



EXECUTIVE SERVICES

Chief Executive

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NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.

Contact: Democratic Services
committee.services@tmbc.gov.uk

16 January 2026

To: **MEMBERS OF THE AUDIT COMMITTEE**
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Audit Committee to be held in the Council Chamber, Gibson Drive, Kings Hill, on Monday, 26th January, 2026 commencing at 7.30 pm.

Members of the Committee are required to attend in person. Other Members may attend in person or participate online via MS Teams.

Information on how to observe the meeting will be published on the Council's website.

Yours faithfully

DAMIAN ROBERTS

Chief Executive

A G E N D A

1. Guidance on the Conduct of Meetings

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PART 1 - PUBLIC

2.	Apologies for absence	
3.	Notification of Substitute Members	9 - 10
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Members are reminded of their obligation under the Council's Code of Conduct to disclose any Disclosable Pecuniary Interests and Other Significant Interests in any matter(s) to be considered or being considered at the meeting. These are explained in the Code of Conduct on the Council's website at [Code of conduct for members – Tonbridge and Malling Borough Council \(tmbc.gov.uk\)](http://Code of conduct for members – Tonbridge and Malling Borough Council (tmbc.gov.uk)).

Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting.

5.	Minutes	13 - 20
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To confirm as a correct record the Minutes of the meeting of Audit Committee held on 29 September 2025.

Matters for Recommendation to the Council

6.	Treasury Management Update and Treasury Management and Annual Investment Strategy 2026/27	21 - 74
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The report provides details of investments undertaken and return achieved in the first eight months of the current financial year and an introduction to the 2026/27 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

Matters for Recommendation to the Cabinet

7.	Risk Management	75 - 90
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The report of the Management Team provides an update on the risk management process and the Strategic Risk Register.

Matters for Decision under Delegated Powers

8.	Accounting Policies	91 - 106
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The report presents the Accounting Policies proposed for 2025/26 Financial Statements for consideration and endorsement.

Matters submitted for Information

9. Internal Audit and Counter Fraud Quarter 2 Progress Report 107 - 136

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.

10. Grant Thornton Audit Progress Report and Sector Update 137 - 160

The report provides an update on progress and emerging national issues and developments from the external auditor, Grant Thornton.

11. Urgent Items 161 - 162

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

Matters for consideration in Private

12. Exclusion of Press and Public 163 - 164

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

PART 2 - PRIVATE

Matters for Recommendation to the Cabinet

13. Internal Audit Service 165 - 170

(Reasons: Part 2 - Private: LGA 1972 - Sch 12A Paragraph 3 - Financial or business affairs of any particular person)

The report seeks approval to appoint Kent County Council to provide Internal Audit and Counter Fraud Services from 1 October 2026 to 31 March 2029.

14. Urgent Items 171 - 172

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

MEMBERSHIP

Cllr R I B Cannon (Chair)
Cllr J R S Lark (Vice-Chair)

Cllr T Bishop
Cllr J Clokey
Cllr M A J Hood

Cllr B A Parry
Cllr M R Rhodes

GUIDANCE ON HOW MEETINGS WILL BE CONDUCTED

(1) Most of the Borough Council meetings are livestreamed, unless there is exempt or confidential business being discussed, giving residents the opportunity to see decision making in action. These can be watched via our YouTube channel. When it is not possible to livestream meetings they are recorded and uploaded as soon as possible:

<https://www.youtube.com/channel/UCPp-IJISNgoF-ugSzjAPfw/featured>

(2) There are no fire drills planned during the time a meeting is being held. For the benefit of those in the meeting room, the fire alarm is a long continuous bell and the exits are via the doors used to enter the room. An officer on site will lead any evacuation.

(3) Should you need this agenda or any of the reports in a different format, or have any other queries concerning the meeting, please contact Democratic Services on committee.services@tmbc.gov.uk in the first instance.

Attendance:

- Members of the Committee are required to attend in person and be present in the meeting room. Only these Members are able to move/ second or amend motions, and vote.
- Other Members of the Council can join via MS Teams and can take part in any discussion and ask questions, when invited to do so by the Chair, but cannot move/ second or amend motions or vote on any matters. Members participating remotely are reminded that this does not count towards their formal committee attendance.
- Occasionally, Members of the Committee are unable to attend in person and may join via MS Teams in the same way as other Members. However, they are unable to move/ second or amend motions or vote on any matters if they are not present in the meeting room. As with other Members joining via MS Teams, this does not count towards their formal committee attendance.
- Officers can participate in person or online.

- Members of the public addressing an Area Planning Committee should attend in person. However, arrangements to participate online can be considered in certain circumstances. Please contact committee.services@tmbc.gov.uk for further information.

Before formal proceedings start there will be a sound check of Members/Officers in the room. This is done as a roll call and confirms attendance of voting Members.

Ground Rules:

The meeting will operate under the following ground rules:

- Members in the Chamber should indicate to speak in the usual way and use the fixed microphones in front of them. These need to be switched on when speaking or comments will not be heard by those participating online. Please switch off microphones when not speaking.
- If there are any technical issues the meeting will be adjourned to try and rectify them. If this is not possible there are a number of options that can be taken to enable the meeting to continue. These will be explained if it becomes necessary.

For those Members participating online:

- please request to speak using the 'chat or hand raised function';
- please turn off cameras and microphones when not speaking;
- please do not use the 'chat function' for other matters as comments can be seen by all;
- Members may wish to blur the background on their camera using the facility on Microsoft teams.
- Please avoid distractions and general chat if not addressing the meeting
- Please remember to turn off or silence mobile phones

Voting:

Voting may be undertaken by way of a roll call and each Member should verbally respond For, Against, Abstain. The vote will be noted and announced by the Democratic Services Officer.

Alternatively, votes may be taken by general affirmation if it seems that there is agreement amongst Members. The Chairman will announce the outcome of the vote for those participating and viewing online.

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Audit Committee					
	Conservative	Liberal Democratic	Green	Ind. Kent Alliance	Labour
1	Chris Brown	Bill Banks	Kath Barton		
2	Steve Hammond	Paul Boxall	Anna Cope		
3	Sarah Hudson	Garry Bridge	Steve Crisp		
4	Kim Tanner	Trudy Dean	Robert Oliver		
5	Keith Tunstall	Roger Roud	Stacey Pilgrim		
Members of Cabinet cannot be appointed as a substitute to this Committee					

Updated: May 2025

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Agenda Item 4

Declarations of interest

Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting

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Agenda Item 5

TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 29th September, 2025

Present: Cllr R I B Cannon (Chair), Cllr J R S Lark (Vice-Chair), Cllr T Bishop, Cllr J Clokey and Cllr B A Parry

In attendance: Apologies for absence were received from Councillors M A J Hood and M R Rhodes, who participated via MS Teams in accordance with Council Procedure Rule No 15.21.

PART 1 - PUBLIC

AU 25/38 NOTIFICATION OF SUBSTITUTE MEMBERS

There were no substitute members.

AU 25/39 DECLARATIONS OF INTEREST

There were no declarations of interest made in accordance with the Code of Conduct.

AU 25/40 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 21 July 2025 be approved as a correct record and signed by the Chairman.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

AU 25/41 ANNUAL AUDIT REPORT 2024/25

The report of the Management Team introduced the Auditor's Annual Report (attached at Annex 1) prepared by Grant Thornton UK LLP in respect of the Borough Council's overall arrangements for securing economy, efficiency and effectiveness in the use of resources. In introducing the report, a brief outline of the national context was provided.

Grant Thornton had not identified any significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness. An improvement recommendation was made in respect of the response to the Internal Audit recommendation on the Agile Software implementation and the response of management was detailed in paragraph 5.5 of the report.

RECOMMENDED*: That

- (1) the Auditor's Annual Report (attached at Annex 1) for 2024/25 be approved;
- (2) the key recommendations made in respect of the comments made, be noted;
- (3) the management comments to the 2024/25 value for money recommendations be noted and endorsed; and
- (4) any specific recommendations be made to Cabinet and/or Full Council as the Committee feels appropriate considering the Annual Report.

Recommended to Council*AU 25/42 TREASURY MANAGEMENT PERFORMANCE UPDATE AND MID-YEAR REVIEW FOR 2025/26**

The report of the Head of Finance provided an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2025/26 was also included in the report.

A full list of investments held on 31 July 2025 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £840,200 was earned in interest to the end of July which was £116,200 higher than the original estimate for the same period. The positive variance was primarily driven by the slower-than-anticipated reduction in the Bank Rate, which had resulted in sustained higher interest yields on deposits. During the period 1 April 2025 to 30 June 2025, the £3m investment in property funds generated dividends of £28,730 which represented an annualised return of 4.04%.

The Lothbury Property Fund officially terminated on 30 May 2024 and commenced the sale of assets. To date, the Council had received six payments totalling £1,324,240 of its initial investment. The four remaining assets, valued at £65.5m were currently under offer and sales were expected to conclude by August 2025, however the timetable for completion had been extended and Members would be provided an update on performance via a briefing note. Distributions would be made as asset sales were completed.

In respect of the Hermes property fund, the Council had disinvested at the time of the completed merger with Legal and General Assurance Pensions Management Limited and received a share settlement of £908,000 on 20 August 2025, compared to an initial investment of £1m.

Attention was made to CCLA, which had announced a partnership with Juniper Fund Management Plc, subject to approval by the Financial Conduct Authority (FCA), and until such time, business would be as usual. CCLA had pursued the partnership to better serve organisations such as Tonbridge and Malling Borough Council and whilst maintaining its own identify, CCLA would benefit from Juniper Fund Management's expanded resources and project opportunities, with the company committed to preserving CCLA's investment philosophy.

Members were advised that the Council had operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices and the Prudential and Treasury Indictors which were attached at Annex 4 to the report.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. Following a review of the risk parameters and the Treasury Management and Annual Investment Strategy, a change to the current approved risk parameters to include Ethical Investments was proposed to broaden investment options whilst maintaining security and liquidity. Furthermore, future consideration would be given to the inclusion of borrowing and debt rescheduling in anticipation of the future needs of the Council.

RECOMMENDED*: That the following be commended to Council:

- (1) the action taken in respect of Treasury Management activity for April to July 2025, be endorsed;
- (2) the inclusion of Ethical Investments to the existing parameters intended to limit the Council's exposure to investment risks as per paragraph 9.2 of the report, be endorsed;
- (3) the current position in respect of the Lothbury and Hermes Property Investment Funds, be noted.

***Recommended to Council**

MATTERS FOR RECOMMENDATION TO THE CABINET

AU 25/43 RISK MANAGEMENT

The report of Management Team provided an update on the risk management process and the Strategic Risk Register (SRR). An update in respect of the work being undertaken within the Council to champion risk management was also provided.

In July 2025, there were 3 risks categorised as RED as summarised below and these remained RED.

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Managed exit from the Agile System

Reference was made to the risk in respect of 'Devolution and Local Government Reorganisation', which remained as AMBER at this stage, although it was recognised that the ongoing risk assessment would be informed by the work underway regarding the submissions from the Kent authorities with the assistance of an appointed strategic partner.

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to the Committee in July 2025 was attached at Annex 2 to the report.

As part of the arrangements in place to ensure risk management maintained a high profile within the Council, the Risk Management Strategy (attached at Annex 3) and accompanying guidance (attached at Annex 4) were subject to annual review. Following changes to the guidance and consideration by the Risk Champions Group, a new format of the risk matrix was proposed and attached at Annex 5, and if approved by Council would be used for reporting from January 2026.

During discussion, Members challenged the AMBER risk rating for 'Carbon Neutral 2030 Aspiration' despite various works having been carried out and the success of grant applications, however it was likely that the risk would remain AMBER due to a reduction in future grant funding.

RECOMMENDED*: That

- (1) the updates to the Strategy Risk Register since the last iteration with particular emphasis on those risks categorised as RED as shown in Annexes 1 and 1a, be noted;
- (2) the service risks identified in Annex 2, be noted; and
- (3) the Risk Management Strategy and accompanying Risk Management Guidance, subject to any amendments required, be reviewed and adopted by Full Council.

***Recommended to Cabinet**

MATTERS FOR DECISION UNDER DELEGATED POWERS

AU 25/44 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 1 PROGRESS REPORT

The report of the Head of Finance provided an accumulative summary view of the work undertaken by Internal Audit and Counter Fraud for the period July 2025 to September 2025, together with the resulting

conclusions where appropriate. The Internal Audit and Counter Fraud Progress Report, including eight recommended additional audit proposals for inclusion in the plan for 2025/26 was attached at Annex 1 to the report.

Particular attention was made to the five audits that had been finalised to draft/final report in the period, which included the remaining two audits from the 2024/25 plan and three audits from the 2025/26 plan. An update on the status of the 2025/26 Internal Audit Plan was received, and at the current time, two audits were in 'fieldwork' and four in the 'planning' stage. In addition, attention was brought to the Local Plan audit which would start once there had been Member agreement of a local plan; and the Castle project which had been removed as the use of the gateway space as a banking hub curtailed the immediate requirement for development for income generation purposes.

Members received details of the Council's activity in preventing and detecting fraud and corruption during the first quarter of the 2025/26 financial year. The annual exercise of Single Person Discount to Register of Electors, led to an increase of £17,500 in Council Tax liability and a future loss provision of £5,000. It was noted that the annual exercise required significant time for investigation and completion due to their complexity. Additionally, discrepancies on DWP payable benefits had affected the Council's ability to update accounts.

The Kent Intelligence Network continued to support local authorities in Kent in fraud prevention and detection and the focus remained on addressing fraud and errors related to single person discounts, small business rate relief, and unrated businesses and residential premises.

RESOLVED: That

- (1) the Internal Audit and Counter Fraud Progress Report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from audits completed since July 2025 and the Counter Fraud activity for the period, be noted; and
- (2) the Internal Audit Plan additions and amendments for the year 2025/26, be approved.

AU 25/45 STATEMENT OF ACCOUNTS 2024/25 - AUDIT FINDINGS REPORT

The report presented the current set of Accounts for 2024/25 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. The Committee was invited to approve both the Statement of Accounts and the Audit Findings Report.

The audited set of Accounts for 2024/25 were attached at Annex 1 to the report. Members noted that the Council's responsible financial officer

had certified that the Statement of Accounts presented a 'true and fair' view of the financial position of the local authority at the end of the year and its income and expenditure for the year. Members were reminded that the Statement of Accounts was subject to external audit.

The Audit Findings Report gave two recommendations for the Borough Council as a result of issues identified during the audit. These related to bank reconciliation and related party disclosures. More detail was provided in paragraph 5.4 of the report together with the proposed management response.

Following publication of the Letter of Representation, Grant Thornton had inserted the following 'We have considered the impact of the equal pay claim on the financial statement. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments made to the financial statements related to equal pay'.

RESOLVED: That

- (1) the enclosed audited set of Accounts for 2024/25 (attached at Annex 1) be approved and the Chair of the Audit Committee be asked to sign the Accounts in the appropriate place;
- (2) the Audit Findings Report (attached at Annex 2) and the Management Responses, as detailed in paragraph 5.4 and 5.5 of the report on the outcome of the audit of the Statement of Accounts for 2024/25, be approved; and
- (3) the Letter of Representation (attached at Annex 3) be approved for signature by the Chair of the Audit Committee and the Head of Finance (S.151) once Grant Thornton had issued their opinion, subject to the inclusion of additional text related to equal pay.

AU 25/46 EXCLUSION OF PRESS AND PUBLIC

The Chairman moved, it was seconded and

RESOLVED: That as public discussion would disclose exempt information, the following matters be considered in private.

PART 2 - PRIVATE

AU 25/47 INSURANCE CLAIMS UPDATE

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

The report of the Head of Finance informed Members as to the nature and volume of liability and property damage insurance claims submitted between April 2025 to August 2025.

The meeting ended at 8.32 pm

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Audit Committee

26 January 2026

Part 1 - Public

Recommendation to Cabinet – Council Decision



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Cabinet Member

Cllr Martin Coffin – Cabinet Member for Finance, Waste and Technical Services

Responsible Officer

Paul Worden – Head of Finance

Report Author

Donna Riley – Financial Services Manager

Treasury Management Update and Treasury Management and Annual Investment Strategy for 2026/27

1 Summary and Purpose of Report

- 1.1 The report provides details of investments undertaken and return achieved in the first eight months of the current financial year and an introduction to the 2026/27 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 Prudent financial management of Council's investments will generate a yield to assist with the Council's overall budget objectives.

3 Recommendations

- 3.1 Members are invited to **RECOMMEND** that Cabinet:

- 1) Note the Treasury Management position as at 30 November 2025.
 - 2) Adopts the Treasury Management and Annual Investment Strategy for 2026/27 set out at **[Annex 5]**.

4 Introduction and Background

- 4.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are 'affordable, prudent and sustainable'.

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

5 Interest Rate Forecast

5.1 The Bank Rate is gradually reducing with the Bank of England cutting the rate in August, and again in December 2025 when Bank Governor, Andrew Bailey, used his deciding vote to force a rate cut through by the slimmest of margins, 5-4, bring the bank rate down to 3.75%.

5.2 Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth.

5.3 Annual wage growth is still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space" as Bank Rate approaches a neutral level.

5.4 From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 and 2026 is currently forecast by the Bank of England to be in the region of 1.4% before picking up in 2027.

5.5 Staying with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026 and in November figures showed that GDP for July to September was 0.1% q/q.

5.6 Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but the headwinds are gathering.

5.7 The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to October 2025 stood at 723,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

5.8 MUFG's latest Bank Rate forecast, updated in December 2025, shows the near term rates moving steadily downward, is included in **[Annex 5]** and anticipates the Bank Rate will level out at 3.25% around December 2026.

6 Investment Performance

6.1 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.

6.2 Cash flow surpluses are available on a temporary basis, and the amount is mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2025/26 cash flow surpluses have averaged £30.65m.

6.3 The Authority also has £33m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.

6.4 Cash flow and core cash balances also include sums to meet business rate appeals which are expected to be resolved in 2025/26 and future years.

6.5 Long term investment at the end of November 2025 comprises of £2.60m in property fund investments.

6.6 Medium term investment comprises £4.25m in diversified income fund investments.

6.7 A full list of investments held at 28 November 2025 is provided at **[Annex 1]** and a copy of our lending list of 30 November 2025 is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of November.

	Funds invested on 30 November 2025 £m	Average duration to maturity Days	Weighted average rate of return 1 April to 30 November 2025 %	SONIA benchmark November 2025 %	Interest / dividends earned 1 April to 30 November 2025 £	Gross annualised return % --
Cash flow	30.65	4	4.03	3.94	791,670	4.18
Core cash	33.00	110	4.04	3.84	1,003,720	4.41
Long term	2.00				70,790	3.54
Long term (LPT)	0.60				3,685	--
Medium term	4.25				123,660	4.35
Total	70.50				1,993,525	--

Table 1

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to September 2025.

6.8 **Cash flow and core cash investments.** The SONIA (Sterling Overnight Index Average) benchmark has continued to follow the trend of reducing in line with the cuts in the Bank of England's interest rate over the past few months.

6.9 Looking ahead, market sentiment suggests that any future interest rate cuts will be slow and gradual throughout 2026 settling at 3.25% by December. This may present further opportunity to secure longer-duration investments (up to 12 months), allowing the Council to lock in favourable rates ahead of any future rate cuts.

6.10 Continuing this strategy could be advantageous if rates remain relatively stable or decline gradually in the coming months, enabling the Council to stay ahead of the curve for longer.

6.11 As of the end of November, investment interest earned was £1,993,525, which is £392,690 above the original budget estimate for the same period. The positive variance is primarily attributed to the bank rate remaining higher for longer than initially anticipated.

6.12 The revised budget has been updated to incorporate the sustained higher bank rate, ensuring that future investment interest income projections are aligned with the current market expectations.

- 6.13 The Council takes advantage of MUFG's benchmarking service which enables performance to be gauged against their other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 30 September 2025 the Council's return was 4.17% (purple diamond) this was in line with the local benchmarking group average of 4.11%. MUFG's predicted return is between the upper and lower boundary indicated by the diagonal lines. The Council's risk exposure was consistent with the local authority average.
- 6.14 Only cash flow and core cash returns form part of the benchmarking data. The additional return the Council makes from its property fund, and diversified income fund investments are not included. The data also excludes any short-term borrowing costs authorities may have incurred to meet payment obligations; however, no such costs have been incurred to date, and none are anticipated during the remainder of 2025/26.
- 6.15 **Long term investment.** £5m was originally invested in property investment funds, spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time.
- 6.16 During the period 1 April 2025 to 30 September 2025, as property funds are reported quarterly, the £2m attributable to LAPF, and the more recently dis-investment of Hermes Property Fund (£1m), generated dividends of £70,790 which represents an annualised return of 3.54% (4.09% in 2024/25).
- 6.17 The initial £2m invested in Lothbury Property Fund, sales of assets and the return of capital monies, leaves an outstanding balance of £599,070. While unbudgeted dividends are being received (£3,685 to date), it is on an ad-hoc basis. Further information is set out in paragraphs 6.25 to 6.28. The dividend income from the remaining property fund is expected to be in line with the revised budget for the financial year 2025/26.
- 6.18 The long-term investment figure set out in table 2 concentrates on the LAPF, while table 3 provides details of the repayment of capital investment from the sale of assets for Lothbury Property Fund (terminated on 30 May 2024).
- 6.19 Information pertaining to the losses from the dis-investment of Hermes Property Fund has been set out in paragraphs 6.29 to 6.30.

6.20 Sale values at the end of November 2025 vs initial purchase prices are as follows:

Property fund (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price a £	Sale value at date of purchase b £	Sale value 30 November 2025 c £	30 November sale value above (below) purchase price (c-a) £
				£
LAPF (Primary, July 2017)	1,000,000	922,200	897,390	(102,610)
LAPF (Primary, June 2018)	1,000,000	922,200	860,410	(139,590)
Total change in principal	2,000,000	1,844,400	1,757,800	(242,200)
		Total dividends received to September 2025		636,940
			Net benefit since inception	394,740

Table 2

6.21 Since inception, the Council have received dividends from the Local Authority Property Fund investments totalling £636,940, contributing positively to the revenue position and supporting the treasury management strategy objectives.

6.22 Capital values over the period April 2025 to November 2025 continue to reflect a depreciation level of around £242,200, with minimal fluctuation observed, potentially indicating a stabilisation in asset valuations.

6.23 The investment continues to perform in-line with revised expectations, with income returns partially mitigating the impact of the capital depreciation. No further material deterioration in capital values has been identified during this period.

6.24 The proposed acquisition of CCLA, and by extension, the LAPF, by Jupiter Investment Management Group, subject to Financial Conduct Authority (FCA) approval, is expected to enhance the combined entity's market position and operational capacity, while strengthening CCLA's long-term strategic resilience, governance framework, and access to broader investment resources, thereby supporting future investment activity and service delivery.

6.25 Following the withdrawal of several investors, Lothbury Property Trust were unable to secure a way forward, and the fund was terminated on 30 May 2024.

6.26 As set out in table 3 below, eight distributions totalling £1,400,930 have been received to date in respect of the Council's initial investment.

6.27 A further dividend distribution is expected to be declared in January 2026, and the anticipated completion of the final asset sales imminent, however, the winding-up of the fund has been extended to May 2026.

6.28 Taking into account the dividends received from the inception of the fund, the breakeven point would be the recovery of £216,350 against the outstanding assets:

Property fund (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price a £	Sale value at date of purchase b £	Principal Investment Returned c £	Principal Investment Balance Outstanding
				£
Lothbury Property Trust	2,000,000	1,900,700	1,400,930	(599,070)
Total dividends received to November 2025				382,720
Net balance to breakeven point				(216,350)

Table 3

6.29 At the merger between the Hermes Property Fund and L&G Pension on 15 August 2025 it prompted the dis-investment of the Council's holdings in the fund. The capital realisation amounted to £908,350 against the initial investment of £1m, resulting in a capital loss of £91,650.

6.30 Dividend income received over the life of the investment totalled £272,470. While this income does not offset the capital loss for accounting purposes, it is prudent to note that the cumulative income generated exceeds the capital loss incurred, resulting in a positive net financial return over the investment period.

6.31 To safeguard the Council's position, an earmarked reserve was established at the outset of entering into medium and long term investments to mitigate potential capital losses. The revised revenue estimates have drawn down against this reserve to ensure the overall revenue budget is protected and that financial impact of the investment losses is appropriately contained.

6.32 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

6.33 **Medium term investment.** In recent years multi asset (diversified income) funds have grown in popularity. The rational for adopting such a fund was explored in the Audit Committee report of January 2018 and their use for medium-term investment reaffirmed in the January 2021 Audit Committee report which introduced the multi asset (diversified income) funds into the Annual Investment Strategy.

6.34 Like property funds, multi asset (diversified income) funds aim to generate returns over and above inflation and thus preserve spending power.

- 6.35 A total of £4.25m was invested in 2021/22 between three funds chosen from the rigorous selection process, Fidelity Multi Asset Income Fund, Ninety-One Diversified Income Fund and Aegon Diversified Monthly Income Fund. It is expected that each fund will deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment. Additional multi asset fund investments could be made in the future as resources become available from asset disposals and other windfalls.
- 6.36 During the period April 2024 to November 2025 the £4.25m investment in multi asset funds generated dividends of £123,660 which represents an annualised return of 4.35%.
- 6.37 **Treasury management function.** An extract from the draft income and expenditure estimates (*due to be presented to the Overview and Scrutiny Committee on 22 January 2026*) attributed to the Treasury Management function are provided at **[Annex 4]**. This shows the aggregate staff resource applied to treasury management is less than one full time equivalent and that income exceeds costs by a significant margin. Income in future years forms part of the Council's medium term financial strategy and is expected to decrease in the short term as Bank Rate pulls back. Expenditure is expected to rise in-line with inflation.

7 Annual Investment Strategy for 2026/27

- 7.1 The Treasury Management Strategy Statement has undergone a comprehensive review to ensure it remains robust and fit for purpose.
- 7.2 As part of the review, it has been updated to include detailed policies and strategic considerations relating to any future borrowing requirements, should these arise, thereby providing a clear framework to support informed and prudent decision-making.
- 7.3 The Council's treasury advisors anticipate the bank rate reduction will continue for the near term before settling at 3.25% by December 2026 and will remain there for the foreseeable future.
- 7.4 CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%. Services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- 7.5 The further easing in wage growth will be welcomed by the Bank of England as a as unemployment stands at 4.6% (September) and the loosening of the labour market is driving softer wage pressures. The three month average earnings growth, excluding bonuses, fell from 5.5% in April to 4.6% in September (year on year). The Bank would ideally like to see further wage moderation to support a continued, gradual easing of monetary policy. Markets are currently pricing in rate

cuts in February and June to 3.25%, although heightened volatility could prompt a repricing given the data dependent nature of the outlook.

8 Risk Parameters

8.1 The Strategy sets out the parameters that limit the Council's exposure to investment risks by requiring overnight and term deposits to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. Except where indicated by bold italic text, the 2026/27 Annual Investment Strategy **[Annex 5]** adopts the same risk parameters as currently approved. In summary these are:

- 100% of funds can be invested in the UK. Exposure to non-UK institutions is restricted to no more than 20% of funds per sovereign.
- Non-UK counterparties must be regulated by a sovereign rated AA- or higher as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).
- Investment in UK institutions is subject to the UK sovereign being rated A- or higher by each of the three main rating agencies. The UK currently receives a rating of AA- from Fitch and Moody's and AA from Standard and Poor's.
- Exposure to individual counterparties / groups of related counterparties must not exceed 20% of funds or **10% of funds if a housing association**.
- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration (3 years with a local authority), the Council has adopted MUFG's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). Other than for UK nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short-term credit rating of Fitch F1 (highest).
- Investment in UK nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB (good) and a short-term credit rating of Fitch F2 (good). The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.
- The duration of an investment in a foreign bank must not exceed MUFG's post CDS recommendation. For UK financial institutions MUFG's duration recommendation can be enhanced by up to 6 months subject to the combined duration (MUFG recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices

have been modified to ensure that where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time the investment is placed.

- Money Market funds will be AAA rated, and exposure limited to no more than 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.
- Enhanced cash and Government liquidity funds will be AAA rated, and ***ultra-short duration bond funds rated AA or higher***. Exposure is limited to no more than 10% of investment balances per fund and 20% to all such funds.
- Exposure to non-credit rated property funds is limited to no more than 20% (£3m) of expected long term cash balances. No limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property.
- Exposure to non-credit rated diversified income (multi-asset) funds ***and or short dated bond funds*** is limited to no more than 20% (£3m) of expected long term cash balances per fund and across all such funds.
- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 5 years, 3 years for deposits with local authorities and 2 years for all other types of investment other than investment in property funds, diversified income funds and ***short dated bond funds***.

8.2 The strategy includes prudential indicators for borrowing. Whilst there is no expectation, ***based on the current capital plan***, that the Council will need to borrow in the near term, borrowing on a temporary basis may be required to meet payment obligations. Borrowing limits are expressed as the operational limit (£4m) and authorised limit (£7m). Our largest monthly outflows relate to business rates (£5.7m) and precept payments (£9.2m). Whilst those payments tend to fall on different days of the month that is not always the case. The limits are a precautionary measure to allow borrowing on a short-term basis should the need arise. In recent years, the Council's cash flows have been managed in such a way that no overdraft fees or temporary borrowing costs have arisen.

8.3 The returns on our ***property fund investment***, though representing only 3.69% at the time of writing (5.81% in 2024/25) of the investment portfolio, it is likely to generate investment income of circa 3.6% next year. This is expected to adjust in future years and will represent a high percentage of future income. The property fund investments are long term (10 year) investments. As a consequence of the high entry / exit costs (circa 8%) and potential for significant volatility in capital

values, our strategy limits exposure to property funds from existing resources to 20% of expected long term balances, circa £3m per fund.

- 8.4 The returns on our **diversified income fund investments**, though representing only 6.03% (6.11% in 2024/25) of the investment portfolio, are likely to generate investment income of circa 4.1% next year. This is expected to adjust in future years and will represent a high percentage of future income. The diversified income fund investments are medium term (5 year) investments. As a consequence of the potential for significant volatility in capital values, our strategy limits exposure to diversified income funds from existing resources to 20% of expected long term balances, circa £3m per fund.
- 8.5 Diversified income fund investment typically implies a 5-year commitment to negate volatility in capital values over the life of the investment.

9 Non-Treasury Management Practices

- 9.1 The authority is currently debt-free, and no borrowing is forecast to support the Council's ongoing capital expenditure proposals under the current capital plan. This position does not, however, preclude borrowing to fund in whole or in part, investment opportunities that align with the Council's strategic priorities and objectives and delivers value for money. Any such opportunity to be considered on a case by case basis, as appropriate.
- 9.2 At present the Council has no material non-treasury investments, e.g. expenditure on loans or the acquisition of non-financial assets (property) intended solely to generate a profit. **[Annex 6]** is reviewed and updated accordingly in order to ensure compliance with the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes, and Statutory Guidance on Local Government Investments relating to non-treasury investments.

10 Financial and Value for Money Considerations

- 10.1 The Bank Rate is currently 3.75%. MUFG's current forecast (December 2025) anticipates Bank Rate will fall back to 3.25% by December 2026 and remain there for the foreseeable future.
- 10.2 Whilst the Council has benefited from the interest rates being held higher for longer, the Bank of England, having initiated the rate cut cycle in August 2024, has reduced the bank rate from 5.25% to 3.75%. The benefit of the former has produced interest earned over the past several months to the end of November 2025 from cash flow surpluses and core cash investments. This has exceeded the original budget for the same period. Investment income for the year as a whole is expected to exceed the original budget which is reflected in the revised estimates for 2026/27.
- 10.3 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via MUFG's benchmarking service.

- 10.4 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystallising a loss and as a consequence the investment's duration cannot be determined with certainty.
- 10.5 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.
- 10.6 The money held in the remaining property fund is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored, and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.
- 10.7 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.
- 10.8 Short term bond values are linked to interest rate expectations and long-term bond values are linked to inflation expectations. Funds aim to minimise the risk of issuer default by investing in a broad spread of issuers and across different sectors and geographic regions. Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

11 Risk Assessment

- 11.1 MUFG are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.
- 11.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.
- 11.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2026/27 Strategy have been minimised.

12 Legal Implications

12.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

12.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments. Please note, both Codes have been updated in December 2021 and have been taken into account in the 2026/27 Treasury Management and Annual Investment Strategy.

13 Cross Cutting Issues

13.1 Climate Change and Biodiversity

13.1.1 While the Treasury Management Code establishes security, liquidity and yield as the core investment principles, it also recognises the growing importance of environmental, social and governance (ESG) considerations for investors. Accordingly, ESG considerations have now been formally incorporated into the Treasury Management Strategy Statement (TMSS).

13.2 Equalities and Diversity

13.2.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	MUFG:Interest rate forecast (December 2025) Economic commentary Benchmarking data.
Annexes	(1) TMBC Investment Summary 28 November 2025 (2) TMBC Lending List November 2025 (3) TMBC Benchmarking September 2025 (4) TMBC Treasury Management Estimates 205/26 and 2026/27 (5) TMBC Treasury Management and Annual Investment Strategy 2026/27 (6) TMBC Non-Treasury Management Practices

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Tonbridge and Malling Borough Council - Investment summary 28 November 2025

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Medium term investment balances £	Long term investment balances £	
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %					
Banks, Building Societies & Other Financials															
Barclays Bank : 95 day notice account	UK	A+	F1	6 months	23/07/2019	TBD	95 Days	3,000,000 3,000,000	4.05	4.26%		3,000,000			
Goldman Sachs : Fixed Term Deposit Fixed Term Deposit	UK	A+	F1	6 months	06/08/2025 17/11/2025	06/05/2026 17/08/2026	9 Months 9 Months	6,000,000 3,000,000 3,000,000	4.13 4.01	8.51%		3,000,000 3,000,000			
Handelbanken : Fixed term deposit 35 day notice account	UK	AA	F1+	1 year	17/10/2025 18/07/2025	19/01/2026 TBD	3 months 35 Days	6,000,000 3,000,000 3,000,000	4.03 4.20	8.51%		3,000,000 3,000,000			
HSBC Bank : 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	3,000,000 3,000,000	4.00	4.26%	3,000,000				
National Westminster Bank : Deposit account Certificate of Deposit	UK	AA-	F1+	1 year	28/11/2025 05/08/2025	01/12/2025 05/08/2026	Overnight 12 months	3,050,000 50,000 3,000,000	2.25 4.06	4.33%	50,000	3,000,000			
Rabobank : Certificate of Deposit Certificate of Deposit	Netherlands	A+	F1	1 year	22/07/2025 05/11/2025	22/07/2026 04/11/2026	12 months 12 months	6,000,000 3,000,000 3,000,000	4.09 3.96	8.51%		3,000,000 3,000,000			
Standard Chartered : Sustainable Fixed Term Deposit Sustainable Fixed Term Deposit	UK	A+	F1	6 months	20/06/2025 13/11/2025	19/06/2026 13/11/2026	12 months 12 months	6,000,000 3,000,000 3,000,000	4.14 3.94	8.51%		3,000,000 3,000,000			
Toronto Dominion Bank : Certificate of Deposit	Canada	AA-	F1+	1 year	03/10/2025	02/10/2026	12 months	3,000,000 3,000,000	4.18	4.26%		3,000,000			
Money Market Funds															
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	28/11/2025	01/12/2025	Overnight	7,781,000	4.02	11.04%	7,781,000				
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	28/11/2025	01/12/2025	Overnight	3,903,000	4.02	5.54%	3,903,000				
CCLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	28/11/2025	01/12/2025	Overnight	0	3.97		-				
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	28/11/2025	01/12/2025	Overnight	7,917,000	4.05	11.23%	7,917,000				
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	28/11/2025	01/12/2025	Overnight	8,000,000	4.05	11.35%	8,000,000				
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	28/11/2025	01/12/2025	Overnight	0	3.98		-				
Property Funds															
Local Authorities' Property Fund : Property fund units Property fund units	N/A	N/A	N/A	N/A	29/06/2017 30/05/2018	N/A N/A	N/A N/A	2,000,000 1,000,000 1,000,000	4.34 5.83	2.84%			1,000,000 1,000,000		
Lothbury Property Trust : Property fund units Property fund units	N/A	N/A	N/A	N/A	06/07/2017 02/07/2018	N/A N/A	N/A N/A	599,068 0 599,068		0.85%			- 599,068		
Multi Asset Funds															
Aegon Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,750,000		2.48%		1,750,000			
Fidelity Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000		1.42%		1,000,000			
Ninety One Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,500,000		2.13%		1,500,000			
Total invested								70,500,068		100.00%		30,651,000	33,000,000	4,250,000	2,599,068

Number of investments	26	Average investment value £	2,712,000
Number of counter parties	19	Average counter party investment £	3,711,000
Group exposures:			
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)		Core £	Cash £
Bank of Scotland + Lloyds (MAX 20%)		3,000,000	50,000
Property Funds Total		£	%
Multi Asset Funds Total		2,599,068	3.69
		4,250,000	6.03

Total non-specified investments should be less than 60% of investment balances	9.71%
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Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere.

End date for notice accounts to be determined (TBD)

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Tonbridge and Malling Borough Council Lending List

Checked against MUFG's "Suggested Credit List" dated 28/11/25 Minimum investment criteria is MUFG's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.							
Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2] Credit ratings Post CDS
UK Banks, Building Societies and other Financial Institutions :							
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year
National Westminster Bank (Group limit Nat West and RBS £7m).	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year
Santander UK	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year
Standard Chartered Bank	UK	AA-	A+	F1	Ring-fenced	£7m	R - 6 mths
The Royal Bank of Scotland (Group limit Nat West and RBS £7m).	UK	AA-	A+	F1	Exempt	£7m	R - 6 mths
Coventry Building Society	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year
Nationwide Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days
Skipton Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months
UK Debt Management Office including Treasury Bills	UK	AA-	n/a	n/a	No limit	£16m/£8m	5 years
UK Treasury Sovereign Bonds (Gilt)	UK	AA-	n/a	n/a	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	£7m	5 years	5 years
Non-UK Banks :							
Australia & New Zealand Banking Group	Australia	AAA	AA-	F1+	n/a	£7m	1 year
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year
Royal Bank of Canada	Canada	AA+	AA-	F1+	n/a	£7m	1 year
Nordea Bank Abp	Finland	AA	AA-	F1+	n/a	£7m	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	A+	F1	n/a	£7m	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year
Development Bank of Singapore	Singapore	AAA	AA-	F1+	n/a	£7m	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year
[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires non-UK sovereigns to be rated at least AA- and the UK rated at least A-. Non-UK sovereign limit of 20% or £7m per sovereign.							
[2] All deposits overnight unless otherwise approved in advance by the Director of Finance and Transformation AND Chief Financial Services Officer. If other than overnight duration for non-UK entities must not exceed MUFG's post CDS duration suggestion. For UK entities duration may be extended by up to three months based on credit ratings alone or six months if CDS is below average, subject to a maximum combined duration of 12 months.							

Money Market Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
CCLA Public Sector Deposit Fund	-	AAA	-	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £7m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

Enhanced Cash Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £7m)	-	AAA	AA+	£3.5m	5 years

Approved by Head of Finance 01 December 2025	MUFG have updated Standard Chartered's suggested duration from 1 year (orange) to 6 months (red), this is due to Moody's changing their methodology when rating banks globally.
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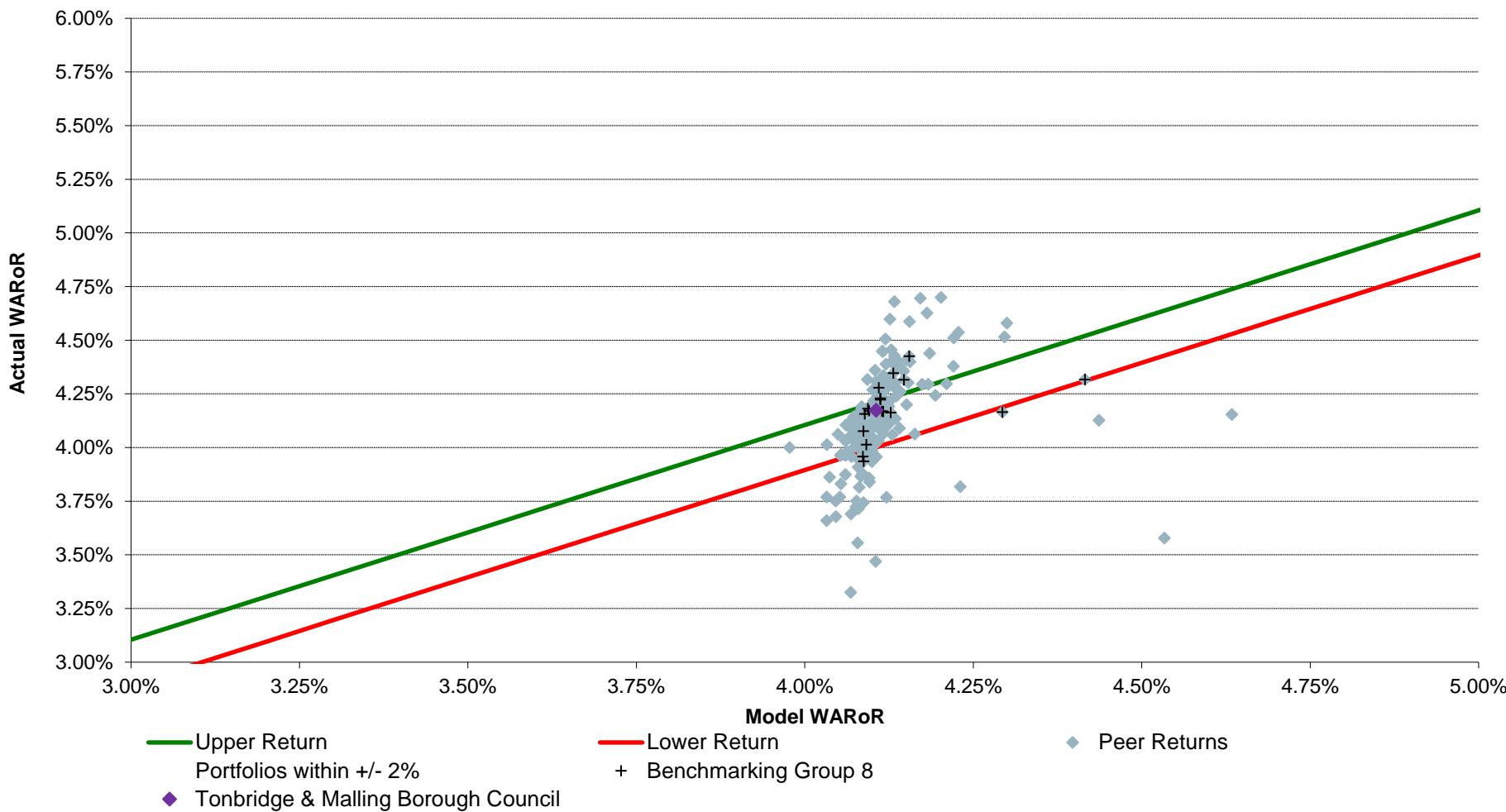
Note: Close Brothers removed from Link's Suggested Credit List 12/02/2021. Although removed, Link have stated that the Fitch long term rating change from A- to BBB+ would have no impact on the suggested duration and would remain at 6 months.

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Tonbridge & Malling Borough Council

Population Returns against Model Returns

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Tonbridge & Malling Borough Council	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
	4.17%	4.11%	0.07%	4.00%	4.21%	Inline

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Extract from O&S estimates presentation - January 2026. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

DIRECTOR OF FINANCE & TRANSFORMATION

	2025/26		2026/27
	ORIGINAL ESTIMATE £	REVISED ESTIMATE £	ESTIMATE £
4 TREASURY MANAGEMENT			
Employees			
Salaries	40,900	41,700	45,550
Supplies & Services			
Treasury Advisor & Dealing Fees	18,000	18,000	18,000
	58,900	59,700	63,550
Less Income			
Interest on:			
Cash Flow Investments	(686,000)	(991,000) a)	(819,000) a)
Core Cash Investments	(1,486,000)	(1,442,000) a)	(1,005,000) a)
Medium Term Investments	(157,250)	(165,750)	(174,250)
Long Term Investments	(72,000)	(82,000) b)	(72,000)
	(2,401,250)	(2,680,750)	(2,070,250)
Sub-total	(2,342,350)	(2,621,050)	(2,006,700)
Central, Departmental & Technical Support Services			
Central Salaries & Administration	14,250	14,900	15,000
Information Technology Expenses	1,250	1,550	1,500
Departmental Administrative Expenses	20,350	22,800	21,800
TO SUMMARY	(2,306,500)	(2,581,800)	(1,968,400)
Full Time Equivalent Number of Staff (Including Support Service Staff)	1.04	1.05	1.07

- a) More favourable Money Market Fund rates are being paid that are currently offsetting the rates offered on longer term investments. Forward estimate anticipates continued reduction in the Bank base rate.
- b) Previously unbudgeted dividend of circa £10,000 received from Lothbury Property Trust.

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TREASURY MANAGEMENT STRATEGY

Tonbridge and Malling Borough Council

2026 - 2027

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1. INTRODUCTION

1.1 The Treasury Management Strategy Statement (TMSS) for 2026/27 covers two main areas:

- Capital Issues
 - a. The capital expenditure plans and the associated prudential indicators
 - b. The minimum revenue provision (MRP) strategy
- Treasury Management Issues
 - a. The current portfolio position
 - b. Treasury Indicators which limit the treasury risk and activities of the council
 - c. The prospects for interest rates
 - d. The borrowing strategy
 - e. Policy on borrowing in advance of need
 - f. The annual investment strategy 2026/27
 - g. Credit worthiness policy
 - h. Policy on use of external service providers

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

2. TRAINING

2.1 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.

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

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).

- Have regular communications with officers and council members encouraging them to highlight training needs on an ongoing basis.

2.4 The following Member training has been provided by the Council's treasury management consultant, MUFG and further training will be arranged as required:

- Understanding Local Authority Financial Reporting
- Introduction to Treasury Management
- Risk Management Training

2.5 The training needs of treasury management officers are periodically reviewed.

2.6 A formal record of the training received by officers, central to the Treasury function, will be maintained by the Accountancy Department. The department will also maintain a formal record of the treasury management/capital finance training received by members.

3. TREASURY MANAGEMENT CONSULTANTS

3.1 The Council currently uses MUFG Corporate Markets Treasury Limited (formerly Link Group, Link Treasury Services Limited) as its external treasury management advisors.

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

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

3.4 MUFG have provided a summary on the economic background. This can be found in Appendix A.

4. THE CAPITAL PRUDENTIAL INDICATORS 2026/27 TO 2028/29

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

4.2 **Capital Expenditure.** 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.

4.3 The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2026/27 report that is to be submitted to Cabinet on 10 February 2026.

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

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

4.6 The Council remains debt-free, and borrowing will not be necessary (based on the current capital plan). All capital expenditure prior to 2029/30 is expected to be funded from the Revenue Reserve for Capital Schemes, Grants, Developer Contributions and any Capital Receipts arising from the sale of assets. ***This does not, however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives and achieves value for money. Each such opportunity to be considered on a case-by-case basis as appropriate.***

4.7 **Liability Benchmark** – 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.

4.8 There are four components to the Liability Benchmark:-

- 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 other major cash flows forecast.
- Liability benchmark: this equals net loans requirement plus short-term liquidity allowance.

The Council is debt free and therefore there is no debt maturity profile to report. The forecast net investment requirement for the next three years (excluding the liquidity allowance) is: 2026/27 £28.9m, 2027/28 £15.2m and 2028/29 £10.9m.

5. MINIMUM REVENUE PROVISION POLICY FOR 2026/27

5.1 Authorities are required by statute to comply with the Regulations for MRP set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 no. 3146 (as amended). The new Statutory Instrument 2024 no 478 published in April 2024 amends the 2003 regulations and will take effect from 1 April 2025. At the same time detailed revised MRP Guidance was issued which authorities are required under statute to have regard to:

- 5.2 Supported borrowing - For capital expenditure incurred before 1 April 2008 and capital expenditure incurred on or after that date which the Council is satisfied forms part of its Supported Capital Expenditure, the Council will apply the Asset Life Method using an annuity calculation and will apply Adjustment A (as calculated under the original regulation 28), which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2004. This methodology writes down the debt liability over a much shorter period than the previous regulatory method and is therefore deemed more prudent.
- 5.3 Unsupported borrowing will be subject to MRP using the Asset Life method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- 5.4 The interest rate applied to the annuity calculations will reflect the market conditions at the time and will for the current financial year be based on PWLB annuity rates.
- 5.5 MRP on all capital expenditure will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for assets under construction where the MRP will be deferred until the year after the asset becomes operational.
- 5.6 The Guidance requires that MRP in relation to the acquisition of share capital should be provided over a maximum of 20 years. MRP will commence in the year following the capital expenditure in accordance with the regulations.
- 5.7 MRP Overpayments – Under the MRP Guidance, MRP made in excess of the statutory prudent amount can be made, known as voluntary revenue provision (VRP). VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

6. BORROWING AND TREASURY INDICATORS LIMITS TO BORROWING ACTIVITY

- 6.1 The capital expenditure plans 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.
- 6.2 **Prudential Indicators** - Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.
- 6.3 The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties in the future. This view takes account of current commitments, existing plans and the proposals in the Budget Setting Reports for 2026/27.
- 6.4 **The Operational Boundary** - This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the

ability to fund under-borrowing by other cash resources.

Operational Boundary	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Total	4,000	4,000	4,000	4,000

6.5 **The Authorised Limit for external debt** – This is a key prudential indicator representing a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this needs to be set or revised by 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.

6.6 Members are asked to note that the Authorised Limit has been set prudently, reflecting the fact that there is currently no requirement for external borrowing. Should such a requirement arise in the future, it is expected that the Authorised Limit could be increased without difficulty.

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

Authorised limit	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Total	7,000	13,000	13,000	13,000

7. THE BORROWING STRATEGY

7.1 To date the Council has remained debt free and has been able to fund the capital programme through reserves. This means that there is no capital borrowing need (the Capital Financing Requirement) at this time. However, if borrowing is required, careful consideration will be given to secure the most appropriate source of borrowing.

7.2 The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

7.3 Any decisions will be reported to the Audit Committee as part of the next Treasury update.

8. POLICY ON BORROWING IN ADVANCE OF NEED

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

8.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

9. EXTERNAL BORROWING SOURCES

9.1 To date the Council has remained debt free and has been able to fund the capital programme through reserves. However, if borrowing is required, careful consideration will be given to secure the most appropriate source of borrowing. The Council will consider (but not limited to) the following sources for external borrowing.

- PWLB
- Municipal Bonds Agency
- Local authorities
- Banks
- Pension Funds
- Insurance Companies
- UK Infrastructure Bank
- Market (long-term, short-term, LOBO)

10. AFFORDABILITY PRUDENTIAL INDICATORS

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

10.2 **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 net of investment income), against the net revenue stream (including Council Tax, NNDR and rental income and fees and charges).

%	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Upper limit for fixed interest rate exposure < 1 year at year end	33,141 61.5%		It is anticipated that exposure will range between 0% to 60%		
Upper limit for variable rate exposure < 1 year at year end	12,851 23.8%		It is anticipated that exposure will range between 40% to 100%		
Upper limit for total principal invested (365 days) at year end	7,973 14.7%		60% of funds		

11. PROSPECTS FOR INTEREST RATES

11.1 MUFG are the Council's current treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG provided the following forecasts on 22 December 2025.

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

11.2 MUFG updated their forecast for interest rates on 22 December which took into account the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) in December. This resulted in a near term adjustment with the longer term view remaining unchanged.

12. ANNUAL INVESTMENT STRATEGY

12.1 Investment Policy – Management of Risk - The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments are covered in the Capital Strategy.

12.2 The Council's investment policy has regard to the following:-

12.3 MHCLG's Guidance on Local Government Investments ("the Guidance")

12.4 CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")

12.5 CIPFA Treasury Management Guidance Notes 2021

12.6 The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

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

12.8 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial

sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. The Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix B under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than one year left to run to maturity, if they were classified as being non-specified solely due to the maturing period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, maybe for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 60% of the total investment portfolio. (see Appendix B).
6. **Lending limits**, (amounts and maturity), for each counterparty is set at £7m.
7. **Transaction limits** for groups, counterparties and money market funds are set at £8m.
8. This authority will set a limit for the duration of investments which are invested for **longer than 365 days**, (see paragraph 14.1).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 14.1).
10. This authority has engaged **external consultants**, (see paragraph 3.1), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23, under International Financial Reporting Standards (IFRS) 9, the Council will consider the implications of investment instruments which could result in adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In January 2023,

DLUHC confirmed that the temporary statutory override allowing English local authorities time to adjust their portfolio prior to implementing IFRS 9 had been extended for a further two years to 31 March 2025. Following further consultation, the statutory override for existing pooled fund investments held as of 1 April 2024, has been extended to 1 April 2029.

12.9 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks.

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

12.11 Whilst the Treasury Management Code outlines the principles for investments as Security Liquidity and Yield as core, it acknowledges that environmental, social and governance (ESG) issues are increasingly significant for investors. The Council's Treasury Management activities will continue to be guided by these primary principles and in addition, consideration will be given to the incorporation of ethical investment criteria within the investment decision-making process

13. CREDITWORTHINESS POLICY

13.1 This Council applies the creditworthiness service provided by the MUFG Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. 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

13.2 This modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this 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 duration for investments. The Council will therefore use counterparties within the following durational bands.

Colour/ long term rating	Maximum Period of investment
Yellow	5 Years
Purple	2 Years
Orange	1 Year
Blue	1 Year (nationalised or semi nationalised UK Banks)
Red	6 Months
Green	100 days
No Colour	Not to be used

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

13.4 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.

- 13.5 All credit ratings will be monitored on a daily basis by officers within the Finance Department. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG creditworthiness service.
 - if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - in addition to the use of credit ratings the Council will be advised of information in movements in the Credit Default Swap market against the iTraxx European Senior Financials 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 lending list.
- 13.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to support its decision making process.
- 13.7 Creditworthiness – Significant levels of downgrades to Short and Long-Term ratings have not materialised since the crisis in March 2020. In the main where they did change, any alterations were limited to Outlooks. When setting minimum sovereign debt ratings, this Council has set a minimum sovereign rating for the **UK of AA-**.
- 13.8 CDS prices – Although bank CDS prices, spiked upwards in autumn 2022, they have returned to more average levels since then. However, sentiment can easily shift so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG monitor CDS prices as part of the creditworthiness service to local authorities and the Authority has access to this information via its MUFG-provided Passport portal.

14. OTHER LIMITS

- 14.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, group and sectors.
 - **Non-Specified Investment Limit** – The Council has determined that it will limit the maximum total exposure to non-specified investments as being 60% of the total investment portfolio.
 - **Country Limits** – As in previous years the Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AAA, as determined by at least two of the three rating agencies (Fitch, Moody's or Standard and Poor's). The list of countries that currently qualify using the credit criteria as at the date of this report are shown in Appendix C. Officers will amend this list during the year should ratings change in accordance with this policy.
 - **Other Limits** - In addition:
 - a. no more than £16m will be placed with any one sovereign, at any time (excluding UK);
 - b. limits in place above will apply to a group of companies;
 - c. sector limits will be monitored regularly for appropriateness.

15. INVESTMENT STRATEGY

15.1 In-house Funds - Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates. The economy only grew 0.1% in Q3 2025, but the CPI measure of inflation, 3.2% in November 2025, remains markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward.

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

15.3 Investment returns expectations – The current forecast showing in paragraph 11.1, includes a forecast for Bank Rate to fall to a low of 3.25%.

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

15.5 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, as are based on the availability of funds after each year end.

Maximum principal sums invested > 365 days			
	2026/27 £000	2027/28 £000	2028/29 £000
Principal sums invested > 365 days	7,000	7,000	7,000

15.6 Whilst the Council holds investments with three Multi Asset Funds, and one active Property Funds with a view to holding the funds for a longer term, due to the funds liquidity they are not taken into account for the purposes of the above indicator. The indicator applies to funds invested for a fixed period only.

15.7 Investment Risk Benchmark - The Council will use an investment benchmark to assess the investment portfolio of 30 day backward SONIA (Sterling Overnight Index Average).

16. END OF YEAR INVESTMENT REPORT

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

17. SCHEME OF DELEGATION

17.1 The Treasury Management Scheme for Delegation is outlined in Appendix D.

18. ROLE OF THE SECTION 151 OFFICER

18.1 The council's Section 151 Head of Finance and their role is outlined in Appendix E.

APPENDIX A**Summary of MUFG Economic Background as at 13 November 2025**

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September. CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%, and services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- Bank of England forecasts have shown CPI inflation remaining elevated above its 2% target for much of the near term, reflecting persistent price pressures in services. While inflation is expected to gradually fall back toward target over the course of the year, this moderation is contingent on sustained disinflationary trends, including easing cost pressure in consumer-facing sectors. Should global energy and goods prices rebound, the downward path of inflation could stall, delaying future rate cuts.
- Unemployment stands at 4.6% (September), and the loosening of the labour market is driving softer wage pressures. The three month average earnings growth, excluding bonuses, fell from 5.5% in April to 4.6% in September (year on year). The Bank would ideally like to see further wage moderation to support a continued, gradual easing of monetary policy. Markets are currently pricing in rate cuts in February and June to 3.25%, although heightened volatility could prompt a repricing given the data dependent nature of the outlook.

Appendix B

Specified and Non Specified Investments

Investments that councils can make are of two types and these are identified in the subsequent paragraphs and table.

Specified Investments offer high security and high liquidity, must be in sterling and have a maturity of no more than a year. Such investments made with the UK government, UK local authorities and town/parish councils automatically count as specified investments.

Non Specified Investments are those investments not meeting the definition of specified investments, which are therefore of greater potential risk. Any investments with a maturity exceeding one year are automatically classed as non specified investments. The criteria for selecting counterparties for longer term investments is the same as that for short term investments i.e. MUFG Durational Colour bands.

All specified and non-specified Investments will be:

- Subject to the sovereign, group and counterparty exposure limits identified in the Annual Investment Strategy
- Subject to the duration limit recommended by MUFG Solutions at the time each investment is placed
- Subject to a maximum of 60 % of funds being held in non- specified investments at any one time.
- Sterling denominated.

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to maximum of 365 days

Investment	Minimum Credit Criteria	Maximum maturity period
UK Debt Management Agency Deposit Facility	UK Sovereign A-	As per MUFG's rating
Term deposits - UK local authorities	UK Sovereign A-	As per MUFG's rating
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS	As per MUFG's rating
Term deposits – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 or Green excluding CDS	As per MUFG's rating
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding	As per MUFG's rating

	CDS	
Certificates of deposit – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1, or Green excluding CDS	As per MUFG's rating
UK Treasury Bills	UK Sovereign A-	As per MUFG's rating
UK Government Gilts	UK Sovereign A-	As per MUFG's rating
Bonds issued by multi-lateral development banks	AAA	As per MUFG's rating
Sovereign bond issues (other than the UK Gov't)	AAA	As per MUFG's rating
Money market funds (CNAV, LVNAV or VNAV)	AAA	As per MUFG's rating
Enhanced cash / Government liquidity / <i>Ultra-short dated bond funds</i>	AA	As per MUFG's rating

NON-SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities in excess of 1 year and not included above:

Investment	Minimum Credit Criteria	Maximum maturity period
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	3 years
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Term deposits - banks, building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Term deposits – housing associations	UK Sovereign A- Counterparty A-	

		2 years
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Certificates of deposit - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised banks)	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	2 years
Bonds issued by multilateral development banks	AAA	2 years
Sovereign bonds (other than the UK Government)	AAA	2 years
UK Government Gilts	UK Sovereign A-	UK Sovereign A-
Property funds	N/A	N/A
Diversified income and or short dated bond funds	N/A	N/A

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

APPENDIX C**Approved countries for investments (Position as at 31/12/25)**

Each financial institution must meet the minimum credit criteria specified in the Annual Investment Strategy. For non-UK regulated institutions the institutions sovereign must be rated AA- or higher by each of the three rating agencies - Fitch, Moody's and Standard and Poor's.

The list will be reviewed and amended on a weekly basis by the Head of Finance.

As of 31 December 2025 sovereigns meeting the above requirement were:

- **AAA**
Australia
Denmark
Germany
Netherlands
Norway
Singapore
Sweden
Switzerland
- **AA+**
Canada
Finland
USA
- **AA**
Abu Dhabi (UAE)
Qatar
- **AA-**
Belgium
France
UK

APPENDIX D**Treasury Management Scheme for Treasury Delegation****(i) Full Council**

- budget approval
- approval of treasury management policy
- approval of the annual treasury management and investment strategy
- approval of amendments to the Council's adopted clauses, treasury management policy and annual treasury management and investment strategy
- approval of the treasury management outturn and mid-year reports

(ii) Cabinet

- budget consideration
- approval of the division of responsibilities
- approval of the selection of external service providers and agreeing terms of appointment
- acting on recommendations in connection with monitoring reports

(iii) Audit Committee

- review the annual treasury management and investment strategy and making recommendations to Cabinet and Council
- receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet
- review treasury management policy, practices and procedures and making recommendations to Cabinet and Council

APPENDIX E**The treasury management role of the Section 151 officer****The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

APPENDIX F**GLOSSARY**

Authorised Limit	This represents a level of borrowing which, though not desired, could be afforded but may not be sustainable.
Asset Life (Equal Instalment Method)	Where MRP is an equal annual charge every year and is calculated by dividing the original amount of borrowing by the useful life of that asset.
Capital Financing Requirement	A measurement of the council's underlying need to borrow for a capital purpose.
Certificate of Deposit	An investment product offered by banks and other financial institutions which is issued for a specific period of time and at a certain interest rate, but which can be traded on the secondary market, providing a greater level of flexibility.
CIPFA Treasury Management Code Of Practice	The professional code governing treasury management, which the council has formally adopted.
Debt Management Agency Deposit Facility	This deposit facility allows short-term or long term deposits to be lodged with the government. This offers the highest security for a Principal sum on short-term placements.
Money Market Funds	A money market fund is a "pool" of different types of investments, managed by a fund manager. The pool of investments will typically include bank deposits, certificates of deposit (CDs) amongst other investments. A number of organisations will invest in a particular fund. The interest rate yield on an MMF deposit is not known at the time of the deal. In return for this uncertainty, money can be accessed whenever necessary.
Minimum Revenue Provision (MRP)	The minimum amount which a council must charge to its revenue budget each year.
Multi-Asset Fund	An investment product with a higher level of diversification (in areas such as equities, bonds, property, etc) and which therefore offers a certain level of protection in times when markets are volatile.

Municipal Bond Agency	An agency established by the Local Government Association intended to offer councils an alternative and less costly option for borrowing of long-term funds than the PWLB through the introduction of competition and diversity to the marketplace.
Net Revenue Stream (NRS)	The NRS for the general fund is the “amount to be met from government grant and local taxpayers”, as shown in the consolidated revenue account. This represents the budget requirement for the council.
Operational Boundary	This indicator is based on the probable external debt during the course of the year; it is not a limit. Actual external debt could vary around this boundary for short times during the year. It should act as a monitoring indicator to ensure that authorised limit is not breached.
Prudential Indicators	These demonstrate a council’s ability to meet the key principles of the Prudential Code by reflecting the level to which its capital programme is affordable, prudent and sustainable and they help to explain this effectively to those charged with governance.
Public Works Loan Board (PWLB)	Part of the government’s debt management office, making long-term funds available to local authorities on prescribed terms and conditions. The PWLB is normally the cheapest source of long-term borrowing for a local authority.

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Non-treasury Management Practices

1 Introduction

- 1.1 The 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 outcomes, investments in subsidiaries, and investment property portfolios.
- 1.2 The Council will ensure that all its investments are covered in a capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.
- 1.3 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.
- 1.4 The Council recognises that many of the principles underlying treasury management practices will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly.
- 1.5 It is recognised that the Council may make investments for policy reasons outside of normal treasury activity, and these may include:
 - Service investments – these are held clearly and explicitly in the course of the provision, and for the purposes of, operational services, including regeneration
 - Commercial investments – these are undertaken for mainly financial reasons. They may include:
 - Investments as part of business structures, such as loans to and shares in subsidiaries.
 - Investments explicitly taken out with the aim of making a financial surplus for the council and include commercial properties
- 1.6 The investment practices for non-treasury investments detailed below will be complied with by all officers and agencies responsible for such investments. These practices will evolve over time and will be subject to annual review.

2 Risk management (NTMP 1)

2.1 Investment of the Council's cash surpluses and reserves is governed by the CIPFA Treasury Management Code of practice and MHCLG (previously DLUHC) Statutory Guidance. These require authorities to prioritise security and liquidity over yield. Compliance aims to protect the value of sums invested and ensure funds are available to spend as spending commitments arise. Investment in equity, bonds or property are likely to fail the security and liquidity tests and are therefore considered inappropriate for short term cash surplus and reserve fund management purposes.

2.2 Commercial property covers a broad range of property uses and types including, retail outlets, office accommodation, warehouses, industrial units, and residential accommodation.

2.3 Risks associated with commercial property ownership include:

- Close correlation between value and changes in **GDP**. Values fall significantly in a downturn. Values rise when the economy is growing.
- Property is **illiquid** both in terms of transaction times and price transparency.
- **Tenant covenant strength** will impact on ability to meet rental payments, lease renewal, exercise break clauses and CVA.
- **Valuations** are not a guarantee of sale price and may be subject to investor confidence / sentiment.
- **Stock, sector, and geographic** risk will all impact on the value of a particular property.
- Subject to **environmental risk** such as flooding and land contamination.
- **Interest rate** changes not only affect the cost of borrowing but also bond / equity prices which may impact on the relative attractiveness of property.
- Changes in **legislation and regulation** e.g. energy efficiency may involve additional cost to the investor.
- Changes in **taxation** (stamp duty / SDLT) may affect value.

2.4 Risks will be explored in the property acquisition business case and through regular monitoring of the property market post acquisition. Nevertheless, risk will persist.

2.5 A risk assessment is provided at **[Appendix 1]**.

3 Decision making, governance and organisation (NTMP 2)

- 3.1 Any new commercial property investment will be subject to a business case review. The report seeking Capital Plan budget provision will follow the normal budget approval process (O&S, Cabinet and Council).
- 3.2 Day to day management of commercial property investments is delegated to the Head of Finance (HoF). The HoF will undertake that management using in-house resources or appoint specialist external agents where appropriate.
Functions include:
 - Collection of rent & service charges
 - Establishing lease terms
 - Advertising vacant units
 - Negotiating tenant lease agreements
 - Monitoring the commercial property market
 - Undertaking annual property revaluations
- 3.3 New lease agreements will be certified, without delegation, by the HoF. Any rent free periods and other tenant inducements will be reported under the reporting arrangements detailed in NTMP 4.
- 3.4 The Head of Finance will undertake a periodic reconciliation of income and expenditure. Internal audit, subject to a risk assessment, will review commercial property activity.

4 Performance management (NTMP 3)

- 4.1 Baseline performance requirements for commercial properties will be drawn from the business case submitted as part of property purchase approval. Gross income, service costs and tenant arrears will be monitored against baseline on a quarterly basis. Variation from a pre-determined tolerance level will trigger a report to the Council's Management Team and, if appropriate, will be escalated in accordance with NTMP 4.
- 4.2 Performance of the Council's commercial property function and that of any associated external support will be monitored and reviewed annually to ensure best practice and value for money are being achieved.

5 Reporting and management information (NTMP 4)

- 5.1 An information report setting out the performance of the Council's commercial property investments will be prepared by the Director of

Central Services and submitted to Members. Reports will be subject to prior consideration by the Council's Management Team.

5.2 Reports will include:

- A commentary on commercial property market conditions
- Gross income against budget
- Income performance against benchmark
- Operating costs
- Changes in occupancy
- Changes to existing lease agreements / new lease agreements
- Tenant arrears
- Market value (to be reported annually).

5.3 Commercial property investment performance against budget will also be incorporated in the financial planning & control reports submitted to members.

5.3 Any extraordinary issues that are likely to generate a change in budget requirement will be subject to endorsement by Cabinet and approval by Council.

6 Training and qualifications (NTMP 5)

6.1 Members and officers involved in the property investments decision making process need to have appropriate capacity, skills, and information to enable them to take informed decisions as to whether to enter into a specific property investment.

6.2 The Council employs suitably qualified property, legal and finance officers to manage activity and provide advice within their respective disciplines. Specialist external advisors will be engaged where appropriate. Member training will be provided in-house or by external agents as required.

Property Investment – Risk Register

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Downturn in property market	Capital value and income potential reduce for purchased assets.	4	4	16	Continued monitoring of markets. Sale of Assets at a benchmarked threshold. Annual Valuation.
Upturn in property market	Purchase cost of potential assets increases.	4	3	12	Continued monitoring of markets. Adjusting purchase criteria to reflect market movement. Consider sales of assets for capital gain. Annual Valuation.
Increase in interest rates (borrowing)	Cost of borrowing where adopted increases with detrimental impact on income.	4	3	12	Ensure most competitive rate achieved if borrowing, fixed term if possible. Consider increased use of reserves to ensure loan to value ratios are acceptable.
Increase in interest rates (investment)	Lower rate of return when compared to other potential investments	4	3	12	Consider revising income return criteria upwards. Consider disposal of assets for re-investment.
Available opportunities	Market opportunities meeting investment criteria not available.	4	3	12	Identify opportunities early and move swiftly to acquire.
Changes in Tenant demand	Certain types of property may become less favorable with tenants.	3	3	9	Consider alternative use at acquisition. Construct a varied portfolio by use.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Obsolescence of Asset	Physical obsolesce in terms of building fabric and fit out.	3	3	9	Ensure full repairing and insuring leases are in place via pre-purchase due diligence. Have building surveys undertaken to establish condition of building.
Tenant default	Loss of rental income, increased costs incurred.	3	3	9	Undertake financial due diligence of tenants pre-purchase, obtain the best possible tenant covenants. Look for guarantors or cash deposits where covenants are considered weak. Consider multi-tenanted properties in order to diversify risk. Ensure robust credit control procedures in place. Monitor tenant company performance.
Void periods	Loss of rental income, holding costs incurred – rates, utilities etc. Costs of re-letting.	3	3	9	Monitoring tenancies as described above. Move quickly to appoint letting agents should a “void” period appear likely. Act expediently in concluding legal process of letting.
Government Legislation - Energy Performance (Minimum Energy Efficiency Standards, MEES)	From 1 April 2018 it is illegal for a landlord to grant a new letting of a commercial property that has an EPC of below E.	4	3	12	Undertake appropriate pre purchase due diligence to establish what the EPC rating of a property is and purchase accordingly. Identify if opportunities exist to increase the EPC rating appropriately.
Illiquidity of Property Assets	Asset identified for disposal to raise capital receipt or for reinvestment.	3	3	9	Ensure that assets are kept “sale ready” in terms of documentation and information.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Staff Resources	Lack of suitably professionally qualified staff.	3	3	9	Ensure that appropriately professionally qualified staff, with experience in Property Investment, are available to act on the Council's behalf.
Residential Properties – generally all of the above plus greater landlord input, more management intensive	Residential Properties generally require a more active landlord involvement, maintaining the structure and services of a property – maintenance costs and management costs are therefore higher.	4	3	12	Ensure that increased holding costs are factored into purchase valuations. Appoint external professionals to manage landlord and tenant processes. Ensure that tenant deposits are taken.

Assessing risks

Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	5 – 12	15 – 24

The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High
	Very likely	5	5 Medium	10 medium	15 High	20 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High
	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4	
Impact □		Negligible	Marginal	Significant	Critical	

Audit Committee

26 January 2026

Part 1 - Public

Recommendation to Cabinet



www.tmbc.gov.uk

Cabinet Member

Cllr Matt Boughton – Leader

Cllr Martin Coffin – Cabinet Member for Finance,
Waste and Technical Services

Responsible Officer

Management Team

Report Author

Paul Worden – Head of Finance (Section 151 Officer)

Risk Management

1 Summary and Purpose of Report

1.1 The report of the Management Team provides an update on the risk management process and the Strategic Risk Register.

2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 The identification, evaluation, and cost-effective control of risks is essential in safeguarding the Council's assets, employees and customers and the delivery of services to the local community.

2.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements

3 Recommendations

3.1 Members are asked to:

- 1) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED as shown in Annexes 1 and 1a; and
- 2) **NOTE** the service risks identified in Annex 2.

4 Introduction and Background

- 4.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.
- 4.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 4.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 4.4 The current Risk Management Strategy was endorsed by this Committee in September 2025 and subsequently adopted by Full Council on 28 October 2025.

5 Risk Management Escalation Process

- 5.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 5.2 Following the change to the Strategy in October 2025, the Council has now adopted the nation 5 x 5 risk matrix. This results in the following potential scoring of risks as detailed in the table below;

Score	Likelihood	1	2	3	4	5
Impact	Description	Rare	Unlikely	Reasonably Possible	Likely	Almost Certain
1	Low	1	2	3	4	5
2	Moderate	2	4	6	8	10
3	Significant	3	6	9	12	15
4	Severe	4	8	12	16	20
5	Catastrophic	5	10	15	20	25

- 5.3 Amber risks, those scoring between 8 and 12, should be raised at Service Management Team, added to the Service Risks identified list.
- 5.4 Red risks, those scoring 15 to 25, should be considered by Service Management Teams for potential escalation to Corporate Management Team for inclusion onto the Strategic Risk Register (SRR), see the section on escalation later in this

guidance note. If agreed the Chief Officer raising the concern should add the details required to the SRR.

6 Strategic Risk Register

6.1 The Strategic Risk Register (SRR) is considered to be a 'live' document and is updated, as often as is required, by the Management Team.

6.2 Following the changes approved by the Council in October 2025 the format to the registers has now changed. The initial scoring gives the details of unmitigated risk to the Council, these would be expected to be of high risk, scoring 12 and above. The second score gives the risk after mitigation has been applied, this should have the result of reducing the score.

6.3 An executive summary of the RED mitigated risks has been provided at **[Annex 1]** and a full version of the Strategic Risk Register can be found at **[Annex 1a]**. Due to the migration to the new register format, no direction of travel has been given.

6.4 For completeness the risks that were categorised as **RED** at the time of the **September** meeting of this Committee is given below:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Managed exit from the Agile System

6.5 A review has been undertaken by Management Team and it is felt that the following risks could be removed from the Strategic Risk Register at the next presentation;

- Performance Management – this was removed as a risk by the Council's external auditors following review in 2024/25 and the Officer and Council have a now well established review and reporting mechanism.
- Contract/Contract Procurement – this was also removed as a risk by the Council's external auditors following review in 2024/25, the new protocols in place through the joint working with the Procurement Team are now well established and operating smoothly.

6.6 Following the review of the items on the register, Management Team have considered that despite mitigations in place the following areas remain at high or **RED** risk;

- Failure to adopt a Local Plan
- Recruitment and Retention of Staff
- Local Government Reorganisation in Kent

7 Ongoing Service Risks

- 7.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless there is something that needs to be brought to Members' attention in the interim.
- 7.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in September 2025 is appended at **[Annex 2]**.

8 Financial and Value for Money Considerations

- 8.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.
- 8.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

9 Risk Assessment

- 9.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.
- 9.2 A specific item for 'Risk Management' appears on all Management Team and Service Management Team agendas.

10 Legal Implications

- 10.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.
- 10.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

11 Cross Cutting Issues

11.1 Equalities and Diversity

- 11.1.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	None
Annexes	Annex 1 - Executive Summary – Strategic Risk Register Annex 1a - Strategic Risk Register Annex 2 - Service Risks

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Number	Risk Title & Description	Effect of non compliance	Classification	Risk Owner from Management Team	Date identified	Last date of review	Unmitigated risk Score			Movement to previous review	Mitigated risk Score			Actions required to reduce score further	Link to Annual Service Development Plan	Links to Strategies
							Likelihood Score (1-5)	Impact score (1-5)	Overall risk score		Likelihood Score (1-5)	Impact score (1-5)	Overall risk score			
5	Failure to adopt a Local Plan	Reputational risks around not being able to agree a Local Plan. Impacts around not meeting the timeframe for submission of the Local Plan. Impacts on development management processes through protracted period with no up-to-date plan, likely speculative development. Infrastructure not being delivered. Potential for central Government intervention.	F, R	Director of Planning, Housing and Environmental Health	Apr-17	Dec-25	4	5	20	The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework (NPPF). It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirements of the NPPF so that the plan can be found to be sound at the examination stage.	4	4	16	Regular review of NPPF guidance to ensure continued compliance. Continued engagement with both Members and Public. Sufficient Resources, both Staffing and Financial to ensure completion within allotted time.		Improving housing options for local people, whilst protecting our outdoor areas - develop a Local Plan which will ensure the provision of new homes in appropriate locations, focusing on tackling the need to deliver a range of housing for the whole community.
6	Recruitment and retention. Impact of loss of capacity to deliver services and Council priorities caused by numbers of staff retiring given age profile of the workforce, staff leaving due higher pay elsewhere, recruitment difficulties and skill shortages across key professional roles and uncertainty caused by LGR. Greater competition from the private sector and London Boroughs. Increase in rate of inflation and consequent pressure on level of pay award.	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	F, R, S	Director of Central Service and Deputy Chief Executive on behalf of Management Team	Apr-17	Dec-25	5	4	20	Review of staff resources and skills through service reviews and appraisal processes. Market Supplement Policy in assist with recruitment of difficult to resource staff. Workforce Strategy regularly reviewed, most recently March 2025.	5	3	15	Meaningful annual pay awards to ensure the Council is competitive as an employer. Continued use of flexible retirement arrangements. Continued use of Market Supplement Policy. Succession planning identified for key staff. Structural reviews approved by Members on an ongoing basis. Increased review of training needs in run up to proposed Local Government Reorganisation.		HR Strategy (Inc. Workforce Development Strategy) & Savings and Transformation Strategy
15	Local Government Reorganisation in Kent leading to the end of TMBC in March 2028.	Uncertainty on the future of the Borough Council could lead to operational shortfall due to diversion or departure of staff.	F, R	Chief Executive	Feb-25	Dec-25	4	5	20	Close working at Leader and Chief Executive level.	4	4	16	Procure a new strategic partner for all Councils in Kent for the work up until Vesting Day in April 2028. Ensure that there are effective project and programme management arrangements in place. Continue to ensure Members and Staff are fully engaged. Set aside sufficient funding to support the implementation process		All Strategies
	New Unitary Council being burdened with historic County Debt	Increased close working at Director level														
	Maintaining core Current Council services during the transition and delivery of Council Priorities and Annual Service Plan	Shared Strategic Partner to date to support a more joined up and collaborative approach														
	Current Council priorities & projects undermined by future spending constraints	Regular briefings for Members and Staff														

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Number	Risk Title & Description	Effect of non compliance	Classification	Risk Owner from Management Team	Date identified	Last date of review	Unmitigated risk Score			Movement to previous review	Mitigated risk Score			Actions required to reduce score further	Link to Annual Service Development Plan	Links to Strategies
							Likelihood Score (1-5)	Impact score (1-5)	Overall risk score		Likelihood Score (1-5)	Impact score (1-5)	Overall risk score			
1	Safeguarding and PREVENT	Significant impact should a child, young person or adults at risk come to harm, including radicalisation and child sex exploitation, and TMBC are unable to demonstrate appropriate processes are in place with adequate staff resource to ensure safeguarding procedures are consistently being followed.	S, R	Chief Executive	Apr-17	Dec-25	4	5	20	Safeguarding Officer is employed by the Council.	2	5	10	Continue to ensure the safeguarding issues are considered within Council policies.		Safeguarding Policy
2	Financial position/budget deficit	Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention and/or s114 notice.	F, R	Head of Finance (Section 151 Officer)	Apr-17	Dec-25	3	4	12	Budgetary control operated by Services in conjunction with Financial Services to identify areas of budget pressures due to service or population changes. Monitoring of income from Business Rates and Council Tax in order to ensure financial underpinning of MTS. Regular review of MTS using identified factors affecting TMBC.	3	3	9	Maintaining budgetary control procedures, adequate resourcing of Financial Services Staff. Maximisation of increases within fees charges, Council Tax and Business Rates in line with market need or legislation. Clear understanding of Government changes to Local Government Funding announced December 2025.		Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"
3	Performance Management	Without an effective performance management framework in place, the authority will not be able to monitor delivery, understand any required improvements or achieve value for money for our residents.	F, R, S	Chief Executive on behalf of Management Team	Aug-23	Dec-25	4	3	12	Quarterly reporting to Members via Overview and Scrutiny and Cabinet - performance is linked to the Annual Service Delivery Plan which includes key activities and performance indicators.	2	3	6	Having established the 24/25 Annual Service Delivery Plan, now a regular review of performance in place to ensure appropriate action is taken and that regular monitoring remains key to the delivery of the Council's Corporate Priorities.		Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"
4	Achievement of Savings and Transformation Strategy - Failure to meet objectives or savings targets	Resultant overspend would have significant on council reserves resulting in potential Section 114 notice declaring authority is no longer a Going Concern	F, R	Head of Finance (Section 151 Officer) on behalf of Management Team	Apr-17	Dec-25	4	5	20	Savings and Transformation Strategy is reviewed, by Members and Officers, along side Councils Medium Term Financial Strategy.	3	3	9	Taking opportunity to maximise income receipts were appropriate. Exercise to commence to identify and assess savings opportunities for review by Members in September 2025. Acceptance of changes to budget following review by Members and Officers	Objective 3.15	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"
5	Failure to adopt a Local Plan	Reputational risks around not being able to agree a Local Plan. Impacts around not meeting the timeframe for submission of the Local Plan. Impacts on development management processes through protracted period with no up-to-date plan, likely speculative development. Infrastructure not being delivered. Potential for central Government intervention.	F, R	Director of Planning, Housing and Environmental Health	Apr-17	Dec-25	4	5	20	The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework (NPPF). It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirements of the NPPF so that the plan can be found to be sound at the examination stage.	4	4	16	Regular review of NPPF guidance to ensure continued compliance. Continued engagement with both Members and Public. Sufficient Resources, both Staffing and Financial to ensure completion within allotted time.		Improving housing options for local people, whilst protecting our outdoor areas - develop a Local Plan which will ensure the provision of new homes in appropriate locations, focusing on tackling the need to deliver a range of housing for the whole community.
6	Recruitment and retention, Impact of loss of capacity to deliver services and Council priorities caused by numbers of staff retiring given age profile of the workforce, staff leaving due higher pay elsewhere, recruitment difficulties and skill shortages across key professional roles and uncertainty caused by LGR. Greater competition from the private sector and London Boroughs. Increase in rate of inflation and consequent pressure on level of pay award.	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	F, R, S	Director of Central Service and Deputy Chief Executive on behalf of Management Team	Apr-17	Dec-25	5	4	20	Review of staff resources and skills through service reviews and appraisal processes. Market Supplement Policy in assist with recruitment of difficult to resource staff. Workforce Strategy regularly reviewed, most recently March 2025.	5	3	15	Meaningful annual pay awards to ensure the Council is competitive as an employer. Continued use of flexible retirement arrangements. Continued use of Market Supplement Policy. Succession planning identified for key staff. Structural reviews approved by Members on an ongoing basis. Increased review of training needs in run up to proposed Local Government Reorganisation.		HR Strategy (Inc. Workforce Development Strategy) & Savings and Transformation Strategy
7	Health and Safety	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place.	F, R, S	Director of Planning, Housing and Environmental Health	Apr-17	Dec-25	3	5	15	Health and Safety consider as standing item on both Corporate and Service Management Teams.	2	4	8			Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives

Number	Risk Title & Description	Effect of non compliance	Classification	Risk Owner from Management Team	Date identified	Last date of review	Unmitigated risk Score			Movement to previous review	Mitigated risk Score			Actions required to reduce score further	Link to Annual Service Development Plan	Links to Strategies
							Likelihood Score (1-5)	Impact score (1-5)	Overall risk score		Likelihood Score (1-5)	Impact score (1-5)	Overall risk score			
8	Cyber Security	Loss of data and legislative breach, leading to financial penalties and reputational impact.	F, R	Director of Central Service and Deputy Chief Executive	Apr-17	Dec-25	4	5	20	Information Security Policy deployed to all staff and Councillors Security measures including access controls. Established an Information Governance Group. Appointed a Member Cyber Champion. Issued Mandatory Cyber Awareness Training to staff and Councillors. Deployed various security measures to ensure security of Council Network. Provide Security trained staff Achieved Cyber Essential Plus Accreditation Appointment of Senior Information Risk Owner (SIRO) within establishment. Implementation of external monitoring to identify cyber breaches, giving 24/7 coverage.	4	3	12	Ensure sufficient resources provide to mitigate risk in a timely manner. Action regular IT health checks, both internally and externally Issue regular messages to network users on cyber security vigilance Continue with regular mandatory cyber training updates. Continue with updates to maintain accreditation Receive Regular reports including option to maintain and improve Cyber Security from SIRO, last reported in July 2025.		IT Strategy
9	Business Continuity and Emergency Planning (incl. Civil Contingencies)	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event, fire or flood	F, R, S	Director of Street Scene, Leisure & Technical Services on behalf of Management Team	Apr-17	Dec-25	4	4	16	The Council has in Place; Business Continuity Plan Emergency Plans IT Disaster Recovery Plans Inter-Authority and Mutual Aid Agreement Duty Officer and Duty Emergency Co-ordinator rota and is part of the Kent and Medway Resilience Forum.	4	3	12	Maintain all plans to ensure they are up-to-date and fit for purpose. Increase the % of trained staff in roles identified in the Emergency Plan. Out of Hours Manual reviewed and regularly updated. Exercising of plans must be undertaken regularly to ensure they are fit for purpose and to validate them. Recruitment into roles in the Emergency Plan is on-going. Constant review and enhancement to plans as required.		Business continuity underpins the delivery of the Council's essential services and is a core of the authorities risk management
10	Sustained or increasing levels of Housing need.	Significant increase of costs associated with Temporary Accommodations leading to implications for higher costs not be negated by Housing Benefits	F, R, S	Director of Planning, Housing and Environmental Health/ Head of Finance (Section 151 Officer)	Apr-17	Dec-25	3	4	12	Provision of additional resources to focus on prevention activities. Increasing supply of internally managed temporary accommodation. Regular review of empty properties, to work with Owners to bring properties back into use and increasing housing supply in area. Agreed downsizing policy to release supply of larger properties	3	3	9	Improved working with main housing provider to identify trends/specific cases across borough to jointly agree approach to preventing homelessness using housing provider mechanisms, DHP payments and homeless prevention funding where needed. Development of council owned/leased temporary accommodation portfolio - including delivery of the Local Authority Housing Fund £1.6m funding received.		Improving housing options for local people, whilst protecting our outdoor areas of importance - use every power we can to support those who are most in need of housing support and at risk of becoming homeless
11	Political factors - National, Kent-wide (including KCC) and Local, including relative levels of stability of political leadership and potential impact on decision making including Local Government Reorganisation	Decisions required to achieve objectives including corporate strategy, Local Government Reorganisation, and Major initiatives set out in the Annual Service Delivery Plan, many of which require collaboration and support from other Councils	F, R	Chief Executive	May-23	Dec-25	4	3	12	Close working at Leader and Chief Executive level across Kent and across West Kent. Seek to build constructive relationships with new administration in Kent and new Leaders in other boroughs and districts Continue to promote cross-party working arrangements including Group Leaders and Member working Groups and positive arrangements between Cabinet and Scrutiny Committees.	3	3	9	Member briefings and briefings at relevant Scrutiny Committees on major issues Seek a strategic partner across the whole of Kent to underpin a collaborative approach		Underpins delivery of corporate strategy, Annual Service Delivery Plan, and Medium Term Financial Strategy.
12	Failure to deliver a managed exit from Agile and transition back to Uniform System	Service implications from staffing and data transfer	F, R	Director of Planning, Housing and Environmental Health	Mar-25	Dec-25	4	4	16	Post-implementation review being carried out by internal Audit - five lessons learned being implemented PID signed with IDOX, which includes establishing technical requirements for return of data from Agile system	2	3	6	Continued monitoring by implementation staff. Clear project plan with achievable milestones		Digital Strategy

Number	Risk Title & Description	Effect of non compliance	Classification	Risk Owner from Management Team	Date identified	Last date of review	Unmitigated risk Score			Movement to previous review	Mitigated risk Score			Actions required to reduce score further	Link to Annual Service Development Plan	Links to Strategies
							Likelihood Score (1-5)	Impact score (1-5)	Overall risk score		Likelihood Score (1-5)	Impact score (1-5)	Overall risk score			
13	Carbon Neutral 2030 Aspiration	Significant reputational risk, particularly if other similar councils have achieved similar goals or targets. Financial implications of 'Green' solutions to achieve climate change goals.	F, R, S	Chief Executive	Sep-23	Dec-25	4	4	16	Development of climate evidence, partnerships and pathway analysis to support move towards transformative and larger-scale emissions reductions	4	3	12	Continued oversight and commitment by Officer and Members to allow ambitious plans to go beyond business as usual.		Climate Change Strategy 2020 - 2030, Corporate Strategy 2023 - 2025
14	Contract/Contractor Procurement	Failure adhere to procurement regulations leading to appoint inexperienced contractors leading to poor quality of service, reputational damage and increased costs to the Council.	F, R	Director of Street Scene, Leisure & Technical Services on behalf of Management Team	Feb-24	Dec-25	2	3	6	Use of TMT Procurement Partnership Procurement OSG with Service Representatives ensure full coverage Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit. Use of specialist advisors on major contracts. Use of contract frameworks where appropriate. Risk assessment approach to appointment of contractors.	1	3	3	Corporate Procurement Strategy adopted and updated Corporate Training progressing for staff and Members		Procurement Strategy
15	Local Government Reorganisation in Kent leading to the end of TMBC in March 2028.	Uncertainty on the future of the Borough Council could lead to operational shortfall due to diversion or departure of staff. New Unitary Council being burdened with historic County Debt Maintaining core Current Council services during the transition and delivery of Council Priorities and Annual Service Plan Current Council priorities & projects undermined by future spending constraints	F, R	Chief Executive	Feb-25	Dec-25	4	5	20	Close working at Leader and Chief Executive level. Increased close working at Director level Shared Strategic Partner to date to support a more joined up and collaborative approach Regular briefings for Members and Staff	4	4	16	Procure a new strategic partner for all Councils in Kent for the work up until Vesting Day in April 2028 Ensure that there are effective project and programme management arrangements in place Continue to ensure Members and Staff are fully engaged Set aside sufficient funding to support the implementation process		All Strategies
16	Government Intervention within Planning Service due to performance	Due to missing 10% target for Major applications being overturned on appeal.	F, R	Director of Planning, Housing and Environmental Health	Oct-25	Dec-25	3	4	12	Keeping an up-to-date track on Appeals using the Government approved tracking sheet. Regular review of Appeal Performance. Ensuring quality control on data which is supported by Agile/Uniform and Updating Members on Appeal performance.	2	4	8	Raise awareness to Members through regular reporting/training on potential impacts from overturns and the wider picture Raising officer awareness of impacts on non-determined application on performance		Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"

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Ongoing Risks and Risks Identified by Service Management Teams and Management Team

Risk Identified	Background	New or ongoing	Reason for removal / ongoing
Executive Services	Homes For Ukraine Scheme Ongoing home assessments and support for Ukrainians hosted under the Homes for Ukraine Scheme. There is a risk of homelessness and duty to place in TA, therefore work needs to be undertaken by the Resettlement Worker to support with sustainable living arrangements.	Ongoing.	Conflict in Ukraine continues and new arrivals into the borough are ongoing. HFU visas are for 3 years and there is now an option to apply for an 18 month Ukraine Permission Extension once the HFU visa expires. All new hosts/houses must be checked and welfare visits undertaken. Rematches via the HFU scheme are unsustainable in the longer term and work needs to be undertaken to support families into PRS or rent a room agreements.
	Successful delivery of the UK Shared Prosperity Fund Programme (inc. Rural England Prosperity Fund) Having had our initial three-year T&M Investment Plan approved by MHCLG in 2022, implementation of projects required for period up to March 2025). A one-year extension (to March 2026) was awarded in late 2024.	Ongoing.	The 2022-25 UKSPF Programme was ultimately 100% by the end of the financial year and approval for the 2025-26 programme was secured in March 2025. As we get close to the end of Q1, the 2025-26 programme is currently around 15% spent, with all projects progressing as expected.
	Corporate Insurance Increases and changes to premiums for 2024/25 and 2025/26 insured year	Ongoing	The Councils Insurers have made changes to the charges included within the premiums. Therefore changes will be required to capital and revenue project evaluations to include insurance assessment.
	Payroll Key information being supplied to Payroll in a timely manner, causing risk of staff and members not being paid.	Ongoing.	Information to be included in the pay run must be received no later than three working days into the month. Delays in these submissions jeopardised the payment to all staff requiring addition unsocial hours to be worked by the payroll team.
	Loss of Key Personnel With the loss of the Director Finance and Transformation, irrespective of the appointment of the Head of Finance (Section 151 Officer) there will be a need for interim resources at Section 151 and Deputy Section 151 levels	Remove Jan 2026	Report to go onto Council 8th July 2025.
	Fair Funding Proposals to Central Government funding to Local Authorities underway - expectation that funds could be diverted to deprived areas	Remove Jan 2026	Consultation response to be shared with members.
	Council Tax Administration Proposals from Government on changes to collection methods and exemptions to be granted. Likely impact on the cashflow for the council.	Ongoing.	Consultation response to be shared with members.
	Supported Accommodation The Supported Housing (Regulatory Oversight) Act 2023 came in to force August 2023. Assessment of the act has been ongoing and a consultation on how the act will regulated in practice. The practice is likely to involve a Licensing duty for the responsibility of the Council. Further implications could effect Housing Benefit payments to Landlord where care levels are considered to be unsuitable for the tenant.	Ongoing	Consultation released by central government now being considered.

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

	Risk Identified	Background	New or ongoing	Reason for removal / ongoing
Central Services	Gibson Building - unable to deliver financial saving which has been assumed within MTFS	Cabinet agreed in Sept 2022 that the main offices of the Council should remain located at Kings Hill. On 3 June 2025 Cabinet resolved that the freehold option to dispose of Gibson West be progressed.	Updated	Need to keep under review to ensure that changes in office accommodation deliver value for money and deliver identified savings. Deal agreed with KCC in respect of covenants. Risk of capital cost for works to Gibson East exceeding previously agreed budget.
	Freedom of Information/ EIR/ Subject Access Requests	No dedicated resource to oversee management of FOI, EIR & SAR request compliance. Response rates within statutory deadlines for FOI & EIR are typically between 75-80%, which fall below the ICO's recommended performance target (min of 90% responded to within statutory deadlines).	Ongoing	Number of requests continue to rise, particularly the number of requests made under the Data Protection Act 2018. This creates additional capacity issues for services across the Council, particularly those who receive a large number of requests. Requests for advice from services also continue to rise, as requests for information become more complex. Report on FOI/ EIR/ SAR performance submitted to O&S Committee on 11 Sept 2025 - Committee supported a review of resources for delivery of information requests.
	IT Security (formerly COCO Compliance)	Review of IT Infrastructure identified several areas of weakness for IT standards compliance	Ongoing	Number of risks removed, expected that remaining risks, once removed, will allow full compliance.
	Cyber Security	Request for 24hr monitoring now being considered as part of SIRO annual report	Ongoing	
	IT Resources	Resource capacity for both Development and Technical Staff	Ongoing	The current demands on IT Staff are placing increased pressures on the resource capacity given competing demands of corporate systems being reviewed and implemented, namely the move from Agile to IDOX.
	Street Naming and Numbering	Resourcing within Team	Ongoing	This remains a risk due to the reversion from Agile to IDOX
	GDPR Compliance findings	Redacted information being stored with unredacted information	Ongoing	Requires testing once new IDOX system is available.
	Back Scanning	Scanning now complete, hand over to Information at Work systems and service recognition.	Ongoing	Services all have access to digitised documents held in NEC's interim cloud storage. Pending transfer to TMBC corporate document management system. Will be removed a risk once migration complete.

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

Risk Identified	Background	New or ongoing	Reason for removal / ongoing
Planning, Housing and Environmental Health	Temporary Accommodation (TA) TA consultancy review undertaken Dec 2021, actions implemented in 2022. Cost of living crisis and DA legislation implementation are impacting on maintaining TA levels within the agreed range.	Ongoing	TA costs remain high, as does level of need. Project underway to look at sustainable TA portfolio approach to help manage unit costs for TA. This is alongside ongoing work/training in service to support demand.
	Temporary Accommodation (TA) Personal injury claims	Ongoing	Updated inspection regime being developed by officers.
	Food & Safety Increased risk of food complaints/poisoning. Additional resources to manage backlog of inspections.	Ongoing	During the Covid-19 crisis the ceasing/reduction in the food hygiene inspection regime may result in food safety issues. There will also be a backlog of food safety inspections due to restrictions on visiting/businesses closed. Agreed catch up programme in place utilising COMF funding.
	Increased number of planning appeals/inquiries Application determination timescales not being met, more speculative development, creates reputational risks and increases likelihood of appeals.	Ongoing	Volume and complexity of applications coming forward in parallel with local plan progression and given current uncertainties in timescales for adoption. MT agreed agency planning funding for short term. Head of Planning conducting service review summer 2022
	Staffing challenges in Planning services Ongoing recruitment and retention difficulties in the sector and in T&M specifically. Several recruitment campaigns carried out.	Ongoing.	MT agreed that development of a Workforce Strategy will include recruitment and retention. Part 2 report to GP in July 2023 to look at immediate pressures. This will likely be followed by a new recruitment campaign and therefore this risk remains.
	Windmill Lane Gypsy Site KCC have requested return of management of this site (which is already owned by TMBC) to TMBC on 31 March 2024. This is part of a programme of returns to districts of their owned G&T sites. Initial discussions about management issues and costs have been undertaken.	Ongoing	The return requires Member approval, proposing that this happens via Cabinet in Jan 2024. There are a mixture of Property and Housing risks relating to this potential transfer. Officers are awaiting detailed information from KCC on maintenance costs, the detailed works schedule for grant funded improvements that are scheduled to complete before end of financial year and rent roll. TMBC will require a management arrangement for the site, which is being explored with neighbouring authorities as well as external providers. There will also be a requirement for the Council to have a G&T Allocation Scheme. Risk that the approach to management of this site is not fully in place before the proposed transfer, which could cause liability issues. Also need to consider specific equalities considerations for this group of residents.
	Local Plan Reg 18 carried out in Autumn 2022. Changes to NPPF and proposed changes to system via LURB published December 2022. Assessing options for delivery of a Local Plan.	Ongoing	Members to make a decision on a revised Local Development Scheme in Summer 2023. This is subject to a number of challenges including ongoing delays in Govt announcements on national planning policy. The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirement of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the Planning Inspectorate by 30th June 2025. The Council has recently engaged Trowers and Hamlin's Law Firm to advise and support the Planning Policy Team up until adoption stage.

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

Risk Identified	Background	New or ongoing	Reason for removal / ongoing
Street Scene, Leisure and Technical Services	Phone Signal	Ongoing	Multi-network sim cards issues to CEO's and liaison taking place with service providers. Contactless card payments currently being reviewed.
	Garden Waste invoices	Ongoing	Financial Services reviewing use of recurring payments.
	Utilities costs	Ongoing	Trust providing regular updates via Strategic/Service Fee meetings - cost of swim charges increased to help contribute to additional cost, energy saving initiatives being investigated and implemented and central government being lobbied. Government grants applied for successfully to reduce utility costs e.g. solar panels and air source heat pumps.
	CEO Recruitment	Ongoing.	Vacancies needing to be advertised on an ongoing basis. Four posts are currently not filled.
	KRF Review	Ongoing.	Risks associated with increased responsibility being undertaken by LA's. Many Kent Chief Executives are recruiting dedicated full-time resource to enable work to be developed and maintained. This appears to be requiring LA's to delivery work areas that were historically delivered through the KRF and KRT.
	Business Continuity & Emergency Planning	Ongoing	Need to track new guidance and review how we contribute and participate in the Kent Resilience Forum. We also need to be able to ensure that we maintain a fit-for-purpose organisation to enable suitable response.

Audit Committee

26 January 2026

Part 1 - Public

Matters Taken Under Delegated Powers



www.tmbc.gov.uk

Cabinet Member

Cllr Matt Boughton – Leader

Cllr Martin Coffin – Cabinet Member for Finance,
Waste and Technical Services

Responsible Officer

Paul Worden – Head of Finance (Section 151 Officer)

Report Author

Amanda Riley – Principal Accountant

Accounting Policies

1 Summary and Purpose of Report

1.1 This report presents the Accounting Policies proposed for the 2025/26 Financial Statements for consideration and endorsement.

2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 The Accounting Statement form part of the assessment of the Council's finances in order to maintain efficient and effective services. The accounting policies underpin the preparation and presentation of these accounts.

3 Recommendations

3.1 Members are asked to consider and, subject to any required amendments, endorse the Accounting Policies to be used in the preparation of the 2025/26 Financial Statements as set out at **[Annex 1]**.

4 Introduction and Background

4.1 The Accounting Policies to be used in the preparation of the 2025/26 Financial Statements are attached at **[Annex 1]**.

5 Accounting Policies for the 2025/26 Statement

5.1 The Accounting Policies remain consistent with those applied in 2024/25. With a couple of minor amendments, as presented below.

5.2 Further to the HM Treasury's Thematic Review of Non-investment Asset Valuations for financial reporting, the CIPFA/LASAAC code has been updated. The revised Code requires all Authorities to apply annual indexation in intervening years for Property, Plant & Equipment assets that have not been subject to formal valuation during that period.

5.3 The Council currently undertakes valuations of each Asset Category on a five-year rolling basis. Historically, material assets were revalued in addition to this schedule to ensure valuations remained materially accurate.

5.4 The Accounting Policies may be expanded following this meeting to specify the indices to be applied once a valuer has been appointed after the tender process.

5.5 The only other amendment to the Accounting Policies for 2025/26 relates to insurance charges. These will now be fully recognised in the year of payment, rather than accrued across financial years. This change will significantly reduce officer time without having a material impact on the financial statements.

5.6 This latest review found that no other changes were required to the Accounting Policies to be adopted for the 2025/26 Financial Statements.

6 Financial and Value for Money Considerations

6.1 As set out in the Accounting Policies.

7 Risk Assessment

7.1 Failure to adequately follow Accounting Policies could result in misrepresentation and potential qualification of the Accounts.

8 Legal Implications

8.1 The Accounts are to be prepared in accordance with the Code of Practice on Local Authority Accounting of which the Accounting Policies form an integral part.

9 Cross Cutting Issues

9.1 Equalities and Diversity

9.1.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	None
Annexes	Annex 1 - Accounting Policies 2025/26

1. ACCOUNTING POLICIES

a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26*. The Code is based on levels of approved accounting standards:

- International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB).
- International Accounting Standards (IAS) approved by the International Accounting Standards Committee (IASC).
- Interpretations originating from the International Financial Reporting Interpretations Committee (IFRIC).
- Interpretations originating from the Standing Interpretations Committee (SIC).
- International Public Sector Accounting Standards (IPSAS) approved by the International Public Sector Accounting Standards Board (IPSASB).
- Financial Reporting Standards (FRS) approved by the Accounting Standards Board (ASB).
- Statements of Standard Accounting Practice (SSAP) approved by the Accounting Standards Committee (ASC).
- Urgent Issues Task Force's (UITF) Abstracts.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

b) Qualitative Characteristics of Financial Information

- Relevance - in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- Reliability - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The Accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.
- Comparability - the Accounts contain comparative information about the Council so that performance may be compared with a prior period.
- Understandability - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- Materiality - an item of information is material to the Accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.

- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

d) Accruals and Revenue Recognition

Income and expenditure is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.
- There is a de-minimis limit for revenue accruals of £1,000 and there is a de-minimis limit of £10,000 for capital scheme accruals (this can be made up of multiple invoices). Transactions below this limit are not generally accrued for as they are deemed immaterial to the understanding of the accounts. There will be exceptions where accruals are raised below these limits, depending on the nature of the transaction.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Income from garden waste customers is apportioned between years to account for the service that they have paid for in the current and following financial years.

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles are electricity, gas and similar periodical payments (excluding council offices) which are charged at the date of meter reading rather than being apportioned

between financial years and insurance payments which will now be recognised in the year they are paid. Penalty charge notice income, income from car parks, land charges income, licensing fees and planning application and building control fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

e) Assets Held for Sale

Non-current assets that have been identified for sale by the Council will be reclassified as current assets when the asset is being actively marketed and has a high probability of sale within twelve months of the Balance Sheet date.

f) Cash and Cash Equivalents

Internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value). Externally Managed funds normally comprise of investments that cannot be easily realised and are excluded from this heading.

g) Council Tax and National Non-Domestic (Business) Rates

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for Kent County Council, Police and Crime Commissioner for Kent and Kent Fire and Rescue in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

Similarly, the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.

In addition, included in the Comprehensive Income and Expenditure Statement is our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

h) Contingent Assets and Liabilities

Contingent assets will not be recognised in the accounting statements, they will be disclosed by way of notes, if the inflow of a receipt or economic benefit is probable. Such disclosures should indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities will not be recognised in the accounting statements, they will be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability, the Council should disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

i) **Debt Write-Off**

The Head of Finance approves and/or recommends the write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical or in the opinion of the Head of Finance there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs the Head of Finance makes an impairment allowance taking into account the size and age of the debt outstanding and the likelihood of recovery.

j) **Employee Benefits**

Under the Code employee benefits are accounted for when the Council is committed to pay an employee. Employee benefits are split into three categories.

Benefits Payable during Employment

This covers:

- Short-term employee benefits, such as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees, but payable twelve months or more after the end of the reporting period (e.g. long-service awards).

Termination Benefits

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure will involve the payment of termination benefits, any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus / deficit in a pension scheme. The surplus / deficit in a pension scheme is the excess / shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The

Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation was on 31 March 2022 and will determine contribution rates for the three-year period from April 2023 to March 2026.

k) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 31 January 2027.

Events arising after the Balance Sheet date and before the above date will be reflected in the Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included (adjusting events). Such events:

- could materially alter an estimate of, for example, debtors, creditors or an impairment allowance previously identified in the accounting processes;
- could substitute a materially different actual figure for an estimate; or
- could reflect a permanent impairment or betterment in the financial position, but only where the originating event took place prior to the year-end and the amounts are considered material to the Accounts.

l) Exceptional Items and Prior Period Adjustments

Exceptional items, when they occur, are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts. A description of any exceptional items will be given within the notes to the Accounts.

Prior period adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the appropriate opening balances for the cumulative effect.

m) Financial Instruments

Financial instruments are broken down between financial assets (cash, investments and some categories of debtors) and financial liabilities (loans payable and some categories of creditors).

Although there are three classifications for the valuation of financial instruments, only two are relevant to the types of investments held by the Council, being either amortised cost or fair value through profit and loss (Comprehensive Income and Expenditure Statement).

Debtors and creditors are measured at fair value and are carried in the Balance Sheet at amortised cost.

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as amortised cost or fair value through profit and loss.

Loans and receivables are assets that have fixed or determinable payments, but are not quoted in an active market, these are measured at fair value and are carried on the Balance Sheet at amortised cost.

Assets classified as fair value through profit and loss have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value through profit and loss.

Accrued interest is shown as part of the investment balance. This is a departure from the Code which requires accrued interest to be shown as part of the debtors balance. Accrued interest receivable within 364 days of the Balance Sheet date will be recognised as part of the short-term investment balance on the Balance Sheet, irrespective of the date of maturity of the investment.

Gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Statute however requires unrealised gains and losses on investments classified as fair value through profit and loss to be subsequently transferred via the Movement in Reserves Statement to the Balance Sheet.

n) Foreign Currency Transactions

Any gains or losses arising from exchange rate fluctuations will be charged to the Comprehensive Income and Expenditure Statement in the year of payment or receipt.

o) Government Grants and Other Contributions

Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Statement in the same period as the related expenditure was incurred.

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and New Homes Bonus are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

p) Inventories

Inventories are valued at the latest price paid. This is a departure from the requirements of the Code and IAS 2 (Inventories), which require stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material.

q) Leases

The Authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether

they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance Leases

The Council currently has no finance lease arrangements.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

r) Non-Current Assets

The Council has set a de-minimis level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. IT equipment is below the de-minimis level, but the aggregate value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.

Property, plant and equipment is split into five classes as described below.

Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets
Community Assets	Assets Under Construction	

The policy for each type of asset is explained as follows.

Land and Buildings

The Borough Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. These valuations will be supported by indexation in intervening years. The programme is as follows:

Asset Category	Year of Valuation	
Council Offices	2021/22	Completed
Car Parks	2021/22	Completed
Leisure Premises	2022/23	Completed
Properties for Community Use	2023/24	Completed
Public Conveniences	2024/25	Completed
Car Parks	2025/26	

The Council's Car Parks were revalued in 2024/25 and will be revalued again in 2025/26 following fee increases and changes to some parking orders.

Further to the HM Treasury's Thematic Review of Non-investment Asset Valuations for financial reporting the CIPFA/LASAAC code has been updated to require all Authorities to provide annual indexation in intervening years for PPE assets not valued during that period. If the impact of any indexation calculations is deemed to be immaterial, then the asset values will not be adjusted within the Accounts. Indexation will be considered based on the cumulative impact since the last valuation. Changes to the valuation of non-current assets through indexation and/or revaluations are accounted for through the revaluation reserve or the surplus/deficit on provision of services.

The valuation reviews are carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS) and based on the market value for existing use or where a market value cannot be determined as the property is of a specialist nature the depreciated replacement cost. The method used on the current year's valuation will be explained in the notes to the Accounts. Items of plant that are integral to the operation of a building are included in the valuation for that building.

All buildings are subject to straight line depreciation over their estimated useful lives which range between 15 and 125 years depending on the building. In accordance with the Code, land is not depreciated.

The Note to the Core Financial Statements in respect of Non-Current Assets provides details of the asset class, Land and Buildings, rather than for each of the categories listed above that make up that asset class. This departure from the requirements of the Code has no financial impact and is not considered to detract from the message being given to the reader of the accounts.

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is significant in relation to the gross book value of the asset.

Vehicles, Plant and Equipment

Vehicles, Plant and Equipment, other than plant that is integral to the operation of a building, are recognised in the Balance Sheet at historic cost and are subject to straight line depreciation over a period of between 2 and 30 years.

Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of Infrastructure Assets are street furniture, footpaths and signage.

These assets are carried on the Balance Sheet at historic cost.

These assets are subject to straight line depreciation over a period of between 3 and 40 years.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and open spaces.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

Assets under Construction

This covers assets not yet ready for operational use but expected to be operational within twelve months of the Balance Sheet date. Assets under Construction are not subject to revaluation or depreciation.

Heritage Assets

Heritage assets are defined as historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Heritage assets where the Council holds information on their cost or value are to be recognised on the Balance Sheet which will normally be its insured value. Where the Council does not hold information on the cost or value, and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts such details as the Council holds are to be included in the notes to the financial statements.

Heritage assets are not subject to depreciation.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

For the purposes of investment property fair value will be determined at level 2 using market knowledge and indices on market values of compatible properties.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and controlled by the Council through custody or legal rights. Intangible Assets held by this Council currently consist of IT software and associated costs.

Intangible Assets are recognised on the Balance Sheet at historic cost, are not subject to revaluation, but are amortised over their useful economic life assessed to be 5 years for IT software and associated costs.

Impairment of Non-Current Assets

A review for impairment of a non-current asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the non-current asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in a non-current asset's market value during the period;
- evidence of obsolescence or physical damage to the non-current asset;
- a significant adverse change in the statutory or other regulatory environment in which the Council operates; and
- a commitment by the Council to undertake a significant reorganisation.

In the event that impairment is identified the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist or written off to revenue through the Comprehensive Income and Expenditure Statement. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer assessing the value of the impairment.

Gains or Losses on Disposal of Non-Current Assets

When an asset is disposed of or de-commissioned, the net book value of the asset and the receipt from the sale are both charged to the Comprehensive Income and Expenditure Statement which could result in a net gain or loss on disposal.

Receipts in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure. Receipts below £10,000 are considered de-minimis and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

s) Overheads

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on Services and costs of buildings are apportioned on a floor area basis.

t) Provisions

The Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but uncertain as to the amount or the date on which they will arise. Provisions are recognised when:

- the Council has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

u) Reserves

The Council maintains both general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves, such as the building repairs reserve are for specific purposes. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement, this is then offset by a reserve appropriation within the Movement in Reserves Statement.

v) Revenue Expenditure Funded from Capital Under Statute

This is expenditure of a capital nature on non-current assets not owned by the Council, for example house renovation grants. Under the Code this is revenue expenditure and as such the

expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute, however, allows such expenditure to be funded from capital resources. In our case such expenditure is mainly funded from revenue or reserves.

w) Value Added Tax (VAT)

VAT is included within the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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Audit Committee

26 January 2026

Part 1 - Public

Matters for Information



www.tmbc.gov.uk

Cabinet Member Cllr Martin Coffin, Cabinet Member for Finance

Responsible Officer Paul Worden, Head of Finance and Section 151 Officer

Report Author Karen Herbert, Audit Lead; and Kevin Holyoak, Interim Deputy Counter Fraud Manager

Internal Audit and Counter Fraud Quarter 2 Progress Report

1 Summary and Purpose of Report

1.1 This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.

2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective Council.

2.2 The provision of Internal Audit and Counter Fraud Services provides assurance on Council procedures and policies.

3 Recommendations

3.1 Members are asked to:

NOTE this Internal Audit and Counter Fraud Progress Report as a source of independent assurance regarding the risk, control, and governance environment across the Council, noting the outcomes from audits completed since September 2025 and the Counter Fraud activity for the period.

4 Introduction and Background

4.1 The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined by the Global Internal Audit Standards (GIAS) and CIPFA's Local Government Application Note to the PSIAS.

4.2 The GIAS requires Internal Audit to report periodically to senior management and the board on the Internal Audit activity's purpose, authority, responsibility, and performance relative to its plan.

5 **Proposal**

5.1 This Progress Report, attached at **[Annex 1]** provides the Audit Committee with an accumulative summary view of the work undertaken by Internal Audit and Counter Fraud for the period September 2025 to December 2025, together with the resulting conclusions where appropriate.

5.2 The report also provides details of additions and amendments to be made to the Internal Audit Plan for 2025/26.

6 **Financial and Value for Money Considerations**

6.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient, and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

6.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Local Government Counter Fraud and Corruption Initiative. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

7 **Risk Assessment**

7.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its framework for governance, risk management and control.

7.2 Failing to have an efficient and effective Counter Fraud function could lead to an increased level of fraud. This report, summarising the work of the Counter Fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

7.3 The Internal Audit and Fraud Plan is intended to ensure that the work of the Internal Audit and Fraud Team is effectively directed. For this very reason, the process for preparing the Plan is itself informed by an assessment of the risks and audit needs of the Council. Members' endorsement of the Internal Audit and Fraud Plan for the year 2025/26 ensures that the status of the Plan is maintained.

8 Legal Implications

- 8.1 The Accounts and Audit Regulations place a statutory requirement on local authorities to undertake an adequate and effective Internal Audit of systems of risk management, governance, and control in line with Internal Audit Standards.
- 8.2 The Council has a legal duty under s151 of the Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.
- 8.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

Background Papers	None
Annexes	Annex 1 – Internal Audit and Counter Fraud Progress Report

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**INTERNAL AUDIT AND COUNTER FRAUD
PROGRESS REPORT
AUDIT COMMITTEE
26th January 2026**

1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

This activity report provides Members of the Audit Committee and Management with a summary of completed work between September and December 2025.



2. Key Messages

- 3 audits have been finalised to final report in the period. The summaries are contained in **Appendix A**
- 6 of 20 originally agreed audits from the 2025/26 rolling Audit Plan have been completed to at least draft report stage, plus one grant review.
- A further 5 audits are in Fieldwork, and 5 audits are in Planning. The status of all audits on the 2025/26 plan is detailed in **Appendix B**
- There has been one amendment to the 2025/26 Audit Plan. Due to timings of the rollout of the updated Risk Management Policy and Procedures, the planned Risk Management audit has been deferred to 2026/27. This audit has been replaced with an audit of the Annual Service Delivery Plan 2025/26, the activities and performance targets outlined in the plan directly link with delivering and embedding the TMBC Corporate Strategy.
- The External Quality Assessment (EQA) is now underway, the assessor is evaluating KCC Internal Audit conformance against each of the 5 domains set out in the Global Internal Audit Standards. A report is expected in March 2026, both the report and any subsequent action plans developed will be presented at a future Audit Committee.
- The Counter Fraud Team were Highly Commended by the CIPFA 2025 Public Finance Award Judges in the Outstanding Fraud Prevention, Detection and Recovery category. The nomination was in respect of the work done on developing a Counter Fraud Culture across Kent County Council and our client base.

3. Resources

In accordance with the Global Internal Audit Standards, Members need to be apprised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

- The Head of Internal Audit and Counter Fraud Service left the service at the beginning of September 2025 – interim arrangements remain in place; an interim Head of Internal Audit and an Interim Head of Counter Fraud have been internally resourced until a recruitment exercise is undertaken to fill the post permanently.
- Recruitment for a Data Analyst has concluded, this position will be filled from the end of January 2026. This role is anticipated to enhance our capabilities in this area and aid with delivery of our Data Analytics Strategy.
- An additional Principal Auditor has been recruited into the service to support delivery.
- Internal Audit continues to review the functionality of the K10 Vision Audit Management Software implemented last year and are working with the provider with proposals to continue to develop reporting modules.
- The use of Artificial Intelligence is actively being explored to create efficiencies and enhance delivery.

4. 2025-26 Internal Audit Plan

The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2025-26 Audit Plan.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	1	5%
Planning	5	25%
Fieldwork	5	25%
Ongoing	1	5%
Draft Report	0	0%
Final Report	6	30%
On Hold	0	0%
Removed/ Deferred	2	10%
Total	20	100%

Table 2 – Summary of Audits by Committee Meeting

With each Progress report, Internal Audit turns the spotlight on the audit reviews, providing the Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the report summaries for the audits detailed below are provided at **Appendix A** for the Committee's information and discussion.

Audit Definitions are provided at **Appendix C**

Page Ref	Audit Committee 26th January 2026			
	Audit	Status	Assurance	Prospects for Improvement
TM02-2026	Appraisal Process	Complete	Adequate	Good
TM03-2026	IT Asset Management	Complete	Adequate	Good
TM06-2026	Gibson Accommodation Project (Ongoing Embedded Assurance)	Complete	N/A - Advisory only	N/A - Advisory only

5. Quality Assurance and Improvement Programme

5.1 As previously presented to the Audit Committee, a new set of Global Internal Audit Standards (the Standards) are now in effect from January 2025. The Standards are arranged into 5 Domains (with 53 individual standards):

- I. Purpose of Internal Auditing
- II. Ethics and Professionalism.
- III. Governing the Internal Audit Function
- IV. Managing the Internal Audit Function
- V. Performing Internal Audit Services

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5.2 An assessment has previously been undertaken to identify areas for improvement or enhancement to the practices of Internal Audit to ensure compliance with the Standards. Actions have been identified against each of the standards where either improvement or enhancement is required. These actions have been considered against the new CIPFA application note for the UK Public Sector that has been released to aid application of the standards.

5.3 The External Quality Assessment (EQA) is underway, Internal Audit have completed a self-assessment of compliance with the Global Internal Audit Standards and this will be reviewed by the assessor who will be evaluating conformance against each of the 5 domains set out in the Standards. A report is expected in March 2026, both the report and any subsequent action plans developed will be presented at a future Audit Committee.



6. Issue Implementation

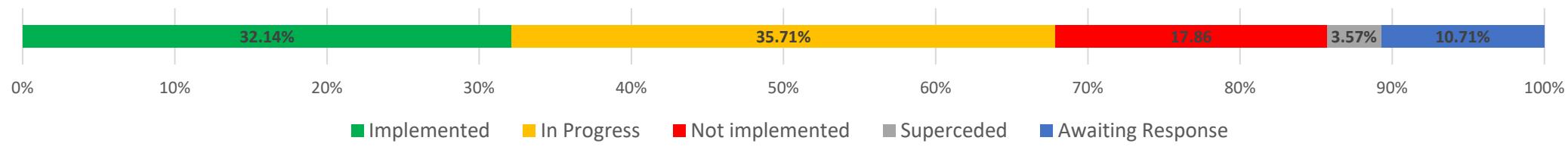
Management Actions identified to address audit findings are followed up to ensure implementation. There are 28 recommendations due for implementation, of which 10 recommendations have been implemented or superseded resulting in 18 being outstanding. The status of the outstanding 18 actions are categorised below by the risk priority assigned in the original report.

- There are currently 5 overdue Medium risk issues Not Implemented, 3 relate to Taxi Licensing and 1 relating to Disabled Facilities Grant, these audits were both completed in 2023, the remaining issue relates to Starters, Movers and Leavers and became due in December 2025.
- The superseded High risk issue relates to GDPR and specifically deletion of data, an audit of GDPR data retention is currently in planning to provide assurance on this.
- The “awaiting a response” Medium risk issues, 2 relate to Digital Strategies and became due in November 2025, the remaining relates to IT Development and a revised Implementation date had been agreed of 31/03/2025.

Summary of Issue Implementation

Risk Priority	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded		Awaiting a Response	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	3	25	2	7	0	10	0	5	1	0	0	3
Total %		32.14%		35.71%		17.86%		3.57%		10.71%		

Overall Implementation of Agreed Management Actions

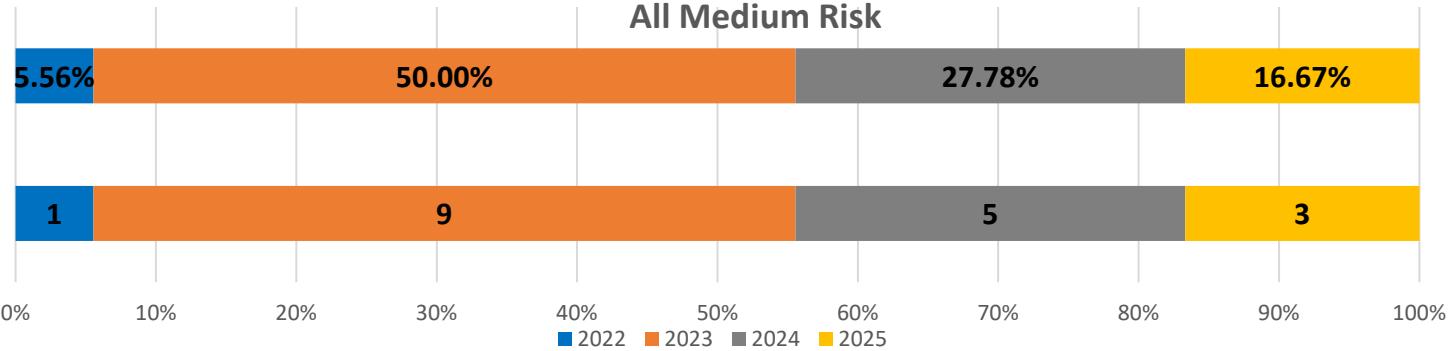


Progress on longstanding issues.

- 18 issues remain In Progress (10), Not Started (5), or Awaiting Response (3) for the period. All are Medium Risk.
- The three longest standing issues have been open beyond their original implementation date for over 2 years. Updates and revised implementation dates are detailed below.

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Issues in Progress, Not Started or Awaiting Response by year raised



Audit/Issue Title	Priority	Original Date	Revised Date	Description and Most Recent Update Provided
Taxi and Vehicle Licensing and Monitoring - Establishing whether the current number of approved garages is appropriate	Medium	31/08/2023	30/04/2025	22.01.2024 Analysis of Garages being used completed, letters to be sent to all garages to establish those who wish to continue providing service and then select those garages to continue with and update garages contracts and MOU's. Update July 25 – no progress made, the person assigned with this project, a temporary agency Licensing Officer did not progress this and no longer works for TMBC.
Taxi and Vehicle Licensing and Monitoring - DBS Certificates for license renewals	Medium	31/10/2023	30/04/2025	22.01.2024 The Licensing Team is actively looking for an outside provider to run the DBS checks for applicants, if they are not already registered with the on-line update service. Update July 25 The provider we identified was HR Connect and was not progressed due to resource issues.
Taxi and Vehicle Licensing and Monitoring - Contracts and service level agreements with approved garages	Medium	31/10/2023	30/04/2025	22.01.2024 Letters sent to all garages asking them to confirm they wish to continue providing the vehicle safety checks and advising that SLA would be issued. This never progressed - Update July 2025 – no progress made, the person assigned with this project, a temporary agency Licensing Officer did not progress this and no longer works for TMBC.

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7. Counter Fraud Update

Prevention and Detection of Fraud, Bribery and Corruption

This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption during the second quarter of the financial year of 2025/26.

National Fraud Initiative

The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2024/25 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

 The National Fraud Initiative (NFI) reports its data on a calendar-year basis (January to December), whereas TMBC reports quarterly aligned to the financial year (April to March). This difference in reporting periods can create a disconnect, as NFI data may include cases that fall outside TMBC's quarterly reporting framework.

 The Counter Fraud Team reports on the activity it carries out each quarter. This ensures that the outcomes from NFI-related work are clearly aligned with TMBC's internal reporting cycle, providing transparency and consistency in how results are presented within the financial year framework.

The NFI biennial and annual data exercise is progressing with matches being reviewed by relevant teams. A summary of the biennial exercise is shown in **Annex D** and a summary of the annual exercise is shown in **Annex E**.

The annual exercise (Single Person Discount to Register of Electors) forms part of the Kent Intelligence Network activity, reported on the next page.

The biennial exercise will be reviewed during quarter 3 as resources concentrate on completing the annual exercise. It is noted that the biennial exercise does take time to investigate and complete due to their nature and at time dependencies on DWP payable benefits impacted on TMBC abilities to update accounts.

7. Counter Fraud Update

Kent Intelligence Network (KIN)

The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2025/26 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business and residential premises. Q2 2025/26 the following results have been achieved:

Single person discount reviews from fraud referrals increased council tax liability by £13,106. Total value of single person discounts removed during Q2 is £43,998.

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The 2025/26 rolling total single person discounts removed £64,725, with increased liability totalling £19,994. Shown in **Annex F**.

Unrated businesses, 3 cases have been sent to the valuation office, with them closing 2 with no further action with 1 open case awaiting the valuation office to assess liability.

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The 2025/26 rolling total referrals to the valuation office are 7 with 4 being closed with no further action 3 open cases awaiting the valuation office to assess liability.

Unrated residential premises missing council tax total 23 cases. 5 referred to the valuation office, 1 has been closed with no further action with 17 awaiting the valuation office to assess liability.

The 2025/26 rolling total cases are 26 with 3 being closed with no further action. There are 23 cases currently awaiting the valuation office to assess liability.

The 2025/26 rolling total of debtors being traced is 103, resulting in £232,137 of debt that can be actively pursued for further recovery action.

7. Counter Fraud Update

Investigating Fraud, Bribery and Corruption

A summary of cases referred or carried into the current quarter can be found in **Annex G**.

A total of 26 new referrals have been received by the Counter Fraud Team in Q2 2025/26. The most reported fraud type involves Council Tax Reduction and DWP benefits, such as Housing Benefits and/ or universal credit, totalling 16 referrals.

The second most reported fraud type is Single Person Discount on council tax, where a total of 8 referrals have been reported. Further detail is available in **Annex H**.

In Q2 2025/2026, 19 referrals have been closed.

- 6 closed - error identified and corrected with a recoverable value of £3,987.
- 6 referrals sent to partner agency, DWP.
- 6 referrals closed no further action / investigation complete / insufficient evidence.
- 1 financial recovery only.

A total of 48 cases from 2025/26 are currently open and live.

- 18 Housing Benefit / UC.
- 13 Single Person Discount.
- 4 Council Tax Reduction / Exemption.
- 2 Business Rate Relief.
- 5 Homeless / Housing Application.
- 6 Other.

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TM06-2026 Gibson Accommodation Project

Audit Objective	Internal Audit were engaged on a consultancy basis, to provide embedded assurance and advice on pre-agreed aspects of project management for the delivery stage of the Gibson Accommodation Project. Internal Audit evaluated the controls in place to effectively manage the Project and provide assurance that risks are being mitigated.	Audit Opinion		Prospects for Improvement	
		N/A		N/A	
	Actions	Number	Agreed	Risk Accepted	
High	0	0	0	0	
Medium	3	3	0	0	
Low	1	1	0	0	

Key Strengths		Areas For Development	
Effective project scheduling and monitoring	The project uses a Gantt chart for scheduling and tracking, which is regularly updated to reflect changes and delays.	Low	Financial Planning: Confirm when the £200k savings from the Gibson West sale will be realised and ensure this timing is accurately reflected in the MTFP.
Governance and oversight	Monthly Project Schedule Reports are presented to the Corporate Property Delivery Board, attended by senior leadership, ensuring visibility and accountability.	Low	Project Resources: Maintain an up-to-date resource plan to clarify roles, responsibilities, and availability, supporting effective planning and risk reduction.
Responsive risk management	New risks, such as those related to Biodiversity Net Gains, are promptly captured in the risk register and escalated for discussion at governance level.	Low	Risk Management: Update the risk register to include contractor-specific risks with mitigations and ensure consistency with reports to the Corporate Property Delivery Board.
Active stakeholder engagements	Regular staff updates via Staffnet and representation from each Directorate in the Office Space Working Group demonstrate ongoing communication and feedback mechanisms.	Low	Change Control: Implement a simple change log to record potential changes, decisions, impacts, and approvals, providing transparency and an audit trail.
		Low	Benefits Realisation: Document all intended benefits, create a proportionate tracking plan with key KPIs, and integrate benefits tracking into project closure to demonstrate outcomes.

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TM02-2026 Appraisal Process

Audit Objective	<p>As part of the 2025/26 Audit Plan, it was agreed that Internal Audit would undertake a review of the appraisal process. The aim of the audit was to provide assurance that the recently implemented new appraisal process had been adhered to across the organisation, that it aligned with best practice guidance, the Corporate Strategy 2023-27, and Annual Service Delivery Plan 2025/26.</p>			
	Audit Opinion	Prospects for Improvement		
	Adequate	Good		
	Actions	Number	Agreed	Risk Accepted
	High	0	0	0
	Medium	3	3	0
	Low	1	1	0

Key Strengths		Areas For Development		
Framework	✓ Appraisal policy and guidance is clear and accessible and aligned with strategic priorities. ✓ Policy objectives, responsibilities, timelines, and performance criteria are well defined.	Medium	Inconsistent Monitoring of Appraisal Completion: Appraisal completion is tracked manually using spreadsheets and MS Forms. Reporting is informal, with limited visibility beyond Directors and the Chief Executive. There is no formal dashboard, reporting schedule, or evaluation mechanism in place.	
Compliance	✓ Adequate HR oversight of completion ✓ Comprehensive training materials are available for managers and staff..	Medium	Limited uptake of existing training or feedback regarding its effectiveness: TMBC provides a wide range of training materials to support the appraisal process; however, participation is not mandatory, and uptake remains low. Informal feedback relating to this training is not systematically captured.	
Quality & Consistency	✓ A structured online appraisal form encourages reflection and goal setting. HR support reinforces consistency and quality. ✓ Plans in place for formal training rollout and uptake improvement in 2026/27.	Medium	Limited Integration of Appraisal Outcomes with Development and Performance Management: Appraisal outcomes are intended to inform training and development, but there is no formal system to track or action them, and development planning remains informal and varies between departments.	
Staff Development	✓ Appraisal outcomes include identification of training needs and career aspirations. ✓ Workforce Development Strategy supports training and succession planning.	Low	Use of legacy appraisal forms: Some departments continue to use outdated appraisal forms, despite the launch of a new framework. In addition, there is uncertainty over the effectiveness of appraisal reporting.	
Reporting	✓ Appraisal completion rates are reported to Directors and Chief Executive. ✓ Plans are in place to develop reporting further with improved visibility through dashboards and for this to be rolled out to the wider management team.			

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TM03-2025 IT Asset Management

Audit Objective	<p>As part of the 2025/2026 Audit Plan, it was agreed that Internal Audit would undertake a review of the controls in place to manage the identification, maintenance, upgrade, and disposal of the Council's IT assets. This includes assessing whether IT assets are correctly classified and determining if any should be treated as capital assets.</p> <p>The aim of the audit is to provide assurance that IT asset management processes are robust, ensuring assets are accurately recorded, securely managed throughout their lifecycle, and disposed of in compliance with relevant legislation and best practice. The audit will also seek to confirm that risks relating to security, compliance, and financial efficiency are effectively mitigated.</p>

Audit Opinion		Prospects for Improvement	
Adequate		Good	

Actions	Number	Agreed	Risk Accepted
High	0	0	0
Medium	3	3	0
Low	1	1	0

Key Strengths	
Asset Records and Reconciliation	<ul style="list-style-type: none"> ✓ Centralised asset register exists with expected mandatory fields (asset ID, custodian, lifecycle status) ✓ An audit trail mechanism captures changes and updates made via timestamps and unique identifiers ✓ Role-based access controls to the asset register system are in place with tiered permissions (Viewer, Technician, Maintenance, Audit, System Owner), reducing risk of unauthorized changes.
Physical Asset Management Procedures (including Acquisition, Loss, Theft, or Disposal)	<ul style="list-style-type: none"> ✓ Procedures for recording, storing and allocating new assets were observed and considered to be robust. ✓ Encryption enforcement and remote wipe capabilities are operational through Microsoft Intune, reducing risk of data exposure from lost or stolen devices. ✓ Approved disposal vendors hold ISO27001, ISO14001, and ADISA certifications, and provide detailed WEEE documentation and environmental compliance statements.

Areas For Development	
Medium	<p>Content and Governance of the ITAM Policy Absence of specific and detailed IT asset management procedures and no evidence of periodic policy review.</p>
High	<p>Inaccurate and Inefficient Asset Register Management Outdated or Incomplete location data in the asset register - references to rooms that no longer exist post-relocation to Gibson West building. Physical verification of asset location was possible, however relied on informal knowledge. Additionally audit found a lack of regular reconciliation or audit log reviews.</p>
Medium	<p>Disposal Governance and Physical Security Items disposed of lack links to, or reference to, the associated disposal certificates. Location fields not updated in the asset register when assets were moved to secure storage prior to disposal. Physical access controls for the garage are not currently supported by sign-in/out logs for keys.</p>
Medium	<p>Event Driven Lifecycle Management Asset refresh decisions are reactive based on OS end-of-life or warranty expiry rather than based on a formal schedule or prioritization criteria. No escalation process for overdue renewals and no linkage between helpdesk trends and refresh planning.</p>

Appendix B - 2025/26 Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
TM04-2026	Starters and Leavers	Complete	Adequate	Good	Sep-25
TM01-2026	Parking Enforcement	Complete	Adequate	Good	Sep-25
TM05-2026	UK shared Prosperity, Rural Prosperity Fund review	Complete	Substantial	Very Good	Sep-25
TM02-2026	Appraisal Process (SP and staff development)	Complete	Adequate	Good	Jan-26
TM03-2026	IT Asset Management	Complete	Adequate	Good	Jan-26
TM06-2026	Gibson Accommodation Project	Complete	N/A - Advisory	N/A - Advisory	Jan-26
TM07-2026	Waste Contract Re-tender	Fieldwork			
TM08-2026	Local Plan	Fieldwork			
TM16-2026	Corporate Credit Cards	Fieldwork			
TM20-2026	AGILE Withdrawal	Fieldwork			
TM14-2026	Housing Condition	Fieldwork			
TM19-2026	GDPR - Record Retention	Planning			
TM10-2026	Angel Centre	Planning			
TM09-2026	Town Centre	Planning			
TM17-2026	IT Cyber Security	Planning			
TM18-2026	EDI	Planning			
TM21-2026	Community Governance Review on Tonbridge Town Council	Not Started			
TM22-2026	Annual Service Delivery Plans (Addition January 2026)	Not Started			
TM13-2026	Home Upgrade Scheme Grant	Complete	N/A	N/A	
TM12-2026	Independent planning reviewer	Ongoing	N/A	N/A	
TM15-2026	Risk Management	Deferred to 26/27	N/A	N/A	
TM11-2026	Castle project	Cancelled	N/A	N/A	

Appendix C - Definitions

Audit Opinion

Page	High	Limited	
26	<p>Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>		<p>Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
26	<p>Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.</p> <p>Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.</p>	No Assurance	<p>Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.</p> <p>Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved</p>
Adequate	<p>Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

Prospects for Improvement		Issue Risk Ratings	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
Unertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.		

Appendix D – National Fraud Initiative – Biennial Exercise

NATIONAL FRAUD INITIATIVE 2024/2025

29-Sep-2025

AUTHORITY SUMMARY: Tonbridge & Malling Borough Council

No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
2 High	Housing Benefit Claimants to Student Loans, High Quality, Between Bodies		1	Not Opened	0	0	0	0	£0.00
27 High	Housing Benefit Claimants to Housing Benefit Claimants, High Quality, Between Bodies		1	Not Opened	0	0	0	0	£0.00
31 High	Housing Benefit Claimants to Housing Tenants, High Quality, Between Bodies		3	Opened	1	0	0	0	£0.00
47.6 Low	Housing Benefit Claimants to Taxi Drivers, Address Quality, Between Bodies		1	Not Opened	0	0	0	0	£0.00
49.1 High	Housing Benefit Claimants to Benefits Agency Deceased Persons, High Quality, Within Bodies		11	Opened	11	0	0	0	£0.00
78 Info	Payroll to Pensions, High Quality, Between Bodies		1	Opened	0	1	0	0	£0.00
80 High	Payroll to Creditors, Same Bank Account, Within Bodies		26	Not Opened	0	0	0	0	£0.00
81 Low	Payroll to Creditors, Address Quality, Within Bodies		1	Not Opened	0	0	0	0	£0.00
91 High	Housing Benefit Claimants to Waiting List, High Quality, Between Bodies		20	Not Opened	0	0	0	0	£0.00
172.3 High	Resident Parking Permit to Benefits Agency Deceased Persons, High Quality, Within Bodies		1	Not Opened	0	0	0	0	£0.00

IMPORTANT : This summary includes matches that occurred in previous years.

Appendix D – National Fraud Initiative – Biennial Exercise

NATIONAL FRAUD INITIATIVE 2024/2025

AUTHORITY SUMMARY: Tonbridge & Malling Borough Council

29-Sep-2025

No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
240 High	Waiting List to Housing Benefit Claimants, High Quality, Within Bodies		1	Not Opened	0	0	0	0	£0.00
241 High	Waiting List to Housing Benefit Claimants, High Quality, Between Bodies		2	Not Opened	0	0	0	0	£0.00
257 High	Waiting List to Waiting List, High Quality, Between Bodies		2	Not Opened	0	0	0	0	£0.00
261 High	Waiting List to Benefits Agency Deceased Persons, High Quality, Within Bodies		2	Not Opened	0	0	0	0	£0.00
435 High	Council Tax Reduction Scheme to Payroll, High Quality, Within Bodies		2	Not Opened	0	0	0	0	£0.00
436 High	Council Tax Reduction Scheme to Payroll, High Quality, Between Bodies		58	Not Opened	0	0	0	0	£0.00
436.1 High	Council Tax Reduction Scheme to Pensions, High Quality, Between Bodies		64	Not Opened	0	0	0	0	£0.00
440 Low	Council Tax Reduction Scheme to Payroll, Address Quality, Between Bodies		6	Not Opened	0	0	0	0	£0.00
440.1 Low	Council Tax Reduction Scheme to Pensions, Address Quality, Between Bodies		2	Not Opened	0	0	0	0	£0.00
446 High	Council Tax Reduction Scheme to Council Tax Reduction Scheme, High Quality, Between Bodies		3	Not Opened	0	0	0	0	£0.00

IMPORTANT : This summary includes matches that occurred in previous years.

Appendix D – National Fraud Initiative – Biennial Exercise

NATIONAL FRAUD INITIATIVE 2024/2025

AUTHORITY SUMMARY: Tonbridge & Malling Borough Council

29-Sep-2025

No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
450 High	Council Tax Reduction Scheme to Housing Tenants, High Quality, Between Bodies		1	Not Opened	0	0	0	0	£0.00
456 Medium	Council Tax Reduction Scheme to Right to Buy, Medium Quality, Between Bodies		1	Not Opened	0	0	0	0	£0.00
459.1 High	Council Tax Reduction Scheme to Taxi Drivers, High Quality, Within Bodies		7	Not Opened	0	0	0	0	£0.00
459.2 High	Council Tax Reduction Scheme to Taxi Drivers, High Quality, Between Bodies		4	Not Opened	0	0	0	0	£0.00
459.6 Low	Council Tax Reduction Scheme to Taxi Drivers, Address Quality, Between Bodies		2	Not Opened	0	0	0	0	£0.00
476 High	Council Tax Reduction Scheme to Housing Benefit Claimants, High Quality, Within Bodies		4	Not Opened	0	0	0	0	£0.00
477 High	Council Tax Reduction Scheme to Housing Benefit Claimants, High Quality, Between Bodies		4	Not Opened	0	0	0	0	£0.00
480 High	Housing Benefit Claimants to Council Tax Reduction Scheme, High Quality, Between Bodies		3	Not Opened	0	0	0	0	£0.00
482 High	Council Tax Reduction Scheme to Benefits Agency Deceased Persons, High Quality, Within Bodies		15	Opened	15	0	0	0	£0.00

IMPORTANT : This summary includes matches that occurred in previous years.

Appendix D – National Fraud Initiative – Biennial Exercise

NATIONAL FRAUD INITIATIVE 2024/2025

AUTHORITY SUMMARY: Tonbridge & Malling Borough Council

29-Sep-2025

No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
483 High	Council Tax Reduction Scheme to HMRC Property Ownership		49	Not Opened	0	0	0	0	£0.00
483.1 High	Council Tax Reduction Scheme to HMRC Earnings and Capital		58	Not Opened	0	0	0	0	£0.00
483.2 High	Council Tax Reduction Scheme to HMRC Household Composition		385	Not Opened	0	0	0	0	£0.00
701 High	Duplicate creditors by creditor name		22	Not Opened	0	0	0	0	£0.00
702 High	Duplicate creditors by address detail		72	Not Opened	0	0	0	0	£0.00
703 High	Duplicate creditors by bank account number		29	Not Opened	0	0	0	0	£0.00
708 High	Duplicate records by invoice amount and creditor reference		300	Not Opened	0	0	0	0	£0.00
709 High	VAT overpaid		8	Not Opened	0	0	0	0	£0.00
711 High	Duplicate records by supplier invoice number and invoice amount but different creditor reference and name		5	Not Opened	0	0	0	0	£0.00
713 High	Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date		1	Not Opened	0	0	0	0	£0.00
750 High	Procurement - Payroll to Companies House (Director), High Quality, Within Bodies		4	Not Opened	0	0	0	0	£0.00

IMPORTANT : This summary includes matches that occurred in previous years.

Appendix D – National Fraud Initiative – Biennial Exercise

NATIONAL FRAUD INITIATIVE 2024/2025

29-Sep-2025

AUTHORITY SUMMARY: Tonbridge & Malling Borough Council

No.	Report Name	Total Recommended	Total All	Status	Processed	In Progress	Frauds	Errors	Savings
9999 Info	Individuals who appear on more than one of the standard reports		9	Not Opened	0	0	0	0	£0.00
TOTAL		1191			27	1	0	0	0.00

IMPORTANT : This summary includes matches that occurred in previous years.

Appendix E – National Fraud Initiative – Annual Exercise

TMBC 25/26 Quarter 2 – Annex E

ID	Report Title	Total All	Status	Processed	In Progress	Frauds	Errors	Outcome	CO Estimates	Overall Total	Quality
801	C Council Tax to Electoral Register	938	No Comments	138	23	0	34	£58,807.91	£38,254.88	£97,062.79	High
804	↗ Council Tax to All Datasets	938	No Comments	0	0	0	0	£0.00	£0.00	£0.00	High
805	C ↗ Council Tax to DDFI Deceased Persons	251	No Comments	231	1	0	0	£0.00	£0.00	£0.00	High
815.2	↗ ↗ Council Tax to HMRC Household Composition	961	?	Opened	6	1	0	£2,006.00	£1,721.60	£3,729.60	High
TOTAL		3,088		375	25	0	35	£60,815.91	£39,976.48	£100,792.39	

Appendix F – Kent Intelligence Network

Kent Intelligence Network

Referrals
New

89

Referrals
Closed

80

Awaiting
Decision

--

2025-26

2024-25

Q1

Q2

Q3

Q4

Financial Year	Financial Quarter	Origin Match	Accounts Adjusted	Discount Removed Current Year	Discount Removed Previous Years		Penalties	Future Loss	Funds Being Recovered
					£31,208.14	£11,914.31			
2025-26	Q2	NFI - electoral register	22	£12,790.34	£31,208.14	£1,050	£13,106.55	£43,998.48	
2025-26	Q1	NFI - electoral register	17	£5,619.42	£11,914.31	£700	£5,007.67	£17,533.73	
2025-26	Q2	NFI - HMRC	1	£860.80	£1,077.20	£70	£860.80	£1,938.00	
2025-26	Q1	Internal referral	2	£1,020.27	£234.96		£1,019.59	£1,255.23	
Total			42	£20,290.83	£44,434.61	£1,820	£19,994.61	£64,725.44	

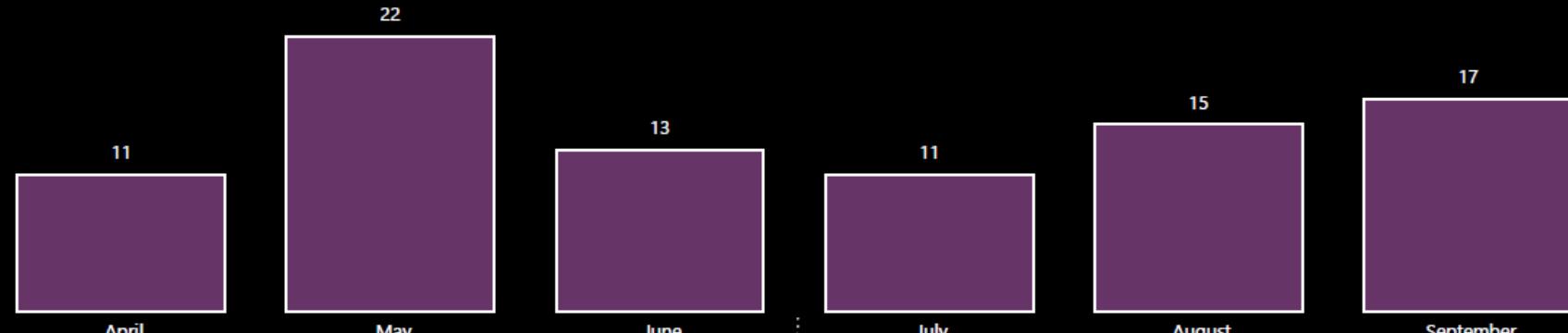
Deselect all

Internal referral

NFI - electoral register

NFI - HMRC

New Referrals



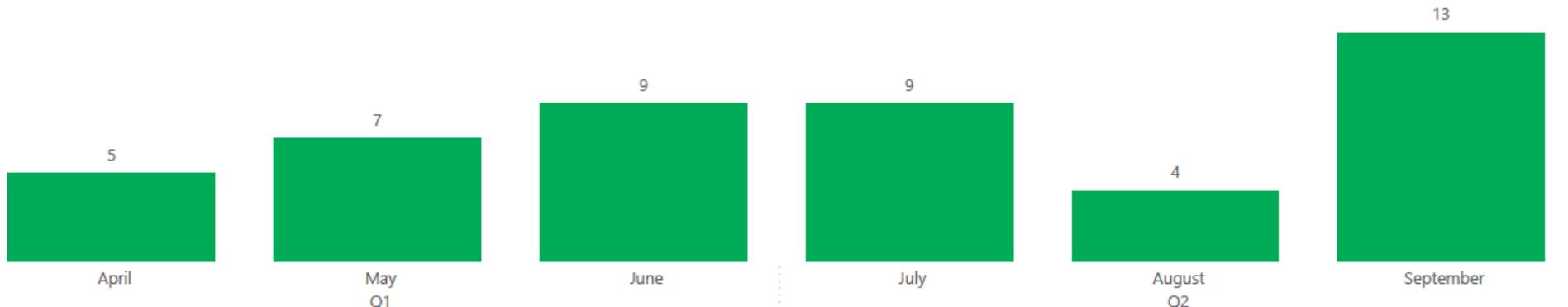
2025-26

Appendix G – Fraud Referrals Carried Forward

Tonbridge & Malling - Quarterly Return

Total Referrals	Referrals B/F	New Referrals	Open Referrals	Closed Referrals	Under Investigation	Awaiting Sifting	% Referrals Closed
83	36	47	48	35	20	1	42%

Referrals by Month

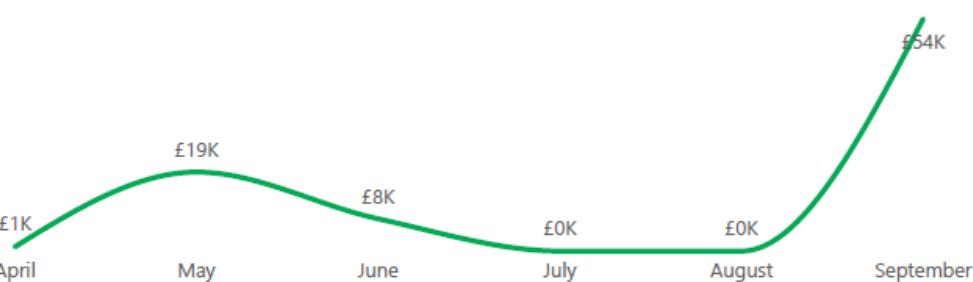


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Losses

Financial Quarter	Sum of Actual Loss	Sum of Potential Loss	Sum of Recovered Loss	Sum of Prevented Loss
Q1	28,644	£63,975.77	£27,384	£27,084
Q2	0	£74,205.21	£3,987	£54,463
Total	28,644	£138,180.98	£31,371	£81,547

Prevented Loss



2024-25

2025-26

Q1

Q2

Q3

Q4

Appendix H – New Fraud Referrals

Tonbridge & Malling - Quarterly Return

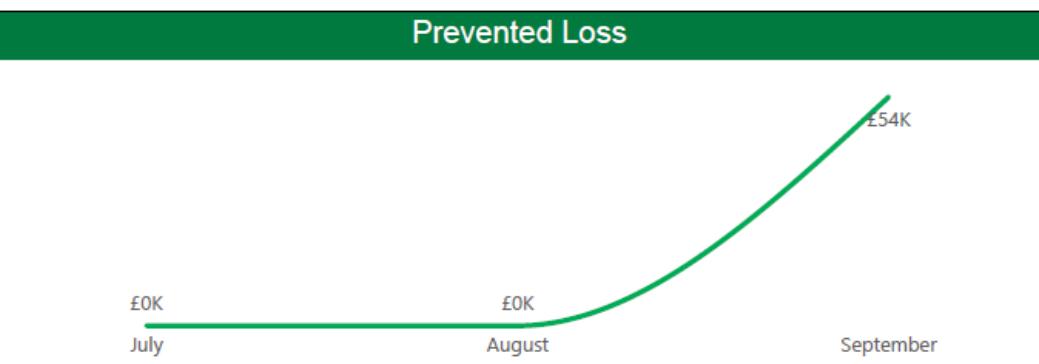
Total Referrals	Referrals B/F	New Referrals	Open Referrals	Closed Referrals	Under Investigation	Awaiting Sifting	% Referrals Closed
83	57	26	48	19	18	1	23%

Referrals by Month



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Losses				
Financial Quarter	Sum of Actual Loss	Sum of Potential Loss	Sum of Recovered Loss	Sum of Prevented Loss
Q2	0	£74,205.21	£3,987	£54,463
Total	0	£74,205.21	£3,987	£54,463



2024-25	2025-26	Q1	Q2	Q3	Q4
---------	---------	----	----	----	----

Audit Committee

26 January 2026

Part 1 - Public

Matters for Information



www.tmbc.gov.uk

Cabinet Member

Cllr Martin Coffin – Cabinet Member for Finance, Waste and Technical Services

Responsible Officer

Paul Worden – Head of Finance (Section 151 Officer)

Report Author

Paul Worden – Head of Finance (Section 151 Officer)

Grant Thornton Audit Progress Report and Sector Update

1 Summary and Purpose of Report

1.1 A progress report and update on emerging national issues and developments from our external auditor, Grant Thornton.

2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 An independent audit of the Council's finances and delivery of service helps to ensure efficiency is achieved.

3 Introduction and Background

3.1 Attached at **[Annex 1]** is a progress report and sector update from Grant Thornton covering information on a number of areas including:

- Progress on the 2025/26 Audit of the authorities' financial statements.
- Audit deliverables planned for the 2025/26 financial statements
- Public Sector updates concerning
 - 1) After the Backstop
 - 2) Ministerial changes concerning Local Government
 - 3) Autumn Budget 2025/26
 - 4) Local Government support from the LGA
 - 5) Fair Funding Review
 - 6) Latest developments in Local Government Reorganisation
 - 7) Preventative Spending
 - 8) The Covid 19 enquiry

- 9) The Renter Rights Act
- 10) Proposed new duty of candour and standards regime
- 11) Business cases for net zero
 - Healthy environments for resilient towns
 - Webinar for Audit Committee Members and
 - Audit Committee Resources available for Member

4 Financial and Value for Money Considerations

- 4.1 The fee for the audit of the 2025/26 Accounts is £158,740 compared to £163,828 for the 2024/25 audit.

5 Risk Assessment

- 5.1 As set out in the paper.

6 Legal Implications

- 6.1 As set out in the paper.

7 Consultation and Communications

- 7.1 None

8 Implementation

- 8.1 None

9 Cross Cutting Issues

- 9.1 Equalities and Diversity

- 9.1.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Background Papers	None
Annexes	Annex 1 – Grant Thornton Progress update

Tonbridge and Malling Borough Council

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Audit progress report and sector updates

January 2026



Agenda

1	Audit progress report	03
2	Introduction	04
3	Progress as at January 2026	05
4	Audit deliverables	06
5	Sector updates	07
6	Audit committee resources	21

Audit progress report

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

[Local government | Grant Thornton](#)

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Sophia or Bheki.

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Progress as at January 2026

Financial statements audit

We are currently developing plans for delivery of your 2025-26 financial statements audit, taking into account the statutory reporting deadlines of 31 January 2027 for 2025-26 financial statements and 30 November 2027 for the 2026-27 financial statements.

Whilst this may result in some adjustments to the timing of the Council's 2025-26 audit, we expect the schedule to remain broadly aligned our delivery of the 2024-25 audit.

We will share detailed logistics in the 2025-26 Audit Plan.

Value for money

The key dates for delivering our value for money work are as follows:

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- Draft Auditor's Annual Report (AAR) to be shared with management for comments in **early September 2026**.
- Final AAR to be presented to Audit Committee in **September 2026**.

Audit fees

PSAA published scale fees for 2025-26: [2025/26 audit fee scale - Page 3 of 4 – PSAA](#)

The Tonbridge and Malling Borough Council 2025-26 audit fee will be communicated in our Audit Plan. The fee is derived from the procurement exercise carried out by PSAA in 2022, reflecting both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Events

We plan to hold a webinar for [audit committee members on 10 February 2026](#). We will be discussing best steps to take "After the Backstop", including:

- ❖ Adding value to the financial reporting function; and
- ❖ How to navigate the external audit process with success.

We also plan to hold the [Annual Local Government Accounts webinar for preparers of accounts on 5 and 11 February 2026](#). Topics we will be discussing include:

- ❖ Aspects of financial reporting that are complex or challenging for 2025-26;
- ❖ Lessons from the implementation of IFRS 16, with good practice tips for Year Two;
- ❖ Avoiding pitfalls in financial instruments;
- ❖ Other common accounting and disclosure issues;
- ❖ Indexation for property, plant and equipment in 2025-26; and
- ❖ Revised statutory guidance affecting Minimum Revenue Provision.

Invitations for the all our webinars will be available shortly on our website or can be obtained from Sophia or Bheki.

Audit deliverables

Below are some of the audit deliverables planned for 2025-26

2025-26 Deliverables	Planned date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2025-26 financial statements.	April 2026	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	September 2026	Not yet due
Auditor's Report This includes the opinion on your financial statements.	September 2026	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	September 2026	Not yet due

Sector updates

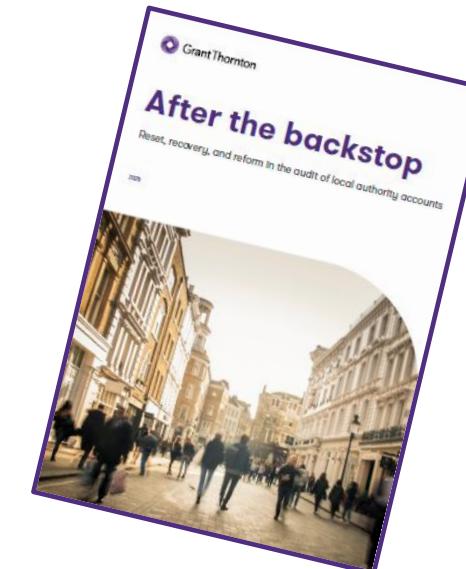
After the Backstop: Reset, recovery and reform in the audit of local authority accounts

- ❖ Our latest thought leadership report 'After the Backstop: Reset, recovery and reform in the audit of local authority accounts' is now available to read.
- ❖ Following the significant milestone of backstop legislation in September 2024, the backlog of unissued accounts has fallen dramatically. The challenge now is to rebuild assurance and secure a sustainable future for the system of local accounts production and audit. The reforms set out in the English Devolution and Community Empowerment Bill are essential to restoring trust and accountability to the local audit system.
- ❖ In our March 2023 publication 'About time?' we explored the reasons for delayed publication of audited local authority accounts and set out our recommendations for key stakeholders in the local audit system.
- ❖ The backlog of unissued audit opinions peaked some months after our report at 918, on 30 September 2023. The Department for Levelling Up, Housing and Communities (DLUHC) and subsequently the Ministry of Housing, Communities and Local Government (MHCLG) conducted consultations on reset and reform in the local audit system, leading to secondary 'backstop' legislation to clear the backlog. This was a necessary step, allowing auditors and authorities to focus on current periods of account, but it brought with it new challenges, as over 200 authorities received one or more audit disclaimers .
- ❖ In this report we explore the development and implementation of a 'reset' of the local audit system, the immediate and longer-term consequences of the 'backstop' before turning attention to the reform of the system, the challenges involved in returning to widespread and sustainable compliance with audit reporting timeframes and what, in our view, is needed next.
- ❖ The English Devolution and Community Empowerment Bill paves the way for the creation of a long-awaited and much-needed systems leader for local audit, the Local Audit Office (LAO).

- ❖ Key stakeholders including local audited bodies, the audit firms, the Ministry of Housing, Communities and Local Government (MHCLG), Public Sector Audit Appointments (PSAA), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Chartered Accountants in England and Wales (ICAEW) will need to support the successful establishment of the LAO to address the crisis in local public audit.
- ❖ All key stakeholders in the local audit system will need to continue their efforts to secure a return to high levels of compliance with timely publication of accounts with unmodified audit opinions. We explore the challenges to establishing and maintaining a sustainable future for local audit in this report. In our full report, we make several recommendations to secure that sustainable future.

The full report is available here:

[Local audit reset: What comes after the backstop? | Grant Thornton](#)



Changes at the top, but no sudden twists and turns

Key information for audit committees to be aware of:



Steve Reed replaced Angela Raynor as Secretary of State for Housing, Communities and Local Government on 5 September 2025.

Siân McDonnell replaced Jim McMahon as Minister of State at the Ministry of Housing, Communities and Local Government on 6 September 2025.

With Mr Reed moving from the Department for Environment, Food and Rural Affairs, and Ms McDonnell moving from the Department for Work and Pensions, it was hard not to wonder what the impact would be on the government's manifesto commitment to build 1.5 million homes by the end of this parliament.

Steve Reed assured Councillors at the September 2025 Labour party conference in Liverpool that there are going to be no "sudden policy twists and turns".

So far, for building homes, this seems to be holding true.



Key homebuilding developments since 5th September are:

On 12 September, Mr Reed met with key developers and housebuilders and issued a 'call to arms' to "build, baby, build".

On 28 September, the Ministry of Housing, Communities and Local Government confirmed it will progress work on 12 new towns.

On 18 November, the Government announced that Housebuilding around train stations will be given a default "yes" if the applications meet certain criteria.

Under the same 18 November measures, councils are going to be required to inform government when they are inclined to block applications of 150 homes or more so that ministers can decide whether to step in and make the decision themselves instead.

Autumn Budget 2025

Key information for audit committees to be aware of:

Chancellor **Rachel Reeves** delivered her second Budget on 26 November 2025. Key elements that those in the local government sector need to be aware of are:

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- ❖ A High Value Council Tax Surcharge (a “Mansion Tax”) will be charged on owners of homes valued higher than £2 million. Whilst collection will be the responsibility of councils, the revenues will flow directly to central government.
- ❖ Strategic Authority Mayors in England will be empowered to impose a tourist tax on overnight stays. New systems may be needed for compliance and enforcement.
- ❖ The two-child benefit cap will cease to apply from April 2026, which may mitigate some demand pressures for housing and social care.
- ❖ A new electric vehicle (EV) mileage tax will be introduced, with the promise of doubling future road maintenance funding, but new risks for net zero goals if the public turn away from using EVs.
- ❖ The Government commits to devolve at least £13 billion of funding to seven major combined authorities and to create £902 million over four years for local growth funds in 11 Northern and Midlands city regions.
- ❖ Future Special Educational Needs and Disabilities (SEND) costs are to be managed by government once the statutory override ends on 31st March 2028. Cumulative deficits at this point will remain with the relevant councils.

For the full Budget, with supporting documents, see: [Budget 2025 - GOV.UK](#)

For the Chancellor’s speech, see [Budget 2025 speech - GOV.UK](#)



Local government support and value

Key information for audit committees to be aware of:

The Local Government Association (LGA) wrote to the Chancellor of the Exchequer on 10 November, highlighting the key national policy issues currently being addressed by councils; and the key financial challenges those councils face.

LGA stated that key national policy issues addressed by councils are:

- ❖ Building new homes;
- ❖ Unlocking economic growth;
- ❖ Improving the health and life chances of the most vulnerable in society;
- ❖ Supporting children with SEND;
- ❖ Sourcing temporary accommodation; and
- ❖ Working to develop sustainable asylum accommodation and support systems.

LGA stated that key financial challenges faced by councils are:

- ❖ Rising levels of debt due to relaxing the financial framework:
 - 42 councils have had to access £5 billion in exceptional financial support since 2020/21; and
 - At the start of 2025/26, 1 in 6 Social Care Councils (17 per cent) were dependent on exceptional financial support.
- ❖ Real cash deficits:
 - The national dedicated schools grant cash deficit is on track to reach £5 billion by 2025/26; and
 - As a result, substantial cash flow costs are being incurred. The forecast deficit of £5 billion in 2025/26 means councils will lose £200 million in unearned income alone.

The LGA's letter commented that “while councils have huge potential to support Government in delivering its objectives, we cannot shy away from the scale of the financial challenges the sector currently faces”.



Fair Funding Review

Key questions for audit committees to ask officers:

- ❖ What impact will the Fair Funding Review have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?

What mitigations are we planning if we are net “losers” from the new arrangements?

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Background:

The first multi-year Local Government Finance Settlement in a decade, together with the [Fair Funding Review response](#), was announced by the Government on 20 November 2025. Significant changes to be aware of are that:

- ❖ There will be a single settlement for [2026/27 to 2028/29](#);
- ❖ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and
- ❖ The Children and Young People’s Services formula will use the latest index of deprivation affecting children.

Using new indices will inevitably lead to some councils seeing increases in their allocations, whilst others see decreases. However, there are [transitional arrangements](#) to help with managing change:

- ❖ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant;
- ❖ Funding floors and phasing in of new allocations across the multi-year settlement; and
- ❖ Additional money in the national settlement for children’s social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

The benefits of using the new indices are expected to be greater transparency; and a reduced reliance on competitive bidding for funds. Reduced paperwork is also expected, as the Government announced it will simplify 33 funding streams, worth almost £47 billion over three years.

Ultimately though, the proof of the pudding will be in the eating. The overall national settlement will need to be fair to the sector as a whole if individual allocations within it are going to be fair as well.

For a full copy of the Ministerial Statement see: [Written statements - Written questions, answers and statements - UK Parliament](#)

Local government reorganisation – latest developments

Opportunity for audit committee members to contribute to consultations:

The Government is currently consulting on the proposals it received for local government reorganisation in six areas:

- ❖ East Sussex and Brighton and Hove;
- ❖ Essex, Southend-on-Sea and Thurrock;
- ❖ Hampshire, Isle of Wight, Portsmouth and Southampton;
- ❖ Norfolk;
- ❖ Suffolk; and
- ❖ West Sussex.

The consultations will run for seven weeks until Sunday 11 January 2026. The consultation documents are available on the Department's online platform "Citizen Space" and those responding to the consultations can use the online platform, email or post to submit their views.

[Written statements - Written questions, answers and statements - UK Parliament](#)

Other information for audit committees to be aware of:

On 28 October, the Government announced the outcome of its consultation on local government reorganisation in Surrey: Two new unitary councils will be created for the county from 1 April 2027. To help prepare for this, the Government committed to repay in-principle £500 million of Woking Borough Council's debt in 2026/27.

Other councils facing reorganisation are bound to look at Surrey for signs of what may be decided for their areas. It is significant to note that two proposals had been submitted for Surrey (one for two unitaries; and one for three unitaries). The Government confirmed that both proposals met all its criteria, but the two-unitary model was assessed as performing better against the financial sustainability criterion – and was selected for that reason.

When looking ahead at what may follow in other areas, although Surrey is not necessarily a precedent for other areas, it is possible that similar prioritisation may apply again. We note that twenty more areas were required to submit business cases by 28 November 2025 and Government decisions are expected in Spring 2026.

For a full copy of the Ministerial Statement on reorganisation in Surrey, see:
[Written statements - Written questions, answers and statements - UK Parliament](#)

Preventative spending

Key questions for audit committees to ask officers:

- ❖ What do we spend on prevention?
- ❖ How do we identify and record that spend?
- ❖ How do we measure outcomes from the spend?
- ❖ How do our practices compare with other similar authorities?

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Background:

CIPFA and the Health Foundation have developed new methodology for mapping and measuring public sector investment in prevention.

The methodology sets out a four-step approach that enables councils and other public sector organisations to quantify their prevention spending, making it visible so that it can be protected and prioritised.

The framework has already been tested with four councils in England and Wales:

- ❖ The London Borough of Merton;
- ❖ Three Rivers District Council;
- ❖ Wigan Metropolitan Borough Council; and
- ❖ Rhondda Cynon Taf County Borough Council.

The report from CIPFA and the Health Foundation sets out three recommendations for councils and other public sector bodies looking to protect their preventative spending:

- ❖ Apply a consistent approach to map and measure preventative investment;
- ❖ Analyse demand drivers alongside financial data to inform priorities; and
- ❖ Embed prevention into strategies, budgets and governance structures.

For a full copy of the report, see [Understanding preventative investment](#)

Next step for audit committee members:

CIPFA is now seeking to build on the momentum of this work by establishing a community of practice on preventative investment, to be launched in early 2026. Anyone able to share their experiences and learning should contact: zachary.scott@cipfa.org.



The Covid-19 Inquiry

Key information for audit committees to be aware of:

An enhanced role for councils in national decision making for emergencies looks likely following the publication of [Modules 2, 2A, 2B, 2C - Core decision-making and political governance - Volume II - UK Covid-19 Inquiry](#) in November 2025.

The Inquiry found that the “importance of working together” was overlooked by the UK Government. Although the UK does have local resilience forums and partnerships for emergencies, the lack of formalised structure for central government to consult with councils meant that opportunities for benefitting from local knowledge were lost during the pandemic.

Examples of inadequate engagement with councils highlighted in the report for England included:

- ❖ The government’s decision to base a large test centre at Manchester Airport without consulting local leaders as to options that might have been more suitable and centrally located;
- ❖ not enough information being given to local leaders in enough time around the implementation of local lockdowns; and
- ❖ local leaders being left to find out information relevant to their communities via the media rather than from the UK Government, impacting on the design of schemes for shielding and contact tracing.

Two other Modules that will have a bearing on the work of councils have yet to conclude:

- ❖ **Module 6:** This module investigates the impact of the pandemic on the publicly and privately funded adult social care sector in England, Scotland, Wales and Northern Ireland. It considers the consequences of government decision-making, including restrictions imposed, on those living and working within the care sector; and
- ❖ **Module 8:** This module investigates arrangements during the pandemic for Children and Young People; Education and Early Years Provision; Physical and Mental Health; and Social Care and Support Services:

With the [LGA having pointed out](#) just how many key national policy issues are being addressed by councils, there has perhaps never been a better time to focus on the “importance of working together”.



The Renter's Rights Act

Key questions for audit committees to ask officers:

- ❖ How well do we understand the new rules we will be enforcing?
- ❖ How many private rented sector properties do we have in our area?
- ❖ Do we have existing staff capacity to take on the new enforcement powers, and if not, how are we going to recruit?
- ❖ Do we have a strategy for working with partners under the new regime, including landlords, agents, tenants, advisory bodies, and the justice system?

Background:

The Renter's Rights Act became law on 27 October 2025. Under the Act, councils are going to gain new powers to investigate landlords; act against rogue landlords; and ensure landlord compliance with new standards expected of them. Councils will be required to report on their enforcement activities.

Local housing authorities will receive £18.2 million in 2025/26 to support preparations for the implementation of the Renters' Rights Act 2025 and to build enforcement capacity. Funding will be allocated based on the number of private rented sector properties in each local area. The Government's "[Roadmap for reforming the Private Rented Sector](#)" indicates that there will be a further new burdens funding allocation for 2026/27.

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Key points from the [Roadmap](#) that audit committees need to be aware of now are:

- ❖ Enforcement guidance for local councils has been published on GOV.UK. The guidance provides the critical information that enforcement officers will need to know to carry out their work in line with the new legislation;
- ❖ There will be a bespoke programme of training, webinars and resources through 'Operation Jigsaw', a cross-local councils initiative;
- ❖ Shelter will deliver training to local council officers, covering different aspects of the Act, funded by government; and
- ❖ Changes will start coming into effect from 1 May 2026.



Proposed new duty of candour and standards regime

Audit committees can prepare for change by asking themselves:

- ❖ When was our Code of Ethics last updated?
- ❖ Are our policies and procedures consistent with expected changes to guidance, and consistent with one another?
- ❖ Are we sufficiently candid and transparent?
- ❖ When was the effectiveness of our Standards Committee last assessed?
- ❖ Are our disciplinary arrangements working well?

Page 1 of 5

Background:

A new Public Office (Accountability) Bill was introduced to Parliament on 16 September 2025 and is now at House of Commons Committee stage.

The Bill aims to impose a duty on “public authorities and public officials” to “at all times act with candour, transparency and frankness in their dealings with inquiries and investigations.” Breach of the duty would be a criminal liability.

The Bill is expected to apply not only to both core public bodies delivering public services (councils) but also private bodies delivering public functions such as those on a government contract.

Separately, the Bill also proposes:

- ❖ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or “Nolan Principles”, by adopting a code which sets out what is expected of their workforce. Many councils already do this, but it would become mandatory;
- ❖ Reforms that will make it easier to prosecute misconduct in public office; and
- ❖ Another new offence of misleading the public.

For a full copy of the Bill, see [Public Office \(Accountability\) Bill - Parliamentary Bills - UK Parliament](#)

In addition, a separate statement by the Government on 11 November 2025 announced that there are going to be “sweeping reforms” to strengthen local government standards. These will include a new mandatory code of conduct and new powers to suspend councillors for serious misconduct.

For a full copy of the announcement, see [Tough new powers to clean up local politics.](#)



Business cases for net zero

Key questions for audit committees to ask officers:

- ❖ Do we have decarbonisation or net zero reporting? What format does it take, and is that format standardised?
- ❖ Can we map the link between decarbonisation and net zero spending and tangible outcomes such as job creation, economic resilience, and community wellbeing?
- ❖ Do we horizon scan for new funding mechanisms and new partnerships?
- ❖ Do we share good practice with other similar councils?

Background:

Councils make significant contributions to the UK's journey towards net zero, generally working towards strategic aims that they (the councils) voluntarily set for themselves. This could be seen as contradictory to work to promote economic growth and enable new housing.

However, the County Council's Network (CCN) commissioned research showing that business cases for net zero are strongest when they are connected to outcomes around the new jobs and community wellbeing that economic growth and new housing can bring.

CCN published a series of recommendations on how to root the journey to net zero in the broader context of economic growth and job creation.

The recommendations are aimed at rural county councils, but with local government reorganisation on the horizon, and housebuilding targets affecting all areas of the country, they will be of wider interest as well:

- ❖ Optimise green transition strategies and plans;
- ❖ Ground climate policies in strong business cases;
- ❖ Leverage innovation, partnerships, and funding models; and
- ❖ Promote collaboration and community engagement.

For a full copy of the report, see [Resources - County Councils Network](#)



Healthy environments for resilient towns



Key information for audit committees to be aware of:

The Environmental Audit Committee (EAC) concluded in November 2025 that it is “lazy” to write-off nature as a blocker to housing delivery. Instead, the EAC argued that a healthy environment is not only not a luxury, but is in fact a necessity for resilient towns and neighbourhoods:

Environmental sustainability and housing growth.

The EAC made a series of recommendations that were mostly aimed at the UK Government. This included a recommendation to introduce mandatory training in ecology and the decarbonisation of buildings for people working now towards Chartered Town Planner status.

While we wait to see whether any of the EAC recommendations will be implemented, there are things that councils can be doing now to help the environment in their towns :

- ❖ Ensure that the local plan and environmental policies are up to date and consistent with national environmental targets; and
- ❖ Encourage awareness of ecology and decarbonisation in the existing planning team whilst waiting for any mandatory training benefits in the next generation of town planners.

As councils are coming under increasing pressure from the UK Government to approve new housing plans, mindfulness of the environment in the towns that Councillors represent is going to be more important than ever.

Webinar for audit committee members



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We plan to hold a webinar for members of audit committees on 10 February 2026. Invitations are available on our website or can be obtained from Sophia or Bheki.

We will be hearing from two external speakers on best steps to take “After the Backstop”. With them, we will be discussing:

- ❖ Adding value to the financial reporting function; and
- ❖ How to navigate the external audit process with success.

We will also be covering latest developments in proposed reforms to the audit framework; updates on the new Local Audit Office; and what best to focus on while waiting for new audit arrangements to be finalised.

Join us to welcome-in 2026 and to plan good habits for the financial years ahead.

To attend the event, please register here: [After the backstop | Grant Thornton](#)

We look forward to seeing you.

Audit committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

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CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

CIPFA Good Governance

[Delivering Good Governance in Local Government Addendum](#)

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

Other CIPFA Guidance and Codes

The following are available from CIPFA but have a charge. We encourage you to make enquiries to determine if copies are available within your organisation:

- Audit Committees: Assessing effectiveness
- Financial Management Code
- Prudential Code
- Treasury Management Code



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Agenda Item 11

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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Agenda Item 12

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT INFORMATION

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Agenda Item 13

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 14

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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