questionnaire	This is the government form which must be used for over threshold tenders to assess a suppliers suitability based on pre-determined selection criteria
Small and Medium Sized Enterprises (SME's)	Any business with fewer than 250 employees and either an annual turnover of less than £45m or a total balance sheet of less than £40m
Specification	This is the council's requirement in relation to the delivery of the provision being tendered for
Teckal company	This is a company set up by a contracting authority to deliver some of the Council's functions. It is as defined within PCR 2015 regulation 12
Terms and Conditions	These are the legal/financial related clauses which define and determine how the contract will be operated, and which govern all parties involved
Total Contract Value	This is the total value of the successful bidder's response to the requirement being tendered
TUPE	Transfer of Undertakings (Protection of Employment) – this is the legislation that governs the process to be followed where staff are to be transferred from one supplier to another. It is there to ensure that the rights of employees are transferred along with the business
Value for Money	This is where cost and quality combine to produce a service which meets the technical requirements of the provision as well as the cost at an acceptable level

16.	Procurement Flow Chart
	<p>For ease of use the Procurement Flow Chart has been split in order to clearly capture the new processes for below threshold procurement in respect of Goods, Services & Light Touch Regime and Works.</p> <p>There is no detailed flow chart for processes over threshold under the Procurement Act 2023 given the potential variations/complexities around mandatory timelines.</p>

Procurement Flow Chart – Below Threshold for Goods, Services & Light Touch Regime

Identify the need to Procure & estimate the total value of the contract
Contract Value: annual value x contract length
 e.g. £20 k spend per annum x 5-year contract = £100,000 total value of contract

79

**Total Value less than
£5,000**

Competitive quotations are not required. A direct approach to a **single** supplier is acceptable. A local supplier should be engaged where possible. **No requirement** for a formal contract to be in place

**Total Value exceeds
£5,001 but less than
£20,000 (Goods) or
£30,000 (Services/LTR)**

Competitive quotations are not required. Review available frameworks (ESPO, OGC etc). A direct approach to a **single** supplier is acceptable. A local supplier should be engaged where possible. A formal contract **STILL** needs to be in place. Where the market is unknown then the process for above £20,001(Goods) or £30,001 (Services) should be followed.

**Total Value exceeds
£20,001 (Goods) or
£30,001(Services/LTR)
but is under the
Threshold for Goods &
Services**

Four quotations must be requested via the Request for Quotation documentation. The process should be conducted electronically utilising the electronic procurement portal (currently Pro Contract). Where possible at least two of the quotes should be obtained from a local supplier.

Where a compliant framework is being utilised then the above value bands do not apply and an appointment for any value allowed for within the framework agreement can be entered into. Frameworks can be accessed via use of further competition or via direct award

Completion of the Contract Managers checklist is required prior to the commencement of **ALL** procurement activity – this includes a direct award **UNLESS** under £5k total value.

Where a framework agreement is being used and a direct award is being made, it is advisable for a file note to be kept. See Section 18

Full details of contract award (over £5k in total value) need to be held on the Contracts Register. A direct award process, this is the sole responsibility of the contract manager. If the procurement portal is used the Procurement Manager is responsible.

A thorough review of whether there is TUPE implications should be undertaken prior to commencing on any procurement activity and this should be undertaken in consultation with Legal Services and Human Resources.

A purchase order should be raised for all contracts.

Procurement Flow Chart – Below Threshold for Works

Identify the need to Procure & estimate the total value of the contract
Contract Value: annual value x contract length
 e.g. £20 k spend per annum x 5-year contract = £100,000 total value of contract

Total Value less than
£1,000,000

A direct approach to a **single** supplier is acceptable. A local supplier should be engaged where possible. A formal contract required to be in place.

Completion of the Contract Managers checklist is required prior to the commencement of **ALL** procurement activity.

Where a framework agreement is being used and a direct award is being made, it is advisable for a file note to be kept. See Section 18

Total Value exceeds
£1,000,001 but less than
£2,500,000

Three quotations from local suppliers (where possible) must be requested via the RFQ documentation. The process must be conducted electronically utilising the procurement portal.

Full details of contract award (over £5k in total value) need to be held on the Contracts Register. A direct award process, this is the sole responsibility of the contract manager. If the procurement portal is used the Procurement Manager is responsible.

Total Value exceeds
£2,500,001 but is under
Threshold for Works

Four quotations from local suppliers (where possible) must be requested via the RFQ documentation. The process must be conducted utilising the procurement portal.

A thorough review of whether there is TUPE implications should be undertaken prior to commencing on any procurement activity and this should be undertaken in consultation with Legal Services and Human Resources.

Where a compliant framework is being utilised then the above value bands do not apply and an appointment for any value allowed for within the framework agreement can be entered into. Frameworks can be accessed via use of further competition or via direct award

A purchase order should be raised for all contracts.

17.	Exception to the Normal Route Request Template

APPROVAL EXCEPTION TO CONTRACT PROCEDURE RULES
Contact Name:
Job Title:
Date:
Description of Contract – this should include the estimated value; brief details of service; contract duration etc.
Reason for Request – this should relate to the relevant CPR against which the exception is being sort, together with full supporting information.
Assistant Director: (Print & Sign Name) Date:
Recorded and Approved by Procurement Manager: Date:
Approved by City Solicitor: Date:

18.	Business Case/File Note Template
	Below is a template which can be utilised when detailing why a certain process has been followed rather than any other.

BUSINESS CASE TEMPLATE
Contract Manager:
Job Title:
Date:
Description of Process Followed:
Reason for Process Followed:
Assistant Director: (Print & Sign Name) Date:
Recorded and Approved by Procurement Manager: Date:
Approved by City Solicitor: Date:

19.	Contract Managers Checklist
	<p>The following references the two checklists that should be completed along with the relevant appendices which provide additional information to help contract managers understand what the various sections are for. All documentation is available to download within Net consent.</p> <p>Contract Managers Checklist – New Provision/Contract</p> <p>Contract Managers Checklist – Extension/Contract Variation</p> <p>Appendix One – Contract Manager Procedures V8.0 - 08.03.2024</p> <p>Appendix Two – Procedures for Financial Matters in Procurement Processes V3.0 031022</p> <p>Appendix Three – Contract Management Meeting Agenda V 5.0 - 26.02.2024</p> <p>Appendix Four – Addendum to Contract V 2.0 171122</p> <p>Appendix Five - Signing & Sealing Guidelines V 2.0 171122</p> <p>Appendix Six - Sealing Authority V 0.3 171122</p>

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AUDIT COMMITTEE

4 FEBRUARY 2025

SUBJECT: ANNUAL GOVERNANCE STATEMENT MONITORING

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: LARA WELLS, BUSINESS MANAGER – CORPORATE POLICY AND IMPROVEMENT

1. Purpose of Report

- 1.1 To present to Audit Committee a progress update as set out in the 2023/24 Annual Governance Statement (AGS).

2. Executive Summary

- 2.1 This report and supporting appendix provides an update on the progress made with those governance issues identified in the 2023/24 Annual Governance Statement. There were no significant issues identified and within the 2023/24 Annual Governance Statement but there were six governance issues which, whilst not meeting the threshold to be 'significant', require monitoring over 2024/25 in order that they can be addressed. Of these six issues, one in relation to the Lincoln Project Management Model, was to be monitored by the Audit Committee.

3. Background

- 3.1 On an annual basis the Annual Governance Statement reviews how City of Lincoln Council complied with our Code of Corporate Governance during the previous year, and specifically focuses on identifying any significant governance issues for monitoring over the year ahead.
- 3.2 Update reports on the progress made with reducing the risks of those issues identified are provided to Audit Committee on a six-monthly basis.

4. Summary of Findings

4.1 AGS Issues Identified for Monitoring in 2023/24

- 4.2 There were six issues identified, while not meeting the threshold to be 'significant,' that required monitoring over 2024/25 in order that they could be addressed, all of which are detailed below:
- An internal audit of Contract Management has been given 'limited assurance,' due to some contracts not being managed consistently.
 - An internal audit of IT Asset Management has been given 'limited assurance.'

- Our project governance arrangements need to be reviewed and updated, to ensure that all projects are being implemented in full accordance with the Lincoln Project Management Model (LPMM)
- All directorates to ensure financial, legal and procurement advice is sought for projects in a timely manner.
- There remains limited additional capacity within internal professional support services to provide the advice and oversight necessary to ensure effective governance of significant and complex projects. Frontline services are also continuing to encounter capacity and recruitment challenges.
- The Lincoln Performance Management Framework needs to be refreshed, following an internal audit of Performance Management

Five of these six governance issues to be monitored over 2024/25 have agreed actions associated with them either through the internal audit and review processes, or within existing plans and strategies. As such, the action plan for the 2023/24 AGS contains only one action.

Ref	Action	By Whom	By When	Core Principle
AGS/24/01	Complete a full review of the Lincoln Project Management Model (LPMM)	Business Manager – Corporate Policy & Improvement	March 2025	D

An update on the progress with this is provided within Appendix A. A full review has taken place and templates and guidance documents have been amended and updated. Good progress has been made and is on track for full completion by end March 2025. The revised documentation is being tested and following final consultation, will be launched.

5. Strategic Priorities

- 5.1 This report does not focus specifically on any of the five Vision 2025 priorities but does contribute significantly towards One Council, which underpins these aspirations.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

6.2 Legal Implications (including Procurement Rules)

There are no direct legal implications arising as a result of this report.

6.3 Equality, Diversity & Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees. It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities
-

There are no direct Equality and Diversity implications arising as a result of this report.

7. Risk Implications

7.1 (i) Options Explored

N/A

7.2

(ii) Key Risks Associated with the Preferred Approach

N/A

8. Recommendation

8.1 Audit Committee is asked to note the progress made with the Lincoln Project Management Model action identified in the Annual Governance Statement 2023/24.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

Lead Officer: Lara Wells,
Business Manager, Corporate Policy & Improvement
Email address: lara.wells@lincoln.gov.uk

Summary of Progress with AGS Risk Actions: January 2025

2023/24 AGS Review Issues

Significant governance issues are those that present high financial, reputational or political risks to the Council. There were no significant governance issues identified during 2023/24 for further monitoring. There were new governance issues identified for monitoring during the 2024/25 period, however, these did not meet the 'significant governance issue' threshold.

AGS Issue Identified	Updated by	Progress Update	Future actions	RAG Status
Our project governance arrangements need to be reviewed and updated, to ensure that all projects are being implemented in full accordance with the Lincoln Project Management Model (LPMM) and that use of the LPMM is consistent. The LPMM is undergoing a full review over the coming year and has been included in the action plan in Part 3 of this AGS.	Business Manager – Policy and Service Improvement	The Lincoln Project Management Model has been reviewed and the templates and guidance have been amended and updated. These changes have introduced some flexibility into project methodology to deal with uncertainty, provide better review mechanisms to record how projects may change, made simpler for users and improved project governance.	Consultation with users and programme of training to be rolled out to Service Managers/Project Managers in 2025/26	

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AUDIT COMMITTEE

4 FEBRUARY 2025

**SUBJECT: PRUDENTIAL INDICATORS 2024/25 TO 2027/28 AND
TREASURY MANAGEMENT STRATEGY 2025/26**

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER

1. Purpose of Report

- 1.1 The purpose of the report is for Audit Committee to review and recommend to Executive and Council the approval and adoption of the:
- Treasury Management Strategy 2025/26;
 - Prudential Indicators;
 - Minimum Revenue Provision (MRP) Policy;
 - Treasury Management Practices (TMP's).

2. Background

- 2.1 This report covers the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year. It incorporates four key Council reporting requirements:
- Prudential and Treasury Indicators – the reporting of the statutory prudential indicators together with local indicators, in accordance with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.
 - Minimum Revenue Provision (MRP) Statement – the reporting of the MRP policy which sets out how the Council will pay for capital assets through revenue each year (as required by regulation under the Local Government Act 2003).
 - Treasury Management Strategy – which sets out how the Council's treasury activity will support capital decisions, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Authorised Borrowing Limit required by s3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.
 - Investment Strategy – this is included within the Treasury Management Strategy and sets out the criteria for choosing investment counterparties and limiting exposure to the risk of loss. It is reported annually (in accordance with Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance).

3. Key Prudential Indicators

- 3.1 The table below summarises the key prudential indicators that have been incorporated into the 2025/26 strategy. The projected capital expenditure will determine the capital financing or borrowing requirement, which will in turn determine the actual level of external borrowing taken and hence, cash balances available for investment.

Key Prudential Indicators	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Capital Expenditure				
General Fund	22,025	25,084	4,617	1,052
HRA	17,411	19,600	15,216	13,736
Total	39,436	44,684	19,833	14,788
Capital Financing Requirement (CFR)				
General Fund	74,817	74,681	70,579	69,700
HRA	81,650	83,418	83,918	84,418
Total CFR	156,466	158,099	154,497	154,119
Movement in CFR	4,197	1,633	(3,602)	(378)
Actual external debt				
Estimated Borrowing at 31st March	105,067	108,537	107,851	112,160
Gross Debt & the CFR				
Under Borrowing	51,399	49,562	46,646	41,958
Operational Boundary for external debt				
Operational Boundary	118,067	121,537	120,851	125,160
Authorised Limit for external debt				
Authorised Limit	121,290	128,861	125,264	127,568
Upper limit for fixed interest rates	100%	100%	100%	100%
Upper limit for variable interest rates	40%	40%	40%	40%
Upper limit for investments >365 days	£7m	£7m	£7m	£7m
Current treasury investments as at 31/12/2024 in excess of 1 year maturing in each year	-	-	-	-

4. Minimum Revenue Provision (MRP) for Debt Repayment

- 4.1 In accordance with the Local Government Act 2003, the Council is required to pay off an element of accumulated General Fund capital expenditure each year through a revenue charge known as Minimum Revenue Provision (MRP).

The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued in 2018 by MHCLG (now renamed DLUHC). The Guidance gives four ready-made options for determining MRP which it considers to be prudent but does not rule out alternative approaches.

The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The Guidance requires that before the start of each financial year the Council prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to full Council for approval.

Changes to the 2003 MRP regulations implemented in April 2024 make it explicit that (i) capital receipts may not be used in place of the revenue charge, and (ii) there should be no intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan.

With the introduction of IFRS16 the councils Capital Financing Requirement (CFR) has increased during 2024/25 by £2.5m, bringing Right of Use (leased) assets on the balance sheet in line the updated Code of Practice. This increase in the CFR is reduced over the MTFS by an increased MRP provision in respect of the General Fund's leased assets.

There has been no Minimum Revenue Provision made within the MTFS relating to the Charterholme Development as the scheme relates to housing provision/regeneration and any borrowing related to this scheme will be short term and repaid using capital receipts, within the period of the MTFS

5. Treasury Management Strategy

- 5.1 The Treasury Management Strategy covers both capital and treasury management issues, which are intrinsically linked.

The treasury management function ensures that cash flow is planned, so that cash is available when it is needed. Surplus monies are invested in line with the Council's low risk appetite, considering security and liquidity before maximising the return on investment.

Capital plans provide a guide to the borrowing need of the council, essentially long term cash flow planning, to ensure the council can meet its capital spending obligations. The management of the capital plan may involve arranging loans or utilising cash flow surpluses, whilst taking into consideration the implications on revenue budgets.

6 Investment Strategy

- 6.1 The councils investment strategy is geared to provide security of investments whilst minimising risk through investing only with highly creditworthy counterparties. The council uses external financial advisors (MUFG) to assess credit worthiness and provide due diligence before investing with an entity.

Using these carefully selected counterparties the council will look to make investments which maximise the return / yield in line with it's low risk appetite.

The council will ensure adequate liquidity of its investments to cover its cash flow needs.

7. Environmental, Social and Governance (ESG) Considerations

- 7.1 The CIPFA Treasury Management Code 2021 incorporates ESG considerations into Treasury Management Practice 1. The Council will invest, where possible, in sustainable investment opportunities.

8. Strategic Priorities

- 8.1 The Medium Term Financial Strategy and supporting Capital Strategy and Treasury Management Strategy underpin the policy and financial planning framework. They set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities.

9. Organisational Impacts

9.1 Finance

Financial implications are contained in the main body of the report.

9.2 Legal Implications including Procurement Rules

The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code and the MHCLG Investment Guidance when carrying out their treasury management functions

9.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of the report, no specific Equality Impact Analysis is required.

10. Risk Implications

- 10.1 The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principle that an organisations appetite for risk is included in their annual Treasury Management Strategy and this should include any

use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing

11. Recommendation

The Audit Committee are recommended to:

- 11.1 Review and recommend for approval by the Executive and Council the Treasury Management Strategy 2025/26 including the Prudential Indicators;
- 11.2 Review and recommend for approval by the Executive and Council the Minimum Revenue Provision Policy 2025/26.
- 11.3 Review and recommend for approval by the Executive and Council the Treasury Management Practices.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 1

List of Background Papers: Medium Term Financial Strategy 2025-30
CIPFA Code of Practice
CIPFA Prudential Code
Treasury Management Strategy
Treasury Management Practices

Lead Officer: Laura Shipley – Financial Services Manager
laura.shipley@lincoln.gov.uk

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**CITY OF LINCOLN COUNCIL
TREASURY MANAGEMENT STRATEGY
2025/26**

TREASURY MANAGEMENT STRATEGY

Contents

1. BACKGROUND

- 1.1 Treasury Management Reporting**
- 1.2 Treasury Management Strategy for 2025/26**
- 1.3 Training**
- 1.4 Treasury Management Consultants**

2. THE CAPITAL PRUDENTIAL INDICATORS 2025/26 – 2027/28

- 2.1 Capital Expenditure and Financing**
- 2.2 The Council's Borrowing Need – the Capital Financing Requirement (CFR)**
- 2.3 Liability Benchmark (LB)**
- 2.4 Core Funds and Expected Investment Balances**
- 2.5 Minimum Revenue Provision (MRP) Policy Statement**

3. BORROWING

- 3.1 Current Treasury Portfolio Position**
- 3.2 Treasury Indicators: Limits to Borrowing Activity**
- 3.3 Prospects for Interest Rates**
- 3.4 Borrowing Strategy**
- 3.5 Policy on Borrowing in Advance of Need**
- 3.6 Rescheduling**

4. INVESTMENT STRATEGY

- 4.1 Investment Policy – Management of Risk**
- 4.2 Creditworthiness Policy**
- 4.3 Limits**
- 4.4 Investment Strategy**
- 4.5 Investment Performance / Risk Benchmarking**

5. APPENDICES

APPENDIX 1 - ADDITIONAL LOCAL PRUDENTIAL INDICATORS 2025/26

APPENDIX 2 - INTEREST RATE FORECASTS 2024-2027

APPENDIX 3 - ECONOMIC BACKGROUND – FROM LINK (THE COUNCIL'S TREASURY ADVISORS)

APPENDIX 4 - APPROVED COUNTRIES FOR INVESTMENT

APPENDIX 5 - CODE OF PRACTICE FOR TREASURY MANAGEMENT

1. BACKGROUND

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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

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

CIPFA defines treasury management as:

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

1.1 Treasury Management Reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) – which includes:

- Prudential Indicators to ensure that the Council's capital plans are affordable, prudent and sustainable (as required by CIPFA's Prudential Code).
- a Minimum Revenue Provision (MRP) policy, (how residual capital expenditure is charged to revenue over time as required by MHCLG's MRP Guidance)
- the Treasury Management Strategy before the start of each financial year (as required by CIPFA's Treasury Management Code); and
- an Annual Investment Strategy before the start of each financial year (as required by MHCLG's Investment Code).

- b. **A mid-year treasury management report** – This is a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- c. **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- d. **Quarterly Reports** - In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required and must be adequately scrutinised, but do not need to go to Full Council. These reports are provided as part of the quarterly monitoring process to Performance Scrutiny and Executive Committees.

1.2 Treasury Management Strategy for 2025/26

The Strategy for 2025/26 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

1.3 Training

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

Furthermore, the Code states that it expects “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The Council will carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and relevant council members.
- Require treasury management officers and relevant council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and relevant council members, encouraging them to highlight training needs on an ongoing basis.

Training provided to Performance Scrutiny and Audit Committee will consist of two one hour sessions provided by the Council's external treasury management advisors, with additional training arranged as required.

The training needs of treasury management officers are periodically reviewed.

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

1.4 Treasury Management Consultants

The Council uses MUFG Corporate Markets Treasury Limiter (formerly known as Link Group), as its external treasury management advisors. Responsibility for treasury management decisions remains with the Council at all times. Although the council will from time to time require the services of specialists, consultants and advisers in order to acquire access to specialist skills, undue reliance will not be placed upon the services and advice provided.

2. THE CAPITAL PRUDENTIAL INDICATORS 2025/26 – 2027/28

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Indicators 1 & 2 - Capital Expenditure	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
General Fund	22,025	25,084	4,617	1,052
HRA (including New Build)	17,411	19,600	15,216	13,736
Total Expenditure	39,436	44,684	19,833	14,788
Financed by:				
Capital receipts	1,209	9,849	4,114	551
Capital grants & contributions	13,712	11,453	0	0

Depreciation (HRA only)	13,672	14,397	14,167	12,685
Revenue/Reserve Contributions	5,683	5,621	852	852
Borrowing need	5,160	3,365	700	700
Total Financing	39,436	44,684	19,833	14,788

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

The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either capital or revenue resources. It is essentially a measure of the Council's underlying borrowing need.

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

The CFR includes any other long-term liabilities (e.g. Finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The CFR includes an allowance for the replacement of the majority of the vehicle fleet under leasing. The CFR has increased to reflect a borrowing requirement for the replacement fleet. This will also increase the MRP charge annually during the lifetime of the lease arrangements.

With the introduction of IFRS16 the councils CFR has increased by £2.5m in the current financial year, bringing Right of Use (leased) assets on the balance sheet in line the updated Code of Practice. This increase in the CFR is reduced over the MTFS by an increased MRP provision in respect of the General Fund's leased assets.

Based on the capital expenditure plans above the CFR for 2024/25 to 2027/28 is projected to be:

Indicators 3 & 4 - Capital Financing Requirement (CFR)	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
General Fund	74,817	74,681	70,579	69,700
HRA	81,650	83,418	83,918	84,418
Total CFR	156,466	158,099	154,497	154,119
Movement in CFR	4,197	1,633	(3,602)	(378)

Net borrowing need for the year	5,160	3,365	700	700
Minimum / Voluntary Revenue Provision (MRP/VRP)	(963)	(1,004)	(1,043)	(1,078)
Application of Capital Receipts	0	(729)	(3,259)	0
Movement in CFR	4,197	1,633	(3,602)	(378)

Indicator 5 - External Borrowing	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Borrowing	105,067	108,537	107,851	112,160

2.3 Liability Benchmark (LB)

The Council is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years as a minimum.

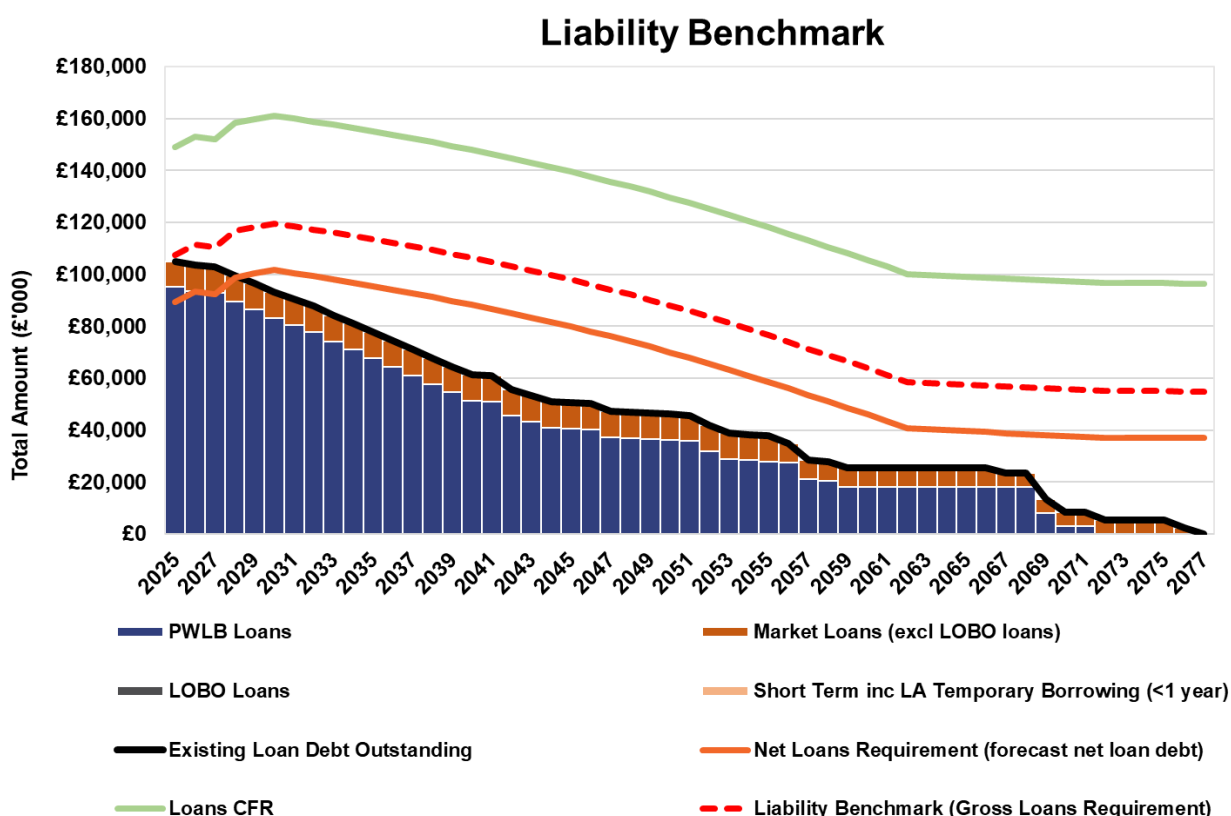
There are four components to the LB:

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

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

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

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



The chart illustrates the council is under borrowed against CFR and liability benchmark due to utilisation of internal resources and reserves.

2.4 Core Funds and Expected Investment Balances

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

Year End Resources £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Fund balances / reserves	3.38	3.57	3.90	3.31	3.03
Capital receipts	8.00	9.80	10.24	12.27	13.31
Provisions	0.73	0.73	0.73	0.74	0.74
Major Repairs Reserve	23.73	22.00	19.91	18.61	19.27
Insurance Reserve	3.20	3.01	3.04	2.79	2.77
Earmarked Reserves / Other	13.02	11.73	11.92	11.01	11.32
Total core funds	52.06	50.84	49.74	48.73	50.45
Working capital*	16.69	16.69	16.69	16.69	16.69
Under/over borrowing**	(42.04)	(48.95)	(47.15)	(44.27)	(39.62)
Expected investments	26.71	18.59	19.29	21.15	27.52

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

** Under/over borrowing in the table above excludes lease liabilities included in the CFR and relates to external debt only

2.5 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the Minimum Revenue Provision) and is also allowed to undertake additional voluntary payments (VRP).

DLUHC Regulations* have been issued which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision.

Members are recommended to approve the following MRP Statement:

(A) For supported capital expenditure incurred before 1st April 2008, the Council will apply the Asset Life Method using an annuity calculation over 50 years.

(B) For unsupported borrowing the MRP policy is the:

- Asset Life Method – MRP will be based on the estimated life of the assets on an annuity basis. Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.
- The MRP calculation will be done on an annual weighted average basis.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time and will for the current financial year be the Council's weighted average borrowing rate.

- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.
- MRP in respect of assets acquired under Finance Leases will be charged at a rate equal to the principal element of the annual lease rental.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e., voluntary revenue provision or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. A VRP overpayment of £62k was made during the 2024/25 financial year and a £64k payment is forecast to be made in 2025/26.

3. BORROWING

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

3.1 Current Treasury Portfolio Position

The overall treasury management position as at 31/03/24 and 2024/25 forecast outturn position are shown below for both borrowing and investments:

	31/03/2024 Actuals £'000	%	31/03/2025 Forecast £'000	%
Investments				
Banks	6,000	19	3,000	22
Local Authorities	3,000	10	0	0
Money Market Funds	8,543	71	10,505	78
TOTAL	17,543	100	13,505	100
Borrowing				
PWLB	95,742	89	95,067	90
LA borrowing	2,000	2	0	0
Market Loans	10,000	9	10,000	10
TOTAL	107,742	100	105,067	100

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Indicator 6 - External Debt	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Debt as at 1 April	107,742	105,067	108,537	107,851
Expected change in debt	(2,675)	3,470	(686)	4,309
Actual gross debt as at 31 March	105,067	108,537	107,851	112,160
Capital Financing Requirement	156,466	158,099	154,497	154,119
Under/(Over) Borrowing	51,399	49,526	46,646	41,958

3.2 Treasury Indicators: Limits to Borrowing Activity

The level of the proposed operational and authorised limits is based on an assessment of the level of borrowing required to meet the Capital Financing Requirement (CFR) and also an allowance for temporary borrowing for working capital and also in lieu of other capital financing sources (e.g. capital receipts). Financial modelling has been carried out for both and the affordability and sustainability of the potential borrowing requirement has been assessed and can be contained within the Draft MTFS 2025-30.

The Authorised Limit for external debt - represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

Indicator 7 - Authorised Limit	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Debt	117,840	125,411	121,814	124,118
Other long-term liabilities	3,450	3,450	3,450	3,450
Total	121,290	128,861	125,264	127,568

The Operational Boundary - boundary based on the expected maximum external debt during the course of the year.

Indicator 8 - Operational Boundary	2024/25 Estimated £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Debt	115,067	118,537	117,851	122,160
Other long-term liabilities	3,000	3,000	3,000	3,000
Total	118,067	121,537	120,851	125,160

Affordability Prudential Indicators

Within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of Financing Costs to Net Revenue Stream

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

Indicators 9 & 10 - Ratio Financing Costs : Net Revenue Stream	2024/25 Estimated %	2025/26 Estimated %	2026/27 Estimated %	2027/28 Estimated %
General Fund	12.05%	14.76%	15.68%	15.39%
HRA (including New Build)	29.18%	29.23%	28.51%	28.11%

Maturity Structure of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing at the same time and are required for upper and lower limits.

Indicator 13	2025/26		2026/27		2027/28	
Maturity Structure of fixed borrowing	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	40%	0%	40%	0%	40%
12 months to 2 years	0%	40%	0%	40%	0%	40%
2 years to 5 years	0%	60%	0%	60%	0%	60%
5 years to 10 years	0%	80%	0%	80%	0%	80%
10 years and above	10%	100%	10%	100%	10%	100%

3.3 Prospects for Interest Rates

The Council has appointed MUFG (formerly known as Link Group) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG provided the following forecasts as at 11.11.24. These are forecasts for certainty rates, gilt yields plus 80 bps. The lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (gilts plus 40 bps).

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by MUFG on this forecast table: -

Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

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

So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are forecast to fall over the next couple of years.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp fall in long term rates e.g. due to a marked increase of risks around a relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates remain low.

The Council's overall core borrowing objectives will remain uniform and follow a similar pattern to previous years as follows:

- To reduce the revenue costs of debt.
- To manage the Council's debt maturity profile, leaving no one future year with a high level of repayments that might cause problems in re-borrowing.
- To effect funding at the cheapest cost commensurate with future risk.
- To forecast average future interest rates and borrow accordingly i.e. short term/variable when rates are 'high', long term/fixed when rates are 'low'.
- To monitor and review the level of variable rate loans in order to take greater advantage of interest rate movements.
- To proactively reschedule debt in order to take advantage of potential savings as interest rates change. Each rescheduling exercise will be considered in terms of the effect of premiums and discounts on the General Fund and the Housing Revenue Account.
- To manage the day-to-day cash flow of the Council in order to, where possible, negate the need for short-term borrowing. However, short-term borrowing will be incurred, if it is deemed prudent to take advantage of good investment rates.

There is unsupported borrowing in the General Fund Investment Programme (GIP) as detailed in the Capital Strategy. The Council expects to take out loans for the General Fund however, it will continue to use internal balances and will only take out loans based on cashflow requirements and prevailing interest rates. The strategy allows for additional borrowing in line with the expected movement in the Capital Financing Requirement (CFR), should it become necessary for cash flow requirements or if attractive rates are offered. The Council will consider PWLB loans, Market loans, the Municipal Bond Agency and other financial institutions.

In addition, should new schemes be identified that benefit the Council's strategic aims and be deemed cost effective, i.e. Invest to Save schemes where the income streams more than pay for the borrowing costs, or for the sustainment of existing income streams, or in the absence of any other funding source, then unsupported borrowing will be considered.

Officers will also continue to evaluate the cost effectiveness of borrowing as opposed to selling capital assets.

3.5 Policy on Borrowing in Advance of Need

The Council has some flexibility to borrow funds this year for use in future years. The Chief Finance Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Chief Finance Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 36 months in advance of need

Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is to be undertaken, it will be reported to the Executive at the meeting immediately following its action, in the quarterly report and in the annual review report.

4. INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, ensuring adequate liquidity, with the investment return being the final objective.

The intention of the strategy is to provide security of investment and minimisation of risk.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but the Council will also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

In line with this aim, the Council will ensure:

- It maintains a policy covering the types of specified and unspecified investments it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the paragraphs below.
 - **Specified Investments** – these are high security investments (i.e. high credit quality) and high liquidity investments in sterling with a maturity of no more than one year.
 - **Non-specified Investments** – investments that do not fall into the category of Specified Investments, representing a potential greater risk (e.g. other Local Authorities).

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

4.2 Creditworthiness Policy

Investment Counterparty Selection Criteria

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

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For the purpose it will set out procedures for determining the maximum periods for which funds may be prudently committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which chooses Specified and Non-Specified investments as they provide an overall pool of counterparties considered high-quality which the Council may use rather than defining what its investments are.

As a result of the financial pressures the Council faces, the identification of reductions in operating costs and income generation are critical to the delivery of the Medium Term Financial Strategy. Treasury Management is an important area for further income generation and therefore, the main theme of the Council's investment strategy must continue to be to maximise interest from investments, after ensuring adequate security and liquidity. The Investment Strategy 2025/26 seeks to achieve this objective by maintaining a varied pool of investment counterparties and working within acceptable risk levels.

The Council uses MUFG's' creditworthiness service. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poor's.

In accordance with the guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

As with previous practice, ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, engaging

with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. This is fully integrated into the creditworthiness methodology provided by MUFG . The result is a colour coding system, which shows the varying degrees of suggested creditworthiness.

Alongside the credit ratings other information sources are used and include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process with regard to the suitability of potential investment counterparties.

The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads resulting in a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to part-government owned UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

MUFG's creditworthiness service uses a wider array of information than primary ratings alone and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The credit ratings specified above are defined as follows:-

F1 (short term rating) – Highest credit quality

A- (long term rating) – High credit quality, denoting a very strong bank

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of MUFG's creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's counterparty list.

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Institution	Minimum credit criteria/colour band	Maximum limit per group or institution £	Maximum maturity period
SPECIFIED INVESTMENTS			
UK Bank ^{*1}	Orange/Blue Red Green	£7 million	1 year 6 months 100 days
Non-UK Banks ^{*1} Sovereign rating AA	Orange Red Green	£7 million	1 year 6 months 100 days
Building Society ^{*2}	Orange Red Green	£5 million	1 year 6 months 100 days
Money Market Fund CNAV ^{*3}	Yellow	£7 million	Liquid
Money Market Fund LVNAV ^{*3}			
Money Market Fund VNAV ^{*3}			
UK Government ^{*4}	Yellow	unlimited	6 months
UK Local Authority ^{*4}	Yellow	£3 million	1 year
NON-SPECIFIED INVESTMENTS			
UK Bank ^{*1}	Purple	£7 million	2 years
Non-UK Banks ^{*1} Sovereign rating AA	Purple	£7 million	2 years
Building Society ^{*2}	Purple Yellow	£2 million	2 years 5 years
UK Local Authority ^{*4}	Yellow	£3 million	5 years
Lincoln Credit Union	N/A	£10K	N/A
Council's own bank ^{*5} (operational cash limit in addition to investment group limit)	N/A	£500K	Overnight

*1Where the term 'Bank' is used, this denotes a UK or European Bank authorised to accept deposits through a bank account incorporated within the UK banking sector. The maximum amount indicated is the 'Group total' and covers the total amount that can be invested when spread over any number of subsidiaries within that group.

*2 Where the term Building Society is used, this denotes a UK Building Society.

*3 Money market funds (MMF) are mutual funds that invest in short-term high quality debt instruments. The assets are actively managed within very specific guidelines to offer liquidity and competitive returns. Recently MMFs have changed from a constant net asset value basis to a low volatility net asset value. Although money funds are regarded as short-term investments the rating agencies use a classification system based on long-term debt ratings.

*4 The UK Government (i.e. HM Treasury and its Executive Agency, the Debt Management Office) and Local Authorities, although not rated as such, are classified as having the equivalent of the highest possible credit rating.

*5This limit covers normal treasury management activities but excludes any deposits received after money market trading has closed. It allows up to £500K of operational cash to be held in the Council's main bank account in addition to the group investment limit for the bank, if the bank is included on the Council's counterparty list.

4.3 Limits

Country and Sector Considerations

Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state. In addition.

- No more than 50% will be placed with any non-UK country at any time.
- Group limits have been set to ensure that the Council is not exposed to excessive risk due to concentration of investments within any one institution or group. These are detailed in the Investment Counterparty Limits table.

Although the strategy sets a limit for investment in non-UK countries at no more than 50%, the Council has been operating a tighter operational strategy in the light of the Eurozone difficulties and has not been investing outside the UK. This operational restriction will continue until the problems in the Eurozone economy have been sufficiently resolved.

In the normal course of the Council's cash flow operations it is expected that both Specified and Non-specified investments will be used for the control of liquidity as both categories allow for short-term investments. The Chief Finance Officer will strive to keep investments within the Non-specified category to a prudent level (having regard to security and liquidity before yield). To these ends the Council will maintain a maximum of 75% of investments in Non-specified investments.

The use of longer-term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. The investment in longer-term instruments is also limited as shown in paragraph 4.4, which gives the maximum amount to be invested over 1 year, as well as the limits on the amounts that can be placed with the categories within the non-specified range of investments (see above table, section 4.2).

There are operational challenges arising from the ongoing economic conditions. Ideally investments would be invested longer to secure better returns, however shorter dated investments provide better security.

The criteria for choosing counterparties set out above provide a sound approach to investment in difficult market circumstances.

4.4 Investment Strategy

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for the Bank Rate to steadily decrease from current rates of 4.75% (Jan 2025) to 3.50% towards the end of 2026.

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

Average earnings in each year	
2024/25 (remainder)	4.60%
2025/26	4.10%
2026/27	3.70%
2027/28	3.50%
2028/29	3.50%
Years 6 to 10	3.50%
Years 10+	3.50%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Rates used for MTFS investment income budgets differ slightly from the above as they have been adjusted to reflect the split between fixed term investments and ones kept more liquid in Money Market Funds.

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

Indicator 11 - Upper Limit for Fixed Interest Rates	2025/26 £m	2026/27 £m	2027/28 £m
	100%	100%	100%

Indicator 12 - Upper Limit for Variable Interest Rates	2025/26 £m	2026/27 £m	2027/28 £m
	40%	40%	40%

Indicator 14 - Maximum Principal Sums Invested for longer than 365 days	2025/26 £m	2026/27 £m	2027/28 £m
	7	7	7

4.5 Investment Performance / Risk Benchmarking

Yield benchmarks are widely used to assess investment performance. Discrete security and liquidity benchmarks are also requirements to Treasury Management reporting, although the application of these is more subjective in nature.

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

Security

Counterparty risk increases as the duration of investments increases. The council will continue its policy of investing the majority of its investments with duration of less than 12 months.

The Council's maximum security risk benchmark for the current portfolio, when compared to the historic default tables is 0.007%. This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

Liquidity

In respect of this area the Council seeks to maintain:

- Bank overdraft - £nil.
- Liquid short term deposits of at least £5 million available with a week's notice.
- Weighted Average Life benchmark is expected to be less than 0.5 years, with a maximum of 1.00 years.

Yield

Local measure of yield benchmark employed is:

- Investments – return above the 7 day SONIA compounded rate.

5 APPENDICES

1. Additional local prudential indicators
2. Interest rate forecasts
3. Economic background
4. Approved countries for investments
5. Treasury Management Practices

APPENDIX 1- ADDITIONAL LOCAL PRUDENTIAL INDICATORS 2025/26

Local Prudential Indicators

In addition to the statutory indicators set out in the Strategy, the Chief Finance Officer has set four additional local indicators aimed to add value and assist in the understanding of the main indicators.

Additional Local Indicator	2025/26 Target
1. Borrowing rate achieved(i.e. temporary borrowing of loans less than 1 year)	Less than SONIA rate
2. Investment rate achieved against the SONIA rate	Greater than SONIA rate
3. Average rate of interest paid on Council debt during the year	4.0%
4. The amount of interest on debt as a percentage of gross revenue expenditure.	Reported at year end
5. Net Income from Commercial and Service Investments to Net Revenue Stream	11.14%

APPENDIX 2- INTEREST RATE FORECASTS 2024-2027

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

PWLB forecasts are based on PWLB certainty rates.

APPENDIX 3- ECONOMIC BACKGROUND – FROM LINK (THE COUNCIL’S TREASURY ADVISORS)

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy’s stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy’s performance has been the negative market sentiment in respect of the fallout from the Chancellor’s Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% y/y (Q4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% y/y with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% y/y.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government’s policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June 2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there

(1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% y/y (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is “bond vigilante”. Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump’s victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% y/y, 0.3% m/m), as has the November Producer Prices Data (up 3.0 y/y v a market estimate of 2.6% y/y, 0.4% m/m v an estimate of 0.2% m/m) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump’s inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank’s August rate cut signalled the

start of its loosening cycle. More recently, however, 10 year gilt yields have spiked back up to 4.35%.

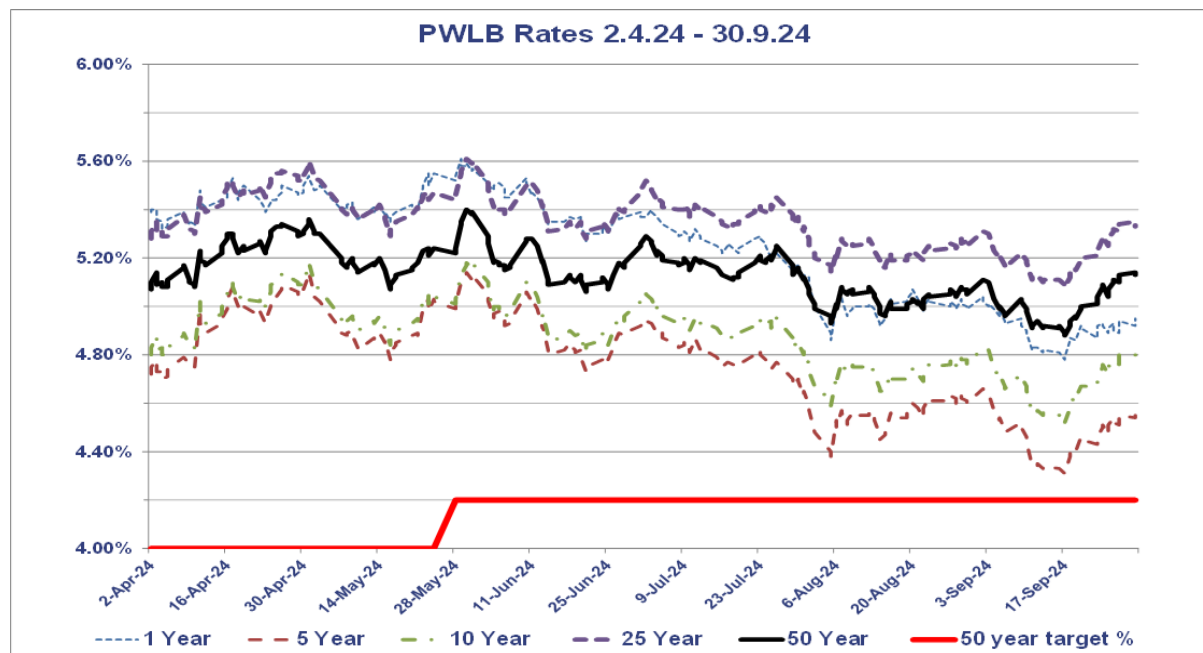
The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8,304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% y/y. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

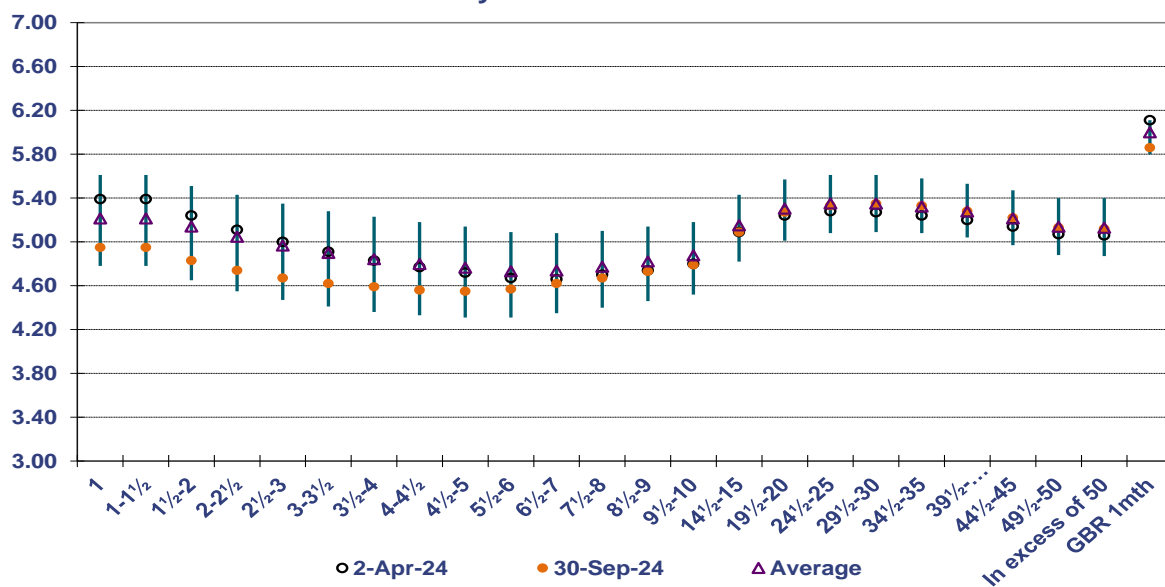
- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24



PWLB Certainty Rate Variations 2.4.24 to 30.9.24



HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

APPENDIX 4- APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating (as at 25.11.24)

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar

AA-

- Belgium
- France
- **U.K.**

CITY OF LINCOLN COUNCIL TREASURY MANAGEMENT POLICY – CODE OF PRACTICE FOR TREASURY MANAGEMENT (January 2025)

KEY PRINCIPLES

The City of Lincoln Council adopts the following three key principles identified within the *CIPFA Treasury Management in the Public Services Code of Practice* (The Code).

Key Principle 1

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2

The policies and practices should make clear that the effective management and control of risk are prime objectives of the treasury management activities and that responsibility for these lies clearly within the organisation. The appetite for risk should form part of the annual investment strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and *portfolio* liquidity when investing *treasury management* funds.

Key Principle 3

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

ADOPTED CLAUSES

In accordance with *CIPFA's Treasury Management in the Public Services Code of Practice* (The Code), the City of Lincoln Council adopts the following four clauses:

1. The City of Lincoln Council will create and maintain, as the cornerstones for effective treasury and investment management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMP's), setting out the manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMP's will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the City of Lincoln Council materially deviating from the Code's key principles.

2. The Performance Scrutiny Committee of the City of Lincoln Council will receive reports on its treasury management policies, practices and activities, including, a quarterly review and an annual report after its close, in the form prescribed in its TMP's. The Audit Committee of the City of Lincoln Council will receive on at least an annual basis a report of the treasury management strategy before approval by the Executive and full Council. Revised strategies may be prepared and presented within the quarterly monitoring report.
3. The City of Lincoln Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Performance Scrutiny Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs.
4. The City of Lincoln Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

TREASURY MANAGEMENT POLICY STATEMENT

1. The City of Lincoln Council defines its treasury management activities as:

“The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. The City of Lincoln Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The City of Lincoln Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The City of Lincoln Council's Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. The schedules below follow the TM Code and have been suitably amended where necessary to reflect the Council's particular needs and circumstances.

TREASURY MANAGEMENT PRACTICES (2024-25)

Contents

TMP1 - TREASURY RISK MANAGEMENT	5
TMP2 - PERFORMANCE MANAGEMENT	21
TMP3 - DECISION-MAKING AND ANALYSIS.....	24
TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES.....	27
TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS.....	31
TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS	39
TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS	42
TMP8 - CASH AND CASH FLOW MANAGEMENT	44
TMP9 - MONEY LAUNDERING	47
TMP10 - STAFF TRAINING AND QUALIFICATIONS.....	51
TMP11 - USE OF EXTERNAL SERVICE PROVIDERS	53
TMP12 - CORPORATE GOVERNANCE	56
INVESTMENT MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS	57

TMP1 - TREASURY RISK MANAGEMENT

General statement

The City of Lincoln Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investments including investment properties.

The Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the City of Lincoln Council's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements*.

[1] Credit and counterparty risk management

Credit and counter-party risk is *"The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources"*

The City of Lincoln Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Policy on the use of credit risk analysis techniques

[1] Credit and counterparty risk management (reviewed and updated annually as part of the Council's Treasury Management Strategy)

- **Debt Management Office** – The council to use at the discretion of the Chief Finance Officer.
- **Criteria to be used for creating/managing approved counterparty lists/limits** – the type of institutions that are included on the Council's counterparty list are based on the Council's ethical policy and by reference to investment guidance. The Council uses the creditworthiness service

provided by its treasury management advisors, MUFG (formerly known as Link Group). This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies, Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with overlays of credit watches and credit outlooks from credit rating agencies; Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings; and sovereign ratings to select counterparties from creditworthy countries. The criteria used for the counterparty list are based on the Council's attitude to investment risk and advice from the Council's treasury management consultants. Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalent) of F1 (highest credit quality) and a long-term rating A- (high credit quality). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but the counterparty may still be used if consideration of the whole range of ratings available and other topical market information supports their use.

MUFG modelling approach described above combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to part-government owned UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The current minimum criteria for inclusion of counterparties on the list using the colour coding are as shown below, along with the allowable time and money limits.

Investment Counterparty Limits

Institution	Minimum credit criteria/colour band	Maximum limit per group or institution £ million	Maximum maturity period
SPECIFIED INVESTMENTS			
UK Bank ^{*1}	Orange/Blue Red Green	£7 million	Up to 1 year Up to 6 months Up to 100 days
Non-UK Banks ^{*1} Sovereign rating AA	Orange Red Green	£7 million	Up to 1 year Up to 6 months Up to 100 days
Building Society ^{*2}	Orange Red Green	£5 million	Up to 1 year Up to 6 months Up to 100 days
Money Market Fund CNAV ^{*3}	Yellow	£7 million	Liquid
Money Market Fund LVNAV ^{*3}			
Money Market Fund VNAV ^{*3}			
UK Government ^{*4}	Yellow	unlimited	Up to 6 months
UK Local Authority ^{*4}	Yellow	£3 million	Up to 1 year
UNSPECIFIED INVESTMENTS			
UK Bank ^{*1}	Purple	£7 million	Up to 2 years
Non-UK Banks ^{*1} Sovereign rating AA	Purple	£7 million	Up to 2 years
Building Society ^{*2}	Purple Yellow	£2 million	Up to 2 years Up to 5 years
UK Local Authority ^{*4}	Yellow	£3 million	Up to 5 years
Lincoln Credit Union	N/A	£10K	N/A
Council's own bank ^{*5} (operational cash limit in addition to the investment group limit)	N/A	£500K	Overnight

^{*1} Where the term 'Bank' is used this denotes a UK or European Bank authorised to accept deposits through a bank account incorporated within the UK banking sector. The maximum amount indicated is the 'Group total' and covers the total amount that can be invested when spread over any number of subsidiaries within that group.

^{*2} Where the term Building Society is used this denotes a UK Building Society.

^{*3} Money market funds are mutual funds that invest in short-term high quality debt instruments. The assets are actively managed within very specific guidelines to offer safety of principal, liquidity and competitive returns. Although money funds are regarded as short-term investments the rating agencies use a classification system based on long-term debt ratings.

^{*4} The UK Government (i.e. HM Treasury and its Executive Agency the Debt Management Office) and Local Authorities, although not rated as such, are classified as having the equivalent of the highest possible credit rating.

^{*5} This limit covers normal treasury management activities but excludes any deposits received after money market trading has closed. It allows up to £500K operational cash to be held in the Council's main bank account in addition to the group investment limit for the bank, if the bank is included on the Council's counterparty list.

- **Approved methodology for changing limits and adding/removing counterparties** - The Council's treasury management consultants compile a full list of counterparties, with their appropriate colour coding, designated as the "Credit list". This list is issued to the Council and renewed on a weekly basis. Notifications of any changes are received as they occur. The latest

position is also available on MUFG's Passport system. The credit rating position is updated on this system as soon as any changes are made to credit ratings. The latest position will be checked and is used as a source of reference before any investments are undertaken. If the change to a counterparty is a downgrade and no longer meets the Council's minimum criteria then its further use as a new investment will be withdrawn immediately.

- ***Full individual listings of counterparties and counterparty limits*** – the minimum creditworthiness (indicated by the colour coding) for inclusion of a counterparty is shown in the table above. Investments are categorised as specified and non-specified (in line with the investment guidelines issued in March 2010) and the maximum amounts and periods to be invested within the two categories are shown in the table above (based on the current Treasury Management Strategy).
- ***Details of credit rating agencies' services*** – The creditworthiness service provided by MUFG and used by the Council uses the three credit rating agencies, Fitch, Standard and Poor's and Moody's, which are recognised worldwide. Each of them is established in most countries and has a universal credit rating scale. These three leading international rating agencies have established a universal and open methodology of drawing up rating reports. Activities of the rating agency are public and all necessary information of rating decisions is available on the Internet.
- **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state. In addition:
 - No investments to be placed in non-EU banks.
 - No more than 50% will be placed with any non-UK country.
 - Group limits have been set to ensure that the Council is not exposed to excessive risk due to concentration of investments within any one institution or group. These are detailed in the Investment Counterparty Limits table.
- **Use of additional information other than credit ratings** - Additional requirements under the Code of Practice now require the Council to supplement credit rating information. The creditworthiness service provided by MUFG now employed by the Council fully meets this requirement as the sophisticated modelling approach combines credit ratings, credit watches and credit outlooks and then overlays CDS spreads to produce a final creditworthiness score. However, sole reliance is not placed on the use of this external service. In addition, the Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

In preparing the annual strategy, the City of Lincoln Council will:

- Produce a list of approved investment instruments for both Specified and Non-specified Investments,
- Identify criteria for inclusion on the Council's Counterparty List,
- Determine the minimum credit ratings required for both Specified and Non-Specified Investments and the maximum amounts and periods to be invested in Specified and Non-specified Investments.

Policy on environmental, social and governance (ESG) considerations

The Council's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

Councils are currently recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

The prime consideration when assessing the suitability of counterparties and investments must continue to be Security, Liquidity and then Yield, in that order. Only then will ESG factors be considered. The Council does not invest in bond or equity markets, therefore there is currently a lack of data available on which to base ESG considerations relevant to the Council's investments. The main ratings agencies are increasingly including ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. Therefore, the incorporation of ESG risks is already being considered, to an extent, by the use of mainstream rating agencies. Our treasury advisors MUFG also continue to look at ways in which ESG factors can be incorporated into their creditworthiness assessment service, and they have advised clients that they will review the options and will update clients as progress is made. As the Council develops its environmental and climate change policies, including the net zero carbon target by 2030, ESG investment policies and procedures can then be developed to align with these.

[2] Liquidity risk management

This is "The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisations business/service objectives will be thereby compromised."

The City of Lincoln Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The City of Lincoln Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day at £500,000. Borrowing or lending shall be arranged in order to achieve this aim.

- **Minimum cash balances and short-term investments** – the Council has a policy of a minimum of £5m to be deposited in instruments that can be accessed within a week but does not have set amounts for minimum cash balances to cover shortages in cash flow. A twelve-month cash flow forecast model is used as a tool to forecast cash inflows and outflows, and investments are made for specific periods, which take into account when money is required to fund cash outflows, thereby keeping short-term borrowing to an absolute minimum. However, short-term borrowing will be incurred, if it is deemed prudent to take advantage of good investment rates.
- **Standby facilities** – these relate to any tools that the Council has to manage its liquidity and as such are covered by short-term borrowing facilities (see below). In addition, the Council also maintains several Money Markets Funds and five Deposit accounts. These are exceptionally liquid investment instruments that offer same day access to any funds placed therein. The Council does not have a Policy of maintaining a minimum balance within any of these funds but in reality, these funds are used as an alternative to overnight and other short-term periods of investment.
- **Bank overdraft arrangements** – the Council does not currently have an overdraft facility with its bankers (currently Lloyds Bank). Accurate cash flow forecasting and immediate access to funds in Money Market Funds mean that under normal circumstances an overdraft facility is not required. On the very rare occasions that the bank balance may be overdrawn the fees charged are considerably less than the annual overdraft fee. The need for an overdraft facility is reviewed annually on August 30th and forms part of the 'Overdraft and other Facilities' agreement with the Bank.
- **Short-term borrowing facilities** – When the Council has a need to borrow short-term (up to 1 year), Money Market Brokers are contacted (currently Tradition, BGC or King and Shaxson) to obtain the necessary funds. The broker will quote a rate that is based on current market conditions. A fee is payable to the broker for this service, typically between 3 and 10 basis points.
- **Insurance/guarantee facilities** – the Council is insured in respect of loss of money or other property belonging to it or in its trust or custody under a Fidelity Guarantee with Travelers. This only relates to loss occurring as a direct result of any act of fraud or dishonesty on the part of an employee (as specified under the Policy Schedule). This Policy is renewable annually in

April. The full terms and conditions of the Fidelity Guarantee and Policy schedule including the designated Officers, the employees and sums for which they are covered are available from the Financial Services Manager.

- **Other contingency arrangements** – in line with investment guidance the Council has set maximum amounts and periods for which funds may prudently be committed to ensure it has sufficient liquidity in its investments. The limits are shown above (Investment counterparty limits) - limits are based on the current Treasury Management Strategy.

The Council has adopted the following Prudential Indicator to limit the amount that can be invested over 1 year as shown below:

Prudential Indicator No.14	2025/26 £m	2026/27 £m	2027/28 £m
Maximum principal sums invested for longer than 1 year	7	7	7

[3] Interest rate risk management

This is *“The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation’s finances, against which the organisation has failed to protect itself adequately.”*

The City of Lincoln Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 *Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

Approved interest rate exposure limits – in order to minimise the risk of wide fluctuations in interest rates the Council sets annually upper limits on variable and fixed interest rate exposure (based upon the debt position net of investments), please refer to the Annual Treasury Management Strategy for the current limits which are based on the following limits on borrowing and investment exposures:

- Upper limit on fixed rate investments – 100%
- Upper limit on variable rate investments – 75%
- Upper limit on fixed rate borrowing – 100%

- Upper limit on variable rate borrowing – 40%

The indicators above are set as part of the Council's annual Prudential Indicators and Treasury Management Strategy.

- ***Trigger points and other guidelines for managing changes to interest rate levels*** – the Council's current Treasury Management consultants provide regular interest rate forecasts and economic advice, which assists the Council to manage changes in interest rate levels. This forecasting and economic advice includes:
 - Regular forecasts of PWLB rates and imminent changes are given to the Council, with particular regard to the agreed underlying strategy. Continuous updates on market conditions and trends affected by economic, fiscal and political factors are also provided
 - A weekly and monthly newsletter
 - A quarterly 'Economic and Interest Rate Forecast' bulletin
- ***Minimum/maximum proportions of variable rate debt/interest*** – the Council has set the maximum proportion of variable interest rate exposure.

The Council also sets a minimum level for the proportions of variable rate debt and interest. These limits feed into the limit on the net debt position, which is based on estimated levels of debt and investments.

Policies concerning the use of instruments for interest rate management.

- a. Forward dealing
Consideration will be given to dealing from forward periods dependent upon market conditions. When forward dealing is more than 1 month forward then the approval of the Chief Finance Officer is required.
- b. Callable deposits
The Council will use callable deposits as part as of its Investment Strategy. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments in the Investment Strategy.
- c. LOBOS (borrowing under lender's option/borrower's option)
Use of LOBOs are not currently considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by Chief Finance Officer.

[4] Exchange rate risk management

This is “The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation’s finances, against which the organisation has failed to protect itself adequately.”

City of Lincoln Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

The Council only invests and borrows funds in sterling; thereby avoiding any risk associated with fluctuations in exchange rates.

[5] Inflation risk management

This is “The chance that the cash flows from an investment won’t be worth as much in the future because of changes in purchasing power due to inflation,”

The City of Lincoln Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation’s inflation exposures.

[6] Refinancing risk management

“The risk that maturing borrowings, capital, project or partnership financing cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and / or that the terms are inconsistent with prevailing market conditions at the time.”

The City of Lincoln Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the City of Lincoln Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived

anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- the generation of cash savings at minimum risk;
- to reduce the average interest rate;
- to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Executive at the meeting immediately following its action in the quarterly report and in the annual review report.

Projected Capital Investment Requirements

The Chief Finance Officer will prepare a five-year plan for capital expenditure for the Council. The capital plan will be used to prepare a five-year revenue budget for all forms of financing charges.

In addition, the Chief Finance Officer will draw up a capital strategy report which will give a longer-term view.

The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also consider affordability in the longer term beyond this three-year period and assess the risks and rewards of significant investments to ensure the long-term financial sustainability of the authority.

The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, capital financing requirement, commercial property, debt, financing costs, investments, net revenue stream, other long-term liabilities, treasury management and transferred debt.

[7] Legal and regulatory risk management

This is *“The risk that the organisation itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.”*

The City of Lincoln Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *Credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the City of Lincoln Council, particularly with regard to duty of care and fees charged.

The City of Lincoln Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the City of Lincoln Council.

References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 [The Local Authorities \(Capital Finance and Accounting\) \(Amendment\) \(England\) \(No. 2\) Regulations 2004](#)
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009

- S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) \(No. 4\) Regulations 2012](#)
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- *There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016*
- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

Guidance and codes of practice

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority)
- The Council's Standing Orders relating to Contracts
- The Council's Financial Procedure Rules
- The Council's Scheme of Delegated Functions

Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- the scheme of delegation of treasury management activities which is contained in Financial Procedure Rules
- the document which sets out which officers are the authorised signatories [TMP5]

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard and Poors.

Statement on the Council's Political Risks and Management of Same

The Chief Finance Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

Monitoring Officer

The monitoring officer is the City Solicitor; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

Chief Financial Officer

The Chief Financial Officer is the S151 Officer, the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if she has concerns as to the financial prudence of its actions or its expected financial position.

[8] Operational Risk, including Fraud, Error and Corruption

“The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.”

The City of Lincoln Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore: -

- seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

Systems and procedures to be followed – in order to minimise the possibility of fraud, error or corruption, procedures for carrying out and monitoring treasury management activities involve rigorous requirements for audit, checking, control and reporting. These requirements are detailed in the relevant schedules i.e. TMP5 – Organisation, Clarity and Segregation of Duties and Dealing Arrangements. In the event of any fraud or corruption this will be immediately reported to either the Financial Services Manager or Chief Finance Officer who will determine the appropriate course of action. Similarly, any errors, which result in the breach of procedures set down in these schedules, will be reported either to the Financial Services Manager or Chief Finance Officer.

Emergency and contingency planning arrangements – Procedures to be implemented in the event of a disaster will be contained in the Council's Business Continuity Plans and I.T. Disaster Recovery Plan.

Insurance cover details – see TMP 1[2] for details.

[9] Price risk management

“The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated TM policies and objectives are compromised, against which effects it has failed to protect itself adequately.”

The City of Lincoln Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

Approved procedures and limits for controlling exposure to investments whose capital value may fluctuate - the Council does not expose itself to this risk as it does not use investments whose capital value may fluctuate; in addition the Council does not use Fund Managers who may use investments whose capital value may fluctuate.

TMP2 - PERFORMANCE MANAGEMENT

The City of Lincoln Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the City of Lincoln Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions: -

- quarterly reviews carried out by the treasury management team
- reviews with our treasury management consultants
- annual review after the end of the year as reported to full Council
- half yearly / quarterly / other monitoring reports to committee / full Council
- comparative reviews
- strategic, scrutiny and efficiency value for money reviews

Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

Review reports on treasury management

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the debt / investment portfolios. This report contains the following: -

- total external debt (gross external borrowing plus other long-term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
- borrowing strategy for the year compared to actual strategy
- whether or not a decision was made to defer borrowing or to borrow in advance
- comment on the level of internal borrowing and how it has changed during the year
- assumptions made about interest rates
- investment strategy for the year compared to actual strategy

- explanations for variance between original borrowing and investment strategies and actual
- debt rescheduling done in the year
- actual borrowing and investment rates available through the year
- compliance with Prudential and Treasury Indicators
- other

In addition, quarterly reports will be submitted each year to provide updates on the above.

Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- other

Benchmarks and Calculation Methodology:

Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Debt portfolio compared to the debt liability benchmark

Investment

The performance of investment earnings will be measured against the following benchmarks: -

- In house investments - Average daily SONIA

Policy Concerning Methods for Testing Value for money in Treasury Management

Frequency and processes for tendering

The process for advertising and awarding contracts will be in line with the Council's Contract Procedure Rules.

Banking services

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of

transactions in the foreseeable future which renders a shorter period appropriate.

Money-broking services

The Council use money broking services in order to make deposits or to borrow and establish charges for all services prior to using them.

An approved list of brokers has been established which takes account of both prices and quality of services [TMP11].

Consultants'/advisers' services

This Council has appointed MUFG as its professional treasury management advisers.

Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is not to appoint external investment fund managers.

TMP3 - DECISION-MAKING AND ANALYSIS

The City of Lincoln Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions both for the purposes of learning from the past and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

Records to be kept:

Detailed records are maintained of all borrowings and investments made by the Council.

Processes to be pursued:

- Cash flow analysis;
- Debt and investment maturity analysis;
- Ledger reconciliation;
- Review of opportunities for debt restructuring;
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money);
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

Issues to be addressed:

In respect of every Treasury Management decision made, the Council will:

- above all be clear about the nature and extent of the risks to which the Council may become exposed
- be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies and that limits have not been exceeded
- be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive

With the need to realise significant General Fund revenue savings to ensure that the budget is balanced and sustainable in the long term and the need to achieve efficiency savings in the Housing Revenue Account, the main theme of the borrowing and debt strategy is to reduce the individual average interest rates paid by each fund. The reduction in interest rates will be undertaken through debt restructuring opportunities and taking new borrowing with lower interest rates than the rates that have been projected in the budget estimates. However,

restructuring that increases the interest rate payable may be considered if it offers the Council the opportunity to take a discount, as part of the rescheduling exercise.

In respect of borrowing decisions, the Council will:

- consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets to ensure that its capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.
- Less detailed evaluation will also be carried out over a longer period to ensure that plans continue to be affordable, proportionate, prudent and sustainable in the longer term.
- not borrow to invest primarily for financial return.
- not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.
- not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council.
- increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.
- evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, external grants and private partnerships.
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.
- ensure that treasury management decisions are made in accordance with good professional practice.

The main theme of the investment strategy is to ensure the security of the sums invested as a first priority and secondly to ensure that the Council has access to sufficient liquid funds. Then thirdly to maximise interest from investments, within the constraints imposed by having regard to security and liquidity, in order to contribute towards any General Fund and Housing Revenue Account savings targets as detailed above. The increase of investment income will be sought through actively undertaking investments with higher interest rates than the rates that have been projected in the budget estimates.

In respect of investment decisions, the Council will:

- consider the optimum period, in light of cash flow availability and prevailing market conditions
- consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital. The Council does not use such products
- ensure investments are included in the Councils 'approved investment instruments' (see TMP4 below)
- consider financial institutions and ensure they meet the minimum requirements for inclusion in the Council's counterparty list (see TMP1 schedule [1] above)
- ensure that the counterparty individual/group investment limits are not exceeded (see TMP1 [1] above)
- ensure the non-specified investment limit is not exceeded. The current limit is as approved in the Prudential Indicators and Treasury Management Strategy
- ensure that investments over 1 year do not exceed the limit as approved in the Treasury Management Strategy (see TMP1 schedule [1] above). This includes forward deals.

A meeting will be held for the Finance Business Partner to advise the Financial Services Manager when it is necessary to make investment and borrowing decisions where the length of the deal to be brokered has a maturity period greater than 3 months, and as necessary when other issues arise. A briefing note is prepared giving details of the proposed deal and supporting information which is discussed at the meeting. It will be signed off by the Financial Services Manager (or the Chief Finance Officer or City Solicitor in their absence) before the investment is made or any borrowing is taken.

Any investments with a maturity period greater than 364 require Chief Finance Officer approval.

TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The City of Lincoln Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management*.

City of Lincoln Council has reviewed its classification with financial institutions under MIFID II and has set out in this schedule those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- leasing.

Approved instruments for investments

- ***Listings and individual limits for the use of approved instruments*** – In accordance the Council's current treasury management strategy, the instruments (split between specified and non-specified investments) that the Council will consider investing surplus funds in are shown below (individual limits are not set for approved investment instruments):

Instruments of Specified Investments *1

1. Gilt-edged securities issued by the United Kingdom Debt Management Office (UK DMO), an Executive Agency of HM Treasury.
2. Treasury Bills issued by the UK DMO.
3. Deposits with the Debt Management Office Debt Management Account Deposit Facility (DMADF).
4. Deposits with a Local Authority, Parish Council or Community Council.
5. Deposits with Banks and Building Societies (Including opening Business Accounts).
6. Certificates of deposit issued by Banks and Building societies.
7. Investment Schemes i.e. a Money Market Fund.

***1** To be defined as a Specified Investment the above instruments will have these features common to all:

- Be denominated in Sterling,
- Of not more than 1 year maturity,
- Of longer than 1 year maturity but the Council has the right to be repaid within 12 months,
- For instruments numbered 5 to 7 these must be with institutions that have been awarded a high credit rating by a Rating Agency.

Instruments of Non-Specified Investments *2

1. Deposits with Banks, Building Societies and their subsidiaries.

***2** To be defined as a Non-Specified Investment the above instruments will have these features common to all:

- Denominated in Sterling,
- Of more than 1-year maturity,
- Of less than 1-year maturity with an institution that does not meet the basic security requirements under Specified Investments e.g. a deposit with a non-credit rated Bank or Building Society.

Implementation of MIFID II Requirements

Since 3 January 2018, UK public sector bodies have been defaulted to 'retail' status under the requirements of MIFID II. However, for each counterparty it is looking to transact with (eg financial institution, fund management operator, broker), there remains the option to opt up to 'professional' status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and expertise and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments (eg certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorized to place investments with. Records are held of each counterparty where the Council has opted up to professional status, with details of permissions applied for, instrument and date received, and similarly a record is held of those

counterparties/investments where there is no requirement to opt up to professional status.

- **MIFID II** – the council has opted for professional status for the purposes of MIFID II. The council is registered as a professional client with:

MUFG
King and Shaxson
BGC
Tradition
Institutional Cash Distributors Ltd

Approved Techniques

- Forward dealing;
- LOBOs – lenders option, borrower's option borrowing instrument;
- The use of structured products such as callable deposits.

Approved methods and sources of raising capital finance – capital finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These could include:

	Fixed	Variable
PWLB	●	●
Market Loans (long-term)	●	●
Local Bonds	●	
Negotiable Bonds	●	●
Finance Leases	●	●
Internal (capital receipts & revenue balances)	●	●

Other methods of financing include Government and European Capital Grants, Lottery monies, Private Finance Initiative (PFI), Public-Private Partnerships (PPP), operating leases and other capital contributions from relevant partners and stakeholders.

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has delegated powers, in accordance with the Officers' Scheme of Delegation within the Constitution and the Treasury Management Strategy, to borrow using the most appropriate sources.

Investment Limits

The Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

Non-Treasury Management Investments

Please see Non-Treasury Management Investments Schedule at the end of this document.

TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The City of Lincoln Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is a clarity of treasury management responsibilities at all times.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling those policies, particularly regarding the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the City of Lincoln Council intends, as a result of lack of resources or other circumstances to depart from these principles, the Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Chief Finance Officer will also ensure that those engaged in treasury management will, at all times, follow the policies and procedures set out.

The Chief Finance Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The Chief Finance Officer will fulfil all responsibilities in accordance with the City of Lincoln Council's policy statement and TMP's.

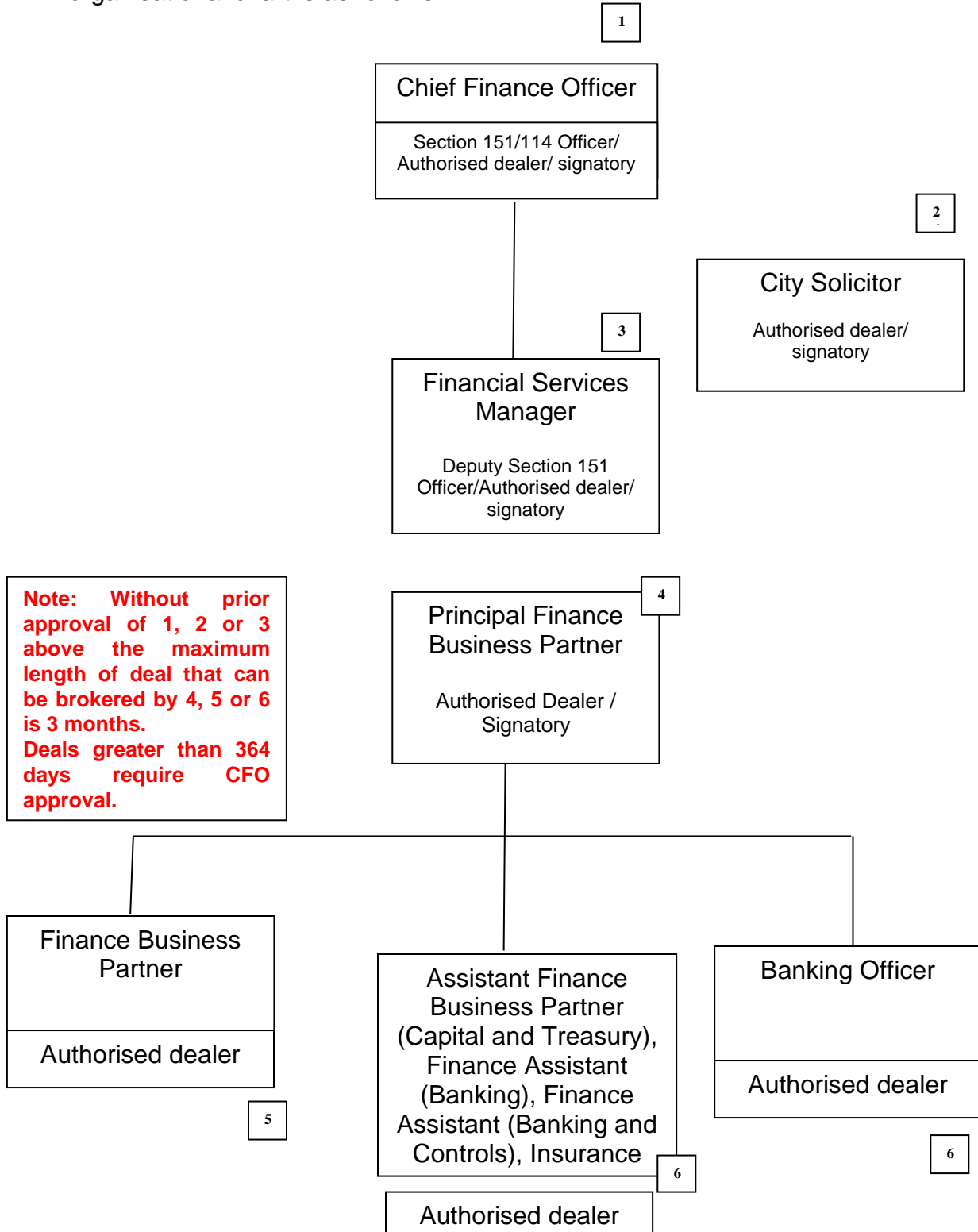
Full Board / Council

- ***Limits to responsibilities/discretion at committee/executive levels*** – in accordance with the Council's financial procedure rules, full Council is responsible for approving the annual prudential indicators and treasury management strategy, which is proposed to full Council by the Executive. All decisions on borrowing, investment or financing are delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities. A mid year report and end of year report detailing the performance against the Prudential indicators,

local indicators and treasury management activities are submitted to the Council's Performance Scrutiny Committee, Executive and full Council. Quarterly treasury management reports will be submitted to the Council's Executive and Performance Scrutiny Committee, to update Members as to the actual position against the local and Statutory Prudential Indicators, and to summarise the treasury management activities undertaken during the previous quarter.

- ***Principles and practices concerning segregation of duties*** – in order to reduce the risk of fraud and corruption, the following duties are divided between different staff:
 - As part of the procedures for making CHAPS payments (i.e. repayment of loans, depositing investments and urgent payments) three different members of staff undertake the stages of setting up the payment, approval and authorisation
 - The Financial Services Manager (or Chief Finance Officer or City Solicitor in their absence) must approve investments or borrowing for periods greater than 3 months (up to 364 days). Deals greater than 364 days deals require Chief Finance Officer approval. A briefing document giving all the details of the investment or borrowing will be presented for approval for sign off.
 - The principal and practices concerning segregation of duties is set out in the hierarchical responsibilities/duties of each post, as set out below:

Treasury Management organisation chart – the Council's current organisational chart is as follows:



▪ ***Statement of duties/responsibilities of each treasury post –***

1. Chief Finance Officer

- Duties in line with S151 and S114 responsibilities
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Authorised Signatory

2. City Solicitor

- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Authorised signatory

3. Financial Services Manager

- Duties in line with deputy S151 responsibilities
- Advise the Chief Finance Officer on Treasury Management matters
- Receive and review Treasury Management investment and borrowing proposals
- Review and appoint Treasury Management consultants
- Ensure that staff involved in treasury management receive appropriate training
- Ensure that the treasury management function is adequately resourced to meet current requirements
- Absence cover for the Chief Finance Officer for responsibilities detailed above.
- Ensure there is adequate internal checking and control
- Ensure the Treasury Management Strategy, the Treasury Management Outturn Report and Quarterly Monitoring Reports are prepared and complied with
- Ensure implementation of Treasury Management actions agreed by the Chief Finance Officer
- Ensure Treasury Management Practices are complied with and are reviewed at least annually
- Ensure the appropriate division of duties within the section
- Identify and recommend opportunities for improved Treasury Management Practices
- Implementation of the Treasury Management Strategy
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Authorised signatory

4. Principal Finance Business Partner (PFBP)

- Advise Financial Services Manager on Treasury Management matters
- Receive and review Treasury Management investment and borrowing proposals
- Oversee the compilation of the yearly cash flow
- Oversee the monitoring, update, revision and reporting on the authorities cash flow
- Prepare the annual Treasury Management Strategy and Outturn Reports
- Compile mid-year treasury management reports to the Council's Performance Scrutiny Committee
- Monitor and calculate the prudential indicators/local indicators and performance against budget targets (i.e. borrowing and investment interest)
- Prepare an annual budget for Treasury Management activities (i.e. borrowing and investment interest, debt management expenses)
- Ensure implementation of Treasury Management actions agreed by the Financial Services Manager and Chief Finance Officer
- Assist the Financial Services Manager in implementation of the Treasury Management Strategy
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)

5. Finance Business Partner (FBP)

- Construction of yearly cash flow
- Advise Financial Services Manager and PFBP on Treasury Management matters
- Monitor, update, revise and report on the authority's cash flow
- Monitor and calculate the prudential indicators/local indicators and performance against budget targets (i.e. borrowing and investment interest)
- Maintain the Council's Money Market Funds and Call accounts
- Liaise with brokers on a day to day basis and monitor interest rates
- Invest short-term cash surpluses in line with Councils investment policy/strategy
- Take short-term borrowings to cover cash flow shortages in line with Council's investment policy/strategy.
- Maintain the Councils Counterparty list in line with Council's investment policy/strategy
- Action periodic interest payments on long term loans
- Instigate year-end accruals for investments and loans.
- Assist in the preparation of mid-year treasury management reports and Annual Treasury Management Strategy and Outturn Reports.

- Administer the Council's 3% Stock, war stock and local bonds
- Monitor the Council's approved Prudential Indicators/Local Indicators and percentage of investments held as Specified/Non-Specified Investments
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Production of quarterly reconciliations for all Treasury Management ledger accounts

6. Assistant Finance Business Partner (Capital and Treasury), Finance Assistant (Banking), Finance Assistant (Banking and Control) and Insurance Assistant, Banking and Controls Officer

- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
 - Absence cover for Finance Business Partners
 - Download on a daily basis the Council's bank statements in order to monitor Council's cash position.
- ***Absence cover arrangements*** – The Banking Team (within the Technical and Exchequer section) provides absence cover for the Finance Business Partner (Capital, Treasury and VAT) and the Assistant Finance Business Partner (Capital and Treasury).
 - ***Dealing Limits*** – all staff authorised to deal on behalf of the Council must comply with the Council's Counterparty list limits set out in the Treasury Management Strategy as detailed in TMP schedule 1
 - ***List of approved brokers*** –BGC Brokers, Tradition, King and Shaxson and MUFG
 - ***Policies on recording of conversations*** – Calls to Brokers are currently recorded by the Brokers only. Taping facilities from the main Council switchboard are not available at present.
 - ***Direct dealing practices*** – interest rates/risks are evaluated through comparing the rates offered by brokers and those offered direct from institution e.g. Debt Management Office. Should deals from direct institutions prove to be better value this option will be preferred.
 - ***Settlement transmission procedures*** – all funds to be remitted in respect of a treasury management transaction are via CHAPS. The Council uses the Lloyds Commercial Banking online Electronic Payments System provided by the Council's Bankers. The procedure is as follows:
 - The officer setting up the payment completes a pro-forma detailing the agreed transaction(s) together with a batch header

- An officer with the appropriate level of access (see below) sets up the transaction(s) on Lloyds Commercial Banking online
- The transaction is approved by a separate officer with the appropriate level of access (see below) on Lloyds Commercial Banking online
- The transaction is then authorised by a separate officer with the appropriate level of access (see below) on Lloyds Commercial Banking online
- Finally, the transaction is submitted via Lloyds Commercial Banking online for onward transition to the borrower/lender

Lloyds Commercial Banking Online Authorisation Levels

Post	Lloyds Commercial Banking Online Level *
Chief Finance Officer	Authorisation
City Solicitor	Authorisation
Financial Services Manager	Authorisation
Principal Finance Business Partners	Authorisation
Finance Business Partner(s)	Set up, verify and first level of approval
Assistant Finance Business Partner	Setup
Banking Officer	Set up, verify and first level of approval
Exchequer Officer	Set up, verify and first level of approval

Lloyds Commercial Banking online is the electronic banking system of the Council's bank, Lloyds.

- ***Documentation requirements*** – Money market deals are confirmed using either the Institutional Cash Distributors (ICD) treasury portal, this is an online independent trading platform, or verbally with the money market fund, counterparty or broker. All the Money market funds currently in use by the Council are registered with ICD. All deals are followed by written confirmation of the transaction from the borrower/lender i.e. amount, interest rate, period, bank account details, proceeds or liability on maturity. Deposit accounts require an email/fax instruction when placing or withdrawing funds and this must be signed by one of the Council's Authorised signatories. The Debt Management Office requires all deposits and withdrawals to be agreed verbally. In the event of the Council having temporary borrowing, the Council

will confirm in writing the transaction. In addition, for those deals carried out via a broker, the broker will send their own confirmation of the transaction.

TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The City of Lincoln Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the full Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year. Revised strategies may be presented to full Council at any point in the year if deemed necessary.
- a mid-year review;
- an annual report on the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with its treasury management policy statement and TMP's.

The Performance Scrutiny Committee will receive regular monitoring reports on treasury management activities and risks. It will receive an annual report on the treasury management activities before approval by the Executive and full Council.

The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices. It will receive an annual report on the treasury management strategy before approval by the Executive and full Council.

The Executive will receive the Treasury Management Strategy prior to submission to Full Council, regular monitoring reports and an annual report on the Treasury Management function, on the effects of the decisions taken and the transactions executed in the past year.

The City of Lincoln Council will report the treasury management indicators as detailed in the local authority guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

Content and frequency of board/committee reporting requirements – the annual Treasury Management Strategy sets out the expected treasury activities for the forthcoming financial year. This Strategy is submitted to the Audit Committee for review and scrutiny then onto the Executive who in turn

recommends it to full Council, before the beginning of each financial year. The formation of the annual Strategy involves determining the appropriate treasury management decisions in light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise. The Strategy is concerned with the following elements:

- Prudential and Treasury Indicators
- current Treasury portfolio position
- borrowing requirement
- prospects for interest rates
- borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- investment strategy
- creditworthiness policy
- policy on the use of external service providers
- any extraordinary treasury issues
- the MRP strategy

The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios

The Investment Strategy

At the same time as the Council receives the Treasury Management Strategy it will also receive a report on the Investment Strategy which will set out the following: -

- The Council's risk appetite in respect of security, liquidity and optimum performance
- The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- Which specified and non-specified instruments the Council will use
- Whether they will be used by the in-house team, external managers or both (if applicable)
- The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- Which credit rating agencies the Council will use
- How the Council will deal with changes in ratings, rating watches and rating outlooks
- Limits of value and time for individual counterparties and groups
- Country limits
- Maximum value and maximum periods for which funds may be prudently invested

- Interest rate outlook
- Investment return expectations
- A review of the holding of longer-term investments
- Policy on the use of external service providers

The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

Policy on Prudential and Treasury Indicators

The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

The Chief Finance Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Chief Finance Officer shall submit the changes for approval to the full Council

Quarterly and Mid-Year Reviews

The Council will review its treasury management activities and strategy on a quarterly and six monthly basis. The mid-year review will go to Full Council. This review will consider the following: -

- activities undertaken
- variations (if any) from agreed policies/practices
- interim performance report
- regular monitoring
- monitoring of treasury management and prudential indicators

The quarterly review will monitor the treasury management and prudential indicators as part of the authority's general revenue and capital monitoring.

Annual Review Report on Treasury Management Activity

- transactions executed and their revenue (current) effects
- report on risk implications of decisions taken and transactions executed
- compliance report on agreed policies and practices, and on statutory/regulatory requirements
- performance report
- report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements
- monitoring of treasury management indicators.

TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Chief Finance Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will as a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The form, which the City of Lincoln Council's budget will take, is set out in the schedule to this document. The Chief Finance Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

The City of Lincoln Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's Treasury Management activities.

Budgets / Accounts / Prudential and Treasury Indicators

The Chief Finance Officer will prepare a five year medium term financial plan with Prudential and Treasury Indicators for Treasury Management which will incorporate the budget for the forthcoming year and provisional estimates for the following four years. This will bring together all the costs involved in running the function, together with associated income. The Chief Finance Officer will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

List of Information Requirements of External Auditors

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year

- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations (where used) including investment income schedules and movement in capital values.

Quarterly Budget Monitoring Report

Quarterly Budget Monitoring reports are produced for the Performance Scrutiny Committee. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of Treasury Management activities are included within this report.

TMP8 - CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the City of Lincoln Council will be under the control of the Chief Finance Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

Arrangements for Preparing/Submitting Cash Flow Statements -

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

– An up to date cash flow estimate will be maintained in order to effectively manage cash balances. The cash flow forecasts will be reviewed and discussed regularly among treasury staff (as above) and will influence the treasury management decision-making and analysis processes detailed in TMP3.

Arrangements for preparing/submitting medium to long-term forecasts of the organisation's net debt (or net investment) requirements consistent with its approved plans, eg through development of a liability benchmark -

A debt liability benchmark will be monitored on a quarterly basis to inform a long-term view of liquidity requirements. The benchmark will be analysed as part of the annual treasury management strategy and any substantial mismatches between actual loan debt outstanding and the liability benchmark will be explained.

Content and frequency of cash flow budgets

An annual cash flow forecast is produced prior to the beginning of the financial year. This forecast is reconciled to the closing ledger balance of the Council's Summary account bank statement on a daily basis. Cash flow forecasts are continually updated and revised in line with information received from a variety of sources.

The annual cash flow forecast consists of an estimate of the total income, total expenditure and Treasury Management transactions in the financial year.

Income receipts can be broken down into the following types:

- NNDR, Council Tax and Council House Rents
- Grants and Subsidy

- Capital Receipts from sale of assets
- VAT
- Debtor bills and other miscellaneous income from services provided by the Council

Expenditure can be broken down as follows:

- NNDR to MHCLG and Lincolnshire County Council
- Precepts to Lincolnshire County Council and Police and Crime Commissioner for Lincolnshire
- Pooling of Housing Capital Receipts to MHCLG
- General creditor payments for goods and services received
- Payment of Benefit to claimants
- Capital programme spend
- Monthly salary payments
- Income Tax and other deductions from salary (to HM Revenue and Customs)
- Grants
- Levies
- Insurance premiums

Treasury Management can be broken down as follows:

Investments

- Interest from maturing investments, Money Market Funds and Bank accounts
- Deposits to borrowers and investment maturities

Borrowing

- Interest payments on the Council's outstanding long-term debt
- Repayment of maturing debt including debt restructuring
- Receipt and repayment of short and longer-term loans

Listing of sources of information – the sources of information used to initially compile and regularly update the cash flow are as follows:

Income:

- MHCLG grant schedules (i.e. RSG)
- Other grant schedules (i.e. Home Office, DWP,)
- Internal Systems (i.e. Council Tax, Council House Rents, Capital Receipts, VAT, Debtors, Short and longer-term loans, Investment maturities and interest.)

Expenditure:

- MHCLG and Lincolnshire County Council payment schedules (i.e. NNDR payable)

- Lincolnshire County Council and Police and Crime Commissioner for Lincolnshire precept schedules
- Drainage Board schedules (Levies)
- Grant Forms (i.e. MHCLG pooling of Right To Buy capital receipts)
- Internal Systems (Housing Benefit Payments, Revenue and Capital Creditors, Payroll, Insurance premiums, Interest payments on the Council's outstanding debt, Investments, Maturing Debt)
- The Council's 5-year Financial Strategy to calculate the creditor payments for goods and services received (capital and revenue)

Bank statements procedures – Bank statements are available to be downloaded electronically on a daily basis from the Lloyds Commercial Banking online system. All amounts on the statements are checked to source data. Bank reconciliations are the responsibility of the Banking Team.

Payment scheduling and agreed terms of trade with creditors – Creditor payment runs are currently scheduled twice weekly. The majority of these payments (approximately 95% by total value) are paid by electronic means (primarily by BACS direct credit). The City Council aims to pay 100% of its creditors within their agreed payment terms or if no terms are quoted within 30 days of receipt of their demand for payment. The exception to this would be if the Council deems itself to be in dispute with its creditor; in which case the invoice will be paid within 30 days of that dispute being resolved. Furthermore, no invoice that is paid within 30 days to its creditor will be deemed to have been paid late for performance monitoring purposes even if the creditor's terms are less than 30 days.

Arrangements for monitoring debtor/creditor levels – The Exchequer Section is responsible for monitoring the levels of debtors and creditors. The recovery of outstanding Debtor invoices is undertaken by the Recovery Team within the Revenue and Benefits Shared Service, who follow strict recovery procedures. Recovery of debtors will be closely coordinated with the invoice issuing service area who will assist with recovery if possible.

Procedures for banking of funds – All money received by an officer on behalf of the Council will without unreasonable delay be deposited in the Council's bank account.

Practices concerning prepayments to obtain benefits - The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Chief Finance Officer.

TMP9 - MONEY LAUNDERING

The City of Lincoln Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, procedures are maintained for verifying and recording the identity of counterparties, and reporting suspicions ensuring that staff involved in treasury activities and accepting payments are properly trained.

Money Laundering is defined as “*a process where the identity of the proceeds of criminal proceedings (dirty money) is changed through apparently legitimate transactions so that the money appears to originate from a legitimate source*”.

The City of Lincoln Council last updated its Anti-Money Laundering Policy Statement and Procedures in February 2023. The Policy is reviewed and presented to Audit Committee every two years.

The City of Lincoln Council is committed to prevent the Council and its employees being exposed to money laundering, to identify the risks where it may occur, and to comply with legal and regulatory requirements, especially with regards to reporting suspected cases.

The key message of this Policy is that if you suspect that money laundering activity may be taking place or proposed in relation to anything you are dealing with you should immediately disclose those suspicions to the Council's Money Laundering Reporting Officer (the Chief Executive). If the suspicion involves a proposed transaction (e.g. the sale of property or a significant cash receipt) you should not proceed with the transaction without approval from the Money Laundering Reporting Officer. You should defer the transaction in such a way as not to alert anyone else to your suspicions. If you believe you cannot reasonably do so, you should immediately contact the Money Laundering Reporting Officer or the Council's Monitoring Officer. There are two forms to complete depending on circumstances but in the first instance you should contact a deputy MLRO (City Solicitor or Chief Finance Officer) for advice.

Key Points

- The Council is committed to the prevention, detection and reporting of money laundering
- All employees should be vigilant for signs of money laundering
- An employee who suspects money laundering activity should report this promptly to the Money Laundering Reporting Officer
- The Council will not accept payments in cash that exceed £2,000

Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Council will do the following: -

- evaluate the prospect of laundered monies being handled by them
- determine the appropriate safeguards to be put in place
- require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- make all its staff aware of their responsibilities under POCA
- appoint a member of staff to whom they can report any suspicions.
- in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the City Solicitor and it shall be a requirement that all services and departments implement this corporate policy and procedures.

▪ *Procedures For Establishing Identity / Authenticity of Lenders*

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence, and this will be effected by following the procedures below.

The City of Lincoln Council will not accept loans from individuals. All loans are obtained from the Public Works Loan Board, other local authorities, or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA web site on www.fca.gov.uk. When repaying loans, the procedures below will be followed to check the bank details of the recipient.

• *Methodology For Identifying Sources Of Deposit*

In the course of its treasury activities, the Council will only lend money to, or invest with, those counterparties that are on its approved lending list and meet minimum criteria (TMP schedule 1). The Council only places deposits with counterparties which have been credit checked by the Rating Agencies Fitch,

Moody's or Standard and Poor's. All transactions will be carried out by Direct Debit, BACS or CHAPS for making deposits or repaying loans.

TMP10 - STAFF TRAINING AND QUALIFICATIONS

The City of Lincoln Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Chief Finance Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The Chief Finance Officer will ensure that the council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a professional development process which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job, and it will be the responsibility of the Chief Finance Officer to ensure that all staff under their authority receive the level of training appropriate to their duties. This will also apply to those staff who from time-to-time cover for absences from the treasury management team.

Details of approved training courses

Treasury management staff and Councillors will undertake training, principally using seminars and training, where appropriate, provided by the Council's external treasury management advisors, CIPFA, money brokers etc.:

- bi-annual seminars, including workshops
- regional training
- specific training or individual briefing sessions

Records of Training Received by Treasury Staff

A record will be maintained of all training courses and seminars attended by staff engaged in treasury management activities.

Experience and Approved qualifications for treasury staff

All staff engaged on treasury management activities will undergo regular professional development reviews to assist in career development.

The Chief Finance Officer, Financial Services Manager and Principal Finance Business Partners will be professionally qualified accountants:

- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Other CCAB qualifications i.e.
 - Institute of Chartered Accountants in England and Wales (ICAEW),
 - Chartered Institute of Management Accountants (CIMA)
 - and Association of Certified Chartered Accountants (ACCA).
- Association of Accounting Technicians (AAT).

Those staff that are CIPFA members are required by their Institute to act in accordance with CIPFA's Standard of Professional Practice on Treasury Management and the Chief Finance Officer also has a responsibility to ensure that the relevant staff are appropriately trained.

Member training records

Records will be kept by Democratic Services of all training in treasury management provided to Members.

Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP11 - USE OF EXTERNAL SERVICE PROVIDERS

Details of contracts with service providers, including bankers, brokers, consultants, advisers and details of services provided

The Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of the Council, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide the appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding of undue reliance:

- quality financial press
- market data
- information on government support for banks
- the credit ratings of that government support

Banking Services

- Name of supplier of service is Lloyds Bank.
 - Regulatory status – banking institution authorised to undertake banking activities by the FCA
 - The branch address is:
202 High Street, Lincoln LN5 7AP
Tel :-0345 602 1997
 - Contract commenced Jan 2022 and runs for 7 years until 2029 with an option to extend for a further 3 years.
 - Cost of service is variable depending on schedule of tariffs and volumes
 - Payments due monthly
 - The organisation may terminate the agreement at any time by giving one months' written notice to the Bank.
-
- Allpay provide services for the collection of Council Tax, Rent and sundry debtors through Post Office and Paypoint facilities.

Procedures and frequency for tendering services – The Council's main banking services are subject to tender.

The current Allpay contract runs to February 2026 with an option to extend for a further two years to February 2028 (2+ 2 years) utilising a framework agreement.

Money-broking services

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers. The performance of brokers is reviewed by the Treasury Team regularly to see if any should be taken off the approved list and replaced by another choice and make appropriate recommendations to change the approved brokers list to the Chief Finance Officer. All of the following brokers are authorised and regulated by the Financial Conduct Authority.

Name of broker	Address and tel. no.
BGC Brokers	5 Churchill Place, London, E14 5HU 0207 894 7742
King & Shaxson Ltd	1st Floor Cutlers Court, 115 Houndsditch, London, EC3A 7BR 020 7426 5950
Tradition (UK) Ltd	Beaufort House, 15 St. Botolph Street, London, EC3A 7QX 020 7422 3566
MUFG Corporate Markets Treasury Limited	65 Gresham St, London, EC2V 7NQ 020 7204 7624
Imperial Treasury Services	Imperial House, 5 Port Hill, Hertford SG14 1PJ 01992 945550
Munix Municipal Exchange	9 Ainslie Place, Edinburgh EH3 6AT 07985 106188

The City Council does not have a formal written contract with any of these organisations, therefore the Council is not restricted to using these brokers.

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual Treasury Management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed as part of regular contract management meeting to check whether performance has met expectations.

- Name of supplier of service is MUFG Corporate Market treasury Limited.
Their address is 65 Gresham Street London EC2V 7NQ
- Regulatory status: investment adviser authorised by the FCA
- Contract is reviewed and renewed annually, running from 1st January to 31st December.

Leasing Consultancy Services

The Council's Treasury Consultants MUFG provide leasing advice upon request as part of their contract.

Credit rating agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

Procedures and frequency for tendering services

See TMP 2 Performance measurement.

TMP12 - CORPORATE GOVERNANCE

The City of Lincoln Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The City of Lincoln Council has adopted the CIPFA Code of Practice on Treasury Management and has implemented the key principles of the Code. These are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

The following documents are available for public inspection:

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Investment Strategy
- Minimum Revenue provision policy statement
- Annual Treasury Outturn Report
- Quarterly Treasury Management monitoring reports
- Annual accounts and financial instruments disclosure notes
- Medium Term Financial Strategy
- Capital Programme
- Capital Strategy
- Minutes of Council / Cabinet / committee meetings

INVESTMENT MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS

City of Lincoln Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcome, investments in subsidiaries, and investment property portfolios.

City of Lincoln Council will ensure that all its investments are covered in the capital strategy or equivalent, and will set out, where relevant, its risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The City of Lincoln Council will maintain a schedule setting out a summary of existing material investments.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ, these are laid out below.

Risk Management [TMP1]

Due diligence processes and procedures are undertaken to reflect the additional risk the Council is taking on.

Independent and expert advice

Independent expert advice is sought for property purchases as part of the due diligence.

In carrying out due diligence, potential project risks are identified and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.

Verification of purchase price by external suitably qualified RICS Approved Valuers is obtained prior to any investment.

Performance measurement and management - including methodology and criteria for assessing the performance and success of non-treasury investments [TMP2]

The relevant aspects of TMP 2 will be applied when considering non-treasury investments.

Decision making, governance and organisation [TMP5]

The Financial Procedure Rules detail how capital projects are approved and added to the capital programme. For non-treasury investments the appropriate professional due diligence is carried out to support the decision making.

Reporting and management information [TMP6]

The relevant aspects of TMP 6 will be applied when considering non-treasury investments.

With regard to the specific non-treasury investments:

- Commercial Investment Properties within the Local Authority Area / Council Owned Commercial/Industrial Estates -

Details are reported in the Council's Capital Strategy.

Training and qualifications [TMP10]

Relevant knowledge and skills in relation to non-treasury investments will be arranged and maintained.

The relevant aspects of TMP10 will be applied when considering non-treasury investments. Treasury Management staff are either AAT or CCAB qualified and all CCAB qualified staff must complete the annual CPD requirements of their professional accountancy bodies. Training courses run by CIPFA and seminars and updates provided by MUFG are also attended.

With regard to non-treasury investments, the Council employs qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.

The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc. Members will also be required to undertake a self-assessment against the required competencies as set out in CIPFA's 'Effective Scrutiny of Treasury Management' assessment tool. The Council also procures expert advice and assistance such as financial and legal advice as and when required.

SUBJECT: INTERNAL AUDIT PROGRESS REPORT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

- 1.1 To present the Internal Audit Progress Report to the Audit Committee, incorporating the overall position reached so far, and summaries of the outcomes of audits completed during the period.

2. Background

- 2.1 The Internal Audit progress report attached (Appendix A) covers the following areas:-
- Progress against the plan
 - Summary of Audit work
- 2.2 The report highlights progress against the audit plan up to 10th January 2025.

3. Progress Report

- 3.1 Three reports have been issued since the previous Progress Report in September. These were all given a substantial assurance opinion and include Council Tax, Business Continuity and Risk Management. We have also completed the second quarterly spot check of implemented actions.
- 3.2 Overall performance has improved this quarter reflecting the changes which have been implemented. The indicators still remain below target mainly due to the small numbers involved. Completion of the plan has not met the target this quarter being 48%, just below the low target of 55%. This is due to a number of delays in completing the audits, chasing start dates for audits and more time than planned being spent on administrative tasks such as the new Audit Standards and supporting the trainee.

4. Organisational Impacts

- 4.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

- 4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

There are no direct E and D implications arising as a result of this report.

5. Recommendation

- 5.1 The Audit Committee is asked to review and comment on the content of the latest Internal Audit Progress Report.

Is this a key decision? Yes/No

Do the exempt information categories apply? Yes/No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? Yes/No

How many appendices does the report contain? One

List of Background Papers: None

Lead Officer: Amanda Stanislawski, Audit Manager
Email address:
amanda.stanislawski@lincoln.gov.uk



Internal Audit Progress Report

**City of Lincoln Council
January 2025**

Table of contents

	Page
Role of Internal Audit	3
The purpose of the document	4
Performance dashboard	5
Update on Internal Audit Activity	6
Planning and resourcing	6
Analysis of audit reviews	8
Executive summaries	10
Other Matters of Interest	12



Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The Global Internal Audit Standards 2024 state the purpose of Internal Audit as:-

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk based, and objective assurance, advice, insight and foresight.*

Internal auditing enhances the organisation's:-

- *Successful achievement of its objectives.*
- *Governance, risk management, and control processes.*
- *Decision making and oversight.*
- *Reputation and credibility with its stakeholders.*
- *Ability to serve the public interest.*

Internal auditing is most effective when:-

- *It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest*
- *The internal audit function is independently positioned with direct accountability to the board*.*
- *Internal auditors are free from undue influence and committed to making objective assessments.*

*Board – Highest level body charged with governance i.e. The Audit Committee.



The Purpose of the Report

In accordance with the Internal Audit Standards and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.







Assurance opinions are categorised as follows:

<p>High</p> <p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Substantial</p> <p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p> <p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives</p>	<p>Low</p> <p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high</p>



Performance Dashboard

Performance is measured against a number of different performance measures. The results of which are included below covering the period to 31 December 2024:-

Description	Actual 2023/24	Target 2024/25	Current	Status	Explanation	Change from previous report
Plan Completed	87%	95% / 85% (High/ Low Target) Q3 – 55% / 65%	48%	Below target	There have been a number of delays in completing the audits this quarter and changes made to the plan (details on page 6). There has also been more time than planned spent on administrative tasks such as the GIAS and supporting the trainee.	
Audits completed within 2 months	27%	80%	60%	Below target	There has been one further report which has not met the deadline. This was one carried over from 2023/24 and suffered delays due to capacity within the Audit team.	
Draft Report Issued within 10 days	77%	100%	57%	Below target	One of the three reports issued this quarter was issued in 12 days the delay was due to annual leave.	
Management Response received within 10 days	30%	100%	56%	Below target	Whilst still below target there is an improvement in meeting this target since the revised process was introduced. All those issued in Q3 have met the target.	
Final Report Issued within 5 days	57%	100%	82%	Below target	Whilst still below target, all reports issued in Q3 have met the target.	
Customer satisfaction	Excellent	Good to excellent	Excellent	On target	Six returned.	

Performance is measured quarterly against annual targets with the exception of the completion of the plan which has quarterly targets. There has been an improvement in most of the indicators as more audits are completed and revised processes put into place take effect.

The completion of the plan has declined this quarter and has not met the quarterly target for the first time this year. This is due to a number of factors including delays from auditees in completing the audits, changes being made to the plan, increased work on fraud and the National Fraud Initiative and more time being spent on administrative tasks than planned such as preparing for the new Global Internal Audit Standards and supporting the training of the Audit Assistant.

Update on Internal Audit Activity

Since the last progress report, three audits have been finalised, Council Tax, Business Continuity and Risk Management all were given Substantial Assurance. Summaries of these are provided in the following sections of the report. We have also completed the second quarterly follow-up spot check and found that three of the actions were implemented as reported, one for which a change was made and was being complied with and one where there was a delay in completing training so a sample will be chosen for review later. Progress made on the work within the 2024/25 plan is also included within the following sections of the report.

Other work has also been completed with the administration of the whistleblowing referrals, completion of the 6 monthly fraud report, National Fraud Initiative (NFI) upload of data, NFI Policy and reviewing performance against the new Internal Audit Standards.

Planning and Resourcing

A revised Audit Plan was submitted to the Audit Committee in September 2024. This resulted in three audits being removed reducing the plan by 28 days. Further discussions held since this time with service areas have resulted in further changes to the plan as follows for Quarter 4:-

Audit	Status	Reason
Homelessness	Removed	New Manager just starting and changes being made to the service.
Planned Maintenance	Removed	To reallocate resources to another audit which will provide greater value and is more time critical.
Corporate Planning	Removed	Audit postponed to 2025/26 where it will add more value.
LinCare	Added	To provide support prior to the external assessment.
Haz Grant	Added	To certify the use of the grant as required by
Housing Safety and Quality Standard	Added	To assist in the preparation for the external inspection.

There has been no overall change to the number of days in the revised Audit Plan.

Audits within the 2024/25 plan have been scheduled in and the schedule circulated to Managers. Details continue to be included within the quarterly reports to the Departmental Management Team meetings.

There are some delays to the plan so to reduce this further, days have been requested from the contractor to complete an audit in quarter 4. It is anticipated that with this further resource the audits will be completed in time to support the opinions within the Annual report. There have been no other changes within the Team.



Analysis of Audit Reviews

The schedule includes those transferred from the 2023/24 plan as well as those within the 2024/25 plan. The following shows the position as at 10 January 2025:-

Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
2023/24 – VAT/Tax	N/A	Nov-23	Apr-24	Complete	High
2023/24 – Council Tax	N/A	Jan-24	Dec-24	Complete	Substantial
2023/24 – Governance Healthcheck	N/A	Feb-24	May-24	Complete	Substantial
2023/24 – Western Growth Corridor - 2	Jan-24	Apr-24	N/A	Merged with WGC - 3	N/A
2023/24 – Access Control	Feb-24	Sept-24	N/A	Fieldwork	N/A
Housing Benefit Subsidy	Q1-Q2	May-24	Jul-24	Complete	Substantial
Follow-ups	Q1-Q4	Aug-24	N/A	Q2 Complete	N/A
2023/24 – UK Shared Prosperity	Q2	Dec-24	N/A	Fieldwork	N/A
Business Continuity	Q2	Sept-24	Dec-24	Complete	Substantial
Risk Management	Q2	Jul-24	Oct-24	Complete	Substantial
Fleet	Q2	Aug-24	N/A	Draft Report	N/A
Housing Assistance	Q2	Sept-24	N/A	Fieldwork	N/A
Western Growth Corridor - 3	Q2	N/A	N/A	Not started – Postponed to Q4	N/A
ICT Support and Helpdesk service	Q2	N/A	N/A	Planning	N/A
Debtors	Q3	Dec-24	N/A	Fieldwork	N/A
Housing Benefit and Council Tax Support	Q3	Dec-24	N/A	Fieldwork	N/A



Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
Corporate Planning – Vision 2030	Q3	N/A	N/A	Removed	N/A
Housing Strategy	Q3	N/A	N/A	Removed	N/A
Market Operations	Q3	N/A	N/A	Opening meeting held and TOR drafted.	N/A
Homelessness	Q3	N/A	N/A	Removed	N/A
Parking Services	Q3	N/A	N/A	Terms of Reference drafted.	N/A
Protection of vulnerable people	Q3	N/A	N/A	Postponed to Q4	N/A
Towns Fund	Q3	N/A	N/A	Not started	N/A
IT Strategy and Infrastructure	Q3	N/A	N/A	Not started	N/A
Haz Grant	N/A	Dec-24	N/A	Fieldwork	N/A
Project Management	Q4	N/A	N/A	Removed	N/A
Contract Management Follow-up	Q4	N/A	N/A	Preparation	N/A
Planned Maintenance	Q4	N/A	N/A	Removed	N/A
GSW26	Q4	N/A	N/A	Not started	N/A
LinCare	Q4	Jan-25	N/A	Fieldwork completed	N/A
Budget Management	Q4	N/A	N/A	Not started	N/A
Housing Safety and Quality Standard	Q4	N/A	N/A	Not started	N/A



Executive Summaries of 'High' or 'Substantial' Assurance Opinions

The table below provides a summary of the high or substantial assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

Audit Review Title: Council Tax				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Assistant Director Revenues and Benefits / Chief Executive	Substantial	High 0	Medium 5	Low/Advisory 2
Summary of Key Observations:- <p>There were adequate processes in place to ensure that Council tax is calculated correctly, and bills are being sent out to all relevant properties. There are good processes in place in respect of governance, risk and control management including a Council Tax Manual, process notes, reconciliations, management authorisation and performance reporting.</p> <p>Recommendations made include adding in more detail within the process notes covering discounts, exemptions, refunds, and write-offs, to set out the expectations for documentation and evidence. These changes will ensure that a consistent and accurate approach is followed as well as enabling others to respond to queries raised on accounts. It has also been recommended that a copy of all prime documentation used to support the calculation of performance is kept when it can't be recreated.</p> <p>The process for reviewing the reports of accounts 'under review' was found not to account for staff which had left. It has been recommended that the process is documented and strengthened to ensure that all accounts on the report are reviewed promptly including reallocating those where staff have now left.</p>				

Audit Review Title: Risk Management				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Chief Finance Officer / Chief Executive	Substantial	High 0	Medium 2	Low/Advisory 2
Summary of Key Observations:- <p>There was evidence to support effective risk management systems in place within the Council. A clear, comprehensive and regularly reviewed Risk Management Strategy and Policy Framework ensure there is a consistent approach to risk management that supports effective decision making, efficient service delivery and</p>				

achievement of the Council's Vision 2025 priorities. A robust governance structure ensures effective oversight and control of risk management.

A comprehensive Risk Management Toolkit provides a clear and consistent process for identifying and assessing risks and for developing risk registers, providing checklists to ensure all elements of the process are considered. This process was found to be effectively applied to strategic, operational and key project/programme risks.

Review of the Strategic Risk Register confirmed risks as clearly identified. Mitigating controls clear and distinct with future actions required well-defined and realistic. Regular review/scrutiny by Corporate Management Team (CMT) is evident.

Recommendations have been made to improve the Operational risk registers by ensuring that full details of all of the risks is recorded i.e. risk owner, risk appetite etc, the risk is detailed as a specific risk not just a title and evidence of all reviews is maintained on the register.

A recommendation was also made to ensure that meeting minutes clearly evidence scrutiny and challenge of the risk register.

Audit Review Title: Business Continuity				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Chief Finance Officer / Chief Executive	Substantial	High 0	Medium 5	Low/Advisory 2
Summary of Key Observations:-				
<p>The review found that there were adequate processes in place to ensure efficient business continuity planning within the council. There are a number of policies and procedures in place to support business continuity which had recently been updated.</p> <p>Recommendations were made and agreed to ensure that the policies in place are being adhered to. These include monitoring the locations of the hard copy documents and including the review dates for the Business Continuity Risk and Impact Assessment and the review of the Business Continuity plans for priority contractors on the tracker.</p> <p>It was also found that training had not been delivered since 2021 so it was recommended that this was developed and delivered to relevant staff in 2025.</p> <p>Testing of the Business Continuity Plan had been undertaken and action points drawn up. A recommendation was made to include implementation dates for these and monitor implementation.</p>				



Other Matters of Interest

The following includes a summary of matters that will be of particular interest to Audit Committee members.



Major Local Audits – Audit Quality Inspection (Nov 24)

The Financial Reporting Council (FRC) are responsible for monitoring the quality of major local audits. This report looks at the current backlog for audits and the results of the inspections it has carried out within the NHS and local government during 2023/24. It concluded that 75% of the audits inspected required no more than limited improvements and the VFM arrangements were good. However the local government audits are not complete and therefore could not be inspected so the results may change.

[Major Local Audits - Audit quality inspection \(frc.org.uk\)](https://www.frc.org.uk/major-local-audits-audit-quality-inspection)



Presentation – Leading good governance and assurance (Dec 2024)

These are the slides from a recent event held on governance and assurance. The presentation sets out the importance of good governance and assurance, what is meant by governance and assurance, key organisational components, the Annual Governance Statement, accountability and roles including the role which the Audit Committee plays. There are some examples of good and poor governance and case studies from other Councils.

[Leading good governance and assurance, 3 December 2024 | Local Government Association](#)



Presentation – The Audit Committee in Local Government (Nov 2024)

These are the slides from a recent event held on the Audit Committee. The presentation covers the general responsibilities of elected members in relation to governance, what the Audit Committee is and its responsibilities, and outlines some areas of good practice. It covers the relationship between the Audit Committee and both Internal and External Audit, the Annual Governance Statement and the format of questions to be asked at Audit Committee meetings. [21st Century Community Leader \(local.gov.uk\)](https://www.local.gov.uk/21st-century-community-leader)



Audit Committee Update 40 (Nov 2024) – New Internal Audit Standards

The briefing has been produced to help the Audit Committee members understand the changes to Internal Audit standards and the transition process. The new standards come into effect on 1 April 2025, the briefing includes information on the significance of the changes, the impact on the Audit Team and the Audit Committee. It also sets out the arrangements for assessing conformance.

[Audit Committee update issue 40: new Internal Audit standards | CIPFA](#)



Audit Committee Update 41 (Dec 2024) – The local audit backstop – key questions answered for the Audit Committee

The backstop dates are a nationwide measure to address the backlog of incomplete audits of financial statements across local government in England. They have been introduced as a way to reset the system by phasing the due dates for the audit of the accounts over the next few years to return back to the November deadline for the 2026/27 accounts. The briefing answers a number of questions covering areas such as what the finance team and

auditors need to do, the implications, modified opinions and the potential impact on the AGS.
[Audit Committee Update issue 41 | CIPFA](#)

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AUDIT COMMITTEE**4 FEBRUARY 2025****SUBJECT: AUDIT COMMITTEE WORK PROGRAMME 2024/25****DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK****REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER****1. Purpose of Report**

- 1.1 To provide details of the Audit Committee work programme for 2024/25.

2. Background

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2022 Edition, as providing an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.2 In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'.
- 2.3 With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared, and members will gain the knowledge and experience needed to carry out their role effectively.
- 2.4 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reported to the Committee.

3. 2024/25 Work Programme

- 3.1 The proposed work programme for 2024/25 based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B.
- 3.2 Since last reporting to this Committee, the following changes have been made to the work programme (as shown in red/italics in Appendix B):
- Procurement Act 2023/Contract Procedure Rules (CPR's) – deferred from the December meeting to the February meeting.

- Internal Audit Charter – added to the March meeting due to requirements arising from the new Global Internal Audit Standards (GIAS).
- Internal Audit Progress Report – removed from the March meeting, this was included in error.

3.3 A copy of the Audit Committee's Terms of Reference is attached at Appendix A.

4. Learning and Development

- 4.1 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.
- 4.2 As part of the latest Audit Committee Review of Effectiveness, that was undertaken early in 2024, a key area within the resulting Action Plan was ensuring that Members of the Committee have the necessary skills and training. A number of actions were set to address the issues identified including:
- Providing the Group Leaders with more information on the skills required for Members of the Committee.
 - The completion of an individual skills and knowledge assessment to inform a new Committee training plan.
 - Transparency of attendance and inclusion of substitutes on the training will also be improved to ensure that all Members of the Audit Committee are fully trained.
- 4.3 In relation to the development of a training plan, all Members and substitute Members, were sent a questionnaire/survey to assess their individual skills and knowledge in relation to the functions of the Committee. The results of this self-assessment informed a training a development plan which was presented to this Committee in September 2024.
- 4.4 Specific briefing sessions for the Audit Committee are shown included on the Work Programme at Appendix B, although there is also an emphasis on independently led training i.e. the LGA E-learning modules, LGA publications, CIPFA Audit Committee Updates. The CIPFA Audit Committee Updates are usually included in the Internal Audit Progress Reports as and when CIPFA publish them, issue no 41 is linked within the Progress Report which appears elsewhere on this agenda.
- 4.5 There has been one change to the planned training sessions, the Audit Committee Effectiveness session and update on the new Global Internal Audit Standards (GIAS) and their implications for the Council, now has a confirmed date of 6th March. This will be an online session.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

5.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

5.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

There are no direct E and D implications arising as a result of this report.

6 Risk Implications

6.1 By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the Council.

7. Recommendation

7.1 Audit Committee are asked to comment on and agree the updated work programme for 2024/25.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two
List of Background Papers:	None

Lead Officer:

Amanda Stanislowski, Audit Manager
Email: amanda.stanislowski@lincoln.gov.uk

Audit Committee terms of reference (Section 9 Constitution)

1 Audit Committee

- 1.1 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory Committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, and has the right to request reports and seek assurances from relevant officers.
- 1.2 The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26) of the Council Procedure Rules set out in Part 4 of the Constitution.
- 1.3 The Council will appoint an Audit Committee as follows:-

Number of Members	8 – 7 Councillors and at least 1 Independent member
Substitute Members permitted	Yes, provided they have met the training requirements
Restrictions on membership	Executive members or the mayor may not be a member of this Committee.
Quorum	3 Councillors
Number of ordinary meetings per Council year	At least 4 per year

2 Statement of purpose

- 2.1 The Audit Committee is a key component of the City of Lincoln's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2.2 The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 2.3 To decide upon and authorise allowances to the Committee's Independent Member.

3 Governance, risk and control

- 3.1 To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework).
- 3.2 To monitor the effectiveness of the Authority's risk management arrangements (development and operation).
- 3.3 To monitor progress in addressing risk-related issues reported to the Committee.
- 3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.7 To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks and potential harm from fraud and corruption).
- 3.8 To monitor the counter-fraud strategy, actions and resources.
- 3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 3.10 To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.
- 3.11 To appoint the Chair as the Lead Member of the Information Governance Board and to monitor and oversee Information Governance practices within the Council.
- 3.12 To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules.
- 3.13 To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee.
- 3.14 To consider the Council's compliance with its own and other published standards and controls.
- 3.15 To report and make recommendations to Executive or Council on major issues and contraventions.

- 3.16 To support ethical values and reviewing arrangements to achieve those values as appropriate.

4 Financial Reporting

Governance Reporting

- 4.1 To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and supporting assurances (including internal audit's annual opinion on governance, risk and control).
- 4.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- 4.3 To consider whether any non-conformance is significant enough that it must be included in the AGS.

Financial Reporting

- 4.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 4.4 The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 4.4 To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 4.5 To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.
- 4.6 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5 Arrangements for audit and assurance

- 5.1 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

External Audit

- 5.2 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any

issues raised by PSAA (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.

- 5.3 To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 5.4 To consider specific reports as agreed with the external auditor.
- 5.5 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 5.6 To commission work from internal and external audit, as required, and as resources allow.
- 5.7 To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- 5.8 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.
- 5.9 Monitor management action in response to any issues raised by external audit.

Internal Audit

- 5.10 To approve the Internal Audit Charter.
- 5.11 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 5.12 To approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.
- 5.13 To approve significant interim changes to the risk based internal audit plan and resource requirements.
- 5.14 To make appropriate enquiries of both management and the Head of internal audit (Audit Manager) to determine if there are any inappropriate scope or resource limitations.
- 5.15 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of internal audit. To approve and periodically review safeguards to limit such impairments.

- 5.16 Consider reports from the Head of internal audit concerning internal audit activity including internal audit reports on the effectiveness of internal controls (key findings and issues of concern) and seeking assurance that action has been taken where necessary on the implementation of agreed actions.
- 5.17 To monitor audit performance, including QAIP (Quality Assurance and Improvement Program) results and any non-conformance with PSIAS (Public Sector Internal Audit Standards) and LGAN (Local Government Application Notes).
- 5.18 Receive and consider the annual report and opinion of the Head of internal audit including conformance with PSIAS.
- 5.19 To consider summaries of specific internal audit reports as requested by the Audit Committee.
- 5.20 To receive reports outlining the action taken where the Head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 5.21 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 5.22 Consider the regular review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.
- 5.23 To provide free and unfettered access to the Audit Committee Chair for the Head of internal audit, including the opportunity for a private meeting with the Committee.
- 5.24 To have the right to call any Officers or Members of the Council as required to offer explanation in the management of internal controls and risks.

6 Accountability arrangements

- 6.1 To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 6.2 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.

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**AUDIT COMMITTEE
AUDIT WORK PROGRAMME FOR 2024/25**

Meeting dates	Audit Items – Revised Agenda	Training (Subject to the development of a new training plan)
4 th June 2024	<ul style="list-style-type: none"> • Meeting cancelled due to General Election 	
15 th July 2024	<ul style="list-style-type: none"> • Information Governance Update • Internal Audit Progress Report • Audit Recommendations Follow Up Report • Annual Internal Audit Report • Annual Fraud & Error Report • Counter Fraud Policy and Strategy • Annual Governance Statement (Draft) • Addressing the Audit Backlog in England • Statement of Accounts 2023/24 (Draft) • External Audit – Progress Report • Risk Management Annual Update • Audit Committee Work Programme 	Local Government Financial Statements
10 th Sept 2024 (Provisional)	<ul style="list-style-type: none"> • Provisional meeting to receive Audit Completion report - not required. 	
23 rd Sept 2024	<ul style="list-style-type: none"> • Internal Audit Progress Report • Learning and Development Plan for Audit Committee Members • Internal Audit Revised Audit Plan • Whistleblowing Policy and Guidance • Review of Effectiveness Committee Progress Report • Addressing the Local Audit Backlog in England • External Audit – Progress Report • Audit Committee Work Programme 	

10 th Dec 2024	<ul style="list-style-type: none"> • Annual Complaints Report • External Audit – Annual Auditor's Report 2023/24 • External Audit – Audit Completion Report (IAS260) 2023/24 • Statement of Accounts 2023/24 (Final) • Audit Recommendations Follow Up Report • Six Month Fraud & Error Report • NFI Policy • Information Governance update • Audit Committee Work Programme 	
4 th Feb 25	<ul style="list-style-type: none"> • Procurement Act 2023/Contract Procedure Rules • Annual Governance Statement – Progress Report • Treasury Management Policy and Strategy • Internal Audit Progress Report • Audit Committee Work Programme 	Treasury Management
6 th Mar 25		Audit Committee Effectiveness and new GIAS (online session)
25 th Mar 25	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal Audit Charter • Audit Recommendations Follow Up Report • Internal Audit Strategy and Plan 25/26 • External Audit – Audit Strategy Memorandum 24/25 • Statement on Accounting Policies • IAS19 – Assumptions • External Audit Inquiries • Partnership Governance • CIPFA Financial Management Code • Money Laundering Policy and Procedure • Audit Committee Work Programme 	

A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.

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