



Meeting: **Corporate Governance Committee**

Date/Time: **Friday, 23 January 2026 at 10.00 am**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Miss. G. Duckworth (tel: 0116 305 2583)**

Email: **gemma.duckworth@leics.gov.uk**

Membership

Mr. S. L. Bray CC (Chairman)

| | |
|----------------------|--------------------|
| Mr. J. Boam CC | Mrs. K. Knight CC |
| Mr. M. Bools CC | Mr. J. McDonald CC |
| Mrs. N. Bottomley CC | Mr. J. Miah CC |
| Mr. S. Bradshaw CC | Mr. J. T. Orson CC |
| Mr. G. Cooke CC | Mrs. R. Page CC |
| Mrs. L. Danks CC | Mr. J. Pilgrim |
| Mr. G. Grimes | Mr. B. Piper CC |

AGENDA

| <u>Item</u> | <u>Report by</u> |
|-----------------------------------------------------------------------------------------------------------|------------------|
| 1. Minutes of the meeting held on 24 November 2025. | (Pages 3 - 10) |
| 2. Question Time. | |
| 3. Questions asked by members under Standing Order 7(3) and 7(5). | |
| 4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda. | |
| 5. Declarations of interest in respect of items on the agenda. | |
| 6. Presentation of Petitions under Standing Order 35. | |



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|-----|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------|
| 7. | External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts - Update. | Director of Corporate Resources | (Pages 11 - 12) |
| 8. | Treasury Management Strategy Statement 2026/27. | Director of Corporate Resources | (Pages 13 - 46) |
| 9. | Quarterly Treasury Management Report. | Director of Corporate Resources | (Pages 47 - 60) |
| 10. | Risk Management Update. | Director of Corporate Resources | (Pages 61 - 100) |
| 11. | Global Internal Audit Standards in the UK Public Sector - Governance Documents. | Director of Corporate Resources | (Pages 101 - 124) |
| 12. | Changes to the Contract Procedure Rules. | Director of Corporate Resources and Director of Law and Governance | (Pages 125 - 186) |
| 13. | Changes to the Council's Modern Slavery Statement. | Director of Corporate Resources and Director of Law and Governance | (Pages 187 - 198) |
| 14. | Whistleblowing Report. | Director of Law and Governance and Director of Corporate Resources | (Pages 199 - 214) |
| 15. | Date of next meeting. | | |

The next meeting of the Corporate Governance Committee will be held on Friday 27 March 2026 at 10am.

16. Any other items which the Chairman has decided to take as urgent.



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Monday, 24 November 2025.

PRESENT

Mr. J. Miah CC (in the Chair)

Mr. J. Boam CC
Mr. M. Bools CC
Mrs. N. Bottomley CC
Mr. S. Bradshaw CC
Mr. G. Cooke CC
Mrs. L. Danks CC

Mr. G. Grimes
Mrs. K. Knight CC
Mr. D. Page CC
Mr. J. Pilgrim
Mr. B. Piper CC

33. Minutes.

The minutes of the meeting held on 19 September 2025 were taken as read, confirmed and signed.

34. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

35. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

36. Urgent Items.

There were no urgent items for consideration.

37. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

Mr. Gordon Grimes declared an other registrable interest in Agenda Item 11 as an Independent Member.

38. Presentation of Petitions under Standing Order 35.

There were no petitions.

39. External Auditor's Annual Report and External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

The Committee considered a report of the Director of Corporate Resources which presented the Auditor's Annual Report (Value for Money review) for 2024/25 and the

2024/25 financial statements and letters of representation, provided information on the main areas of the financial statements and reported the key findings from the external audit of the accounts. Copies of the report and supplementary report, marked 'Agenda Item 7', are filed with these minutes.

The Chairman welcomed Ms Mary Wren, Ms Helen Lillington and Mr Grant Patterson from Grant Thornton LLP, the Council's external auditors, to the meeting to present the report.

Arising from the discussion, the following points were raised:

- i) An unmodified opinion was anticipated, with delegated authority being given to the Chairman of the Committee to sign off any areas that still required completion. Work had largely been completed around the audit of the financial statements and it was expected that these would be signed off before the end of the year.
- ii) It was noted that a key recommendation in the Value for Money review related to the High Needs Block/Dedicated Schools Grant. Although this had been highlighted as a significant weakness, 29 other local authorities were in a similar position.

RESOLVED:

That the report be noted and delegated authority to the Director of Corporate Resources and Chairman of the Committee to approve and sign the financial statements and letters of representation for 2024/25, once the final outstanding items have been resolved, be approved.

40. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources which provided an update on the actions taken in respect of treasury management for the quarter ending 30 September 2025. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

RESOLVED:

That the report be noted.

41. Local Government and Social Care Ombudsman Performance Annual Report 2024/25.

The Committee considered a joint report of the Chief Executive and Director of Corporate Resources which provided an overview of the County Council's performance in relation to the findings by the Local Government and Social Care Ombudsman for the period 1 April 2024 to 31 March 2025. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

The Annual Report presented comparative data to contextualise the Council's performance within the broader sector.

RESOLVED:

That the report be noted.

42. Policy for Disclosure and Barring Service (DBS) Checks for Elected Members.

The Committee considered a report of the Director of Law and Governance which presented a policy for Disclosure and Barring Service (DBS) Checks for elected members. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The policy applied to all elected members, who would be invited to make an appointment with the Head of Members Services to complete the DBS application form. The slight revision to the existing policy had been supported by all Group Leaders.

RESOLVED:

That the policy for DBS Checks for elected members be approved.

43. Annual Report on the Operation of the Members Code of Conduct 2024/25.

The Committee considered a report of the Director of Law and Governance which presented the annual report on the operation of the Members' Code of Conduct. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

During the period 1 October 2024 – 1 October 2025, the Monitoring Officer had received 34 complaints under the Members' Code of Conduct. The focus of the complaints had been around engagement with member of the public and social media comments. All complaints had been referred to one of the panels of six Independent Persons appointed by the County Council, under the provisions of the Localism Act 2011, for the purposes of giving a view on complaints submitted.

Arising from the discussion, the following points were made:

- i) In response to a query around whether further training should take place with new members, the Director of Law and Governance stated that social media training was part of the induction process. However, consideration would be given to undertaking this on an annual basis.
- ii) A member questioned whether the increase in complaints was as a result of individual political views, which did not align with those of the new administration. The Director of Law and Governance stated that complainants were not asked what their political background was and the complaints received had been from members of the public who were genuinely upset and had taken offence at comments that had been made. Assurance was given that there was no way of knowing the background of those submitting complaints.
- iii) In relation to recognising complaints, the outcome was fed back to the complainant, who was advised that this was confidential. Complainants were kept updated throughout the investigation, but there was no formal feedback around whether the outcome was satisfactory.
- iv) It was acknowledged that there would be some complainants who would not be satisfied with the outcome. It was felt that elected members needed to be

aware of how to respond to constituents and to remind themselves with the Code of Conduct where necessary.

- v) The Ministry of Housing, Communities and Local Government had undertaken a consultation on strengthening standards. It had been announced that the reforms would be introduced following the consultation but as yet, it was unclear when this would take place. Further updates would be presented to the Committee as the Government progressed with the reforms.

RESOLVED:

That the report be noted and the Independent Persons be formally thanked for their ongoing commitment and assistance in upholding standards of conduct.

44. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to present the Corporate Risk Register for approval along with an update on Artificial Intelligence and Local Government Reorganisation as emerging risks and counter fraud updates. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

As part of this item, the Committee also received a presentation from the Assistant Director of Environment and Transport on the strategic approach to managing the impact of growth in Leicestershire in the context of the corporate risk register. A copy of the presentation is filed with these minutes.

Arising from the discussion, the following points were made:

Presentation

- i) Concern was raised that risks around speculative developments had not been identified when considering local plans. As a statutory consultee on developments, it was felt that there should be a more robust statement from County Council departments, such as Highways, when asked to comment on applications. In response, the Director of Environment and Transport commented that the County Council had taken a firm stance in its responses to local plans and had raised concerns where appropriate. This was the clear approach that the Council wanted to build on, offering more clarity around the options in those situations. Assurance was given that site visits were undertaken and the Council proactively identified growth coming forward and sought to address its cumulative impact. However, the main risk to the Council was the potential financial burden.
- ii) A query was raised around the transition to a Community Infrastructure Levy (CIL), as it was felt that the move away from S106 funding fundamentally changed the ability of local communities to identify projects that they wanted to invest in. A member commented that CILs removed the local connection to where investment went and there was concern that smaller communities would not receive any benefit from developments. In response to a query on how this would be mitigated, the Director gave assurance that in mitigating risk, it was the intention to balance the Council's responsibility to make place. As an example, it was noted that in Charnwood, the CIL would only focus on

highways and transport because the impacts of that were so far spread, but it would be possible to use S106 funding for other services and in areas where there were Neighbourhood Plans, a percentage would be used for community projects. With the CIL, there would be a greater focus on large, strategic issues. The Director stated that there was a duty on local authorities to ensure that local communities received what they needed to function and that this was represented in local plan policies.

- iii) A member questioned whether there was any way to manage the risk of funding requirements being removed. It was noted that the Planning Authority could ultimately make that decision. If it was felt that an erroneous decision had been made, there was the possibility of legal challenge, but consideration would need to be given to the cost and benefit of doing that. The preferred option was to work with other partners to reach a compromise.
- iv) Concern was raised that there was no mention of flood risk. However, the Director stated that this tended to be dealt with by way of condition. It was a case of developers mitigating flood risk themselves, so the cost of development included greater flood risk mitigation which would affect the viability. The County Council would not want to collect S106 contributions for a flood risk scheme that should be delivered within the development site.
- v) In response to a comment around having better relationships with other agencies to manage risks, it was noted that there was now a greater awareness of the challenges and compromises that needed to be made and there was more of an appetite to work together. It was also the intention to find better ways of working with the development industry.
- vi) Recognition was given to the concerns raised by local communities about large scale developments. Some of these would be dealt with through a national policy position but in terms of the County Council's position, it was necessary to be clear on the impacts of the developments. Traditionally, weight had been given to the views of the County Council as a statutory consultee and it was felt important to comment where this could influence a decision.
- vii) In response to a member comment on the cumulative impact of developments, the Director stated that this was generally considered at local plan stage, but this was more difficult on speculative developments as a planning application would only need to deal with its own impact and without locally adopted policy there was nothing in the National Planning Policy that would enable the Council to judge a development in the wider context.

Main Report

- viii) It was suggested that it was necessary to stipulate that when using AI, checking the accuracy of the work would need to be demonstrated and assurance given that an AI model being used was not hallucinating (generating false, inaccurate, or misleading information presented as factual). It was also suggested that consideration should be given to a training plan for the use of AI and concern was raised around the use of personal data within AI and the risks associated with this. This would be a future presentation topic.

- ix) Reference had been made by the Council's external auditors to SEND, with a focus on the turnaround time for producing EHCPs. There was an acknowledgement of the capacity of staff and the potential workarounds, but it was queried whether this was causing difficulties. A written response would be provided.
- x) A member commented on the uncertainty around target risk scores and what the risk was if an issue was mitigated. The Director of Corporate Resources stated that further consideration would be given to what information was presented to the Committee as there had been a greater focus on issues rather than risk. It was noted that target risks were largely determined by departments, but there were occasions where the risk was removed from the Corporate Risk Register and managed within the relevant department. Assurance was given that further thought would be given to how risks were reported, but in some instances, the issues were outside the Council's control and there would always be a high level of risk around these despite some mitigation. A request was made that where this was the case, these issues should be identified separately.

RESOLVED:

- a) That the status of the corporate and strategic risks facing the County Council be approved;
- b) That recommendations be made on any areas which might benefit from further examination;
- c) That the emerging risks on Artificial Intelligence and Local Government Reorganisation (update) be noted;
- d) That the counter fraud updates be noted.

45. Internal Audit Service - Progress Against 2025-26 Internal Audit Plan and High Importance Recommendations.

The Committee considered a report of the Director of Corporate Resources which provided a summary of the work undertaken by the Council's Internal Audit Service during the period 1 April – 30 September 2025, an update on progress with implementing the High Importance recommendations at 31 October 2025, and progress against the 2025-26 Internal Audit plan. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

RESOLVED:

- a) That the updates on progress on work undertaken (at 30 September 2025) and the implementation of high importance recommendations (at 31 October 2025) be noted;
- b) That the progress against plan position at 30 September 2025 be noted.

46. Draft Internal Audit Charter.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance which presented a revised Draft Internal Audit Charter. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

RESOLVED:

That the revised draft Internal Audit Charter be noted and that a delegation to the Director of Corporate Resources to make any necessary changes be agreed.

47. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Friday 23 January 2026 at 10.00am.

10.00 - 11.51 am
24 November 2025

CHAIRMAN

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CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDIT OF THE 2024/25 STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND PENSION FUND ACCOUNTS - UPDATE

Purpose of the Report

1. The purpose of this report is to present an update on the external audit of the 2024/25 financial statements.
2. A supplementary report setting out the details above is currently being finalised. This will be circulated to members and published on the County Council's website as soon as it is available.

Background

3. The financial statements comprise the accounts for the County Council, the Annual Governance Statement and the accounts for the Pension Fund. The draft 2024/25 accounts were published at the end of June 2025 and were then subject to external audit. The draft 2024/25 financial statements can be viewed on the Council's website via the following link:

<https://www.leicestershire.gov.uk/about-the-council/council-spending/payments-and-accounts/statement-of-accounts>

4. Grant Thornton UK LLP are the County Council's external auditor. The Committee received an interim Audit Findings Report (AFR) at its last meeting on 24 November 2025. Delegated authority was approved by the Committee to the Director of Corporate Resources and Chairman of the Committee to approve and sign the financial statements and letters of representation for 2024/25, once the final outstanding items had been resolved.
5. The Committee received copies of the 2024/25 external audit plans at its meetings in March 2025 (County Council) and in June 2025 (Pension Fund).

Recommendation

6. The Committee is asked to note the contents of the report.

Background Papers

External Auditor's Annual report and External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts - 24 November 2025.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963&Ver=4>

External Audit of the 2024/25 Statement of Accounts – Audit Progress Report – 19 September 2025.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7962&Ver=4>

External Audit Plan 2024/25 (Pension Fund), Corporate Governance Committee – 23 June 2025. <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7961&Ver=4>

External Audit Plan 2024/25 (LCC), Corporate Governance Committee – 31 March 2025

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7960&Ver=4>

Terms of Reference, Corporate Governance Committee – 6 December 2024

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7724&Ver=4>

Circulation under the Local Issues Alert Procedure

None.

Equal Opportunities Implications

None.

Officers to Contact

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CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

TREASURY MANAGEMENT STRATEGY STATEMENT 2026-27

Purpose of the Report

1. The purpose of this report is to provide the Corporate Governance Committee with an opportunity to review the Treasury Management Strategy Statement which includes the minimum revenue provision (MRP) policy statement and the annual investment strategy for 2026/27.

Background

2. The Treasury Management Strategy statement forms part of the Medium-Term Financial Strategy which will be considered by the Council at its meeting on 18 February 2026.
3. Any comments that are made by the Corporate Governance Committee will be included in the report to the Council on this matter.
4. In 2021 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Treasury Management Code of Practice and a revised Prudential Code. The changes to the Codes reflect concern within Central Government about a trend towards authorities borrowing to make investments in assets which are not required for service reasons, in an attempt to generate additional resources to assist the revenue budget. The main changes in the 2021 Code updates are that a Council must not borrow (internally or externally) to invest primarily (more than 50% of the reason) for financial return.
5. Investments may therefore only be made where they are directly and primarily related to the functions of the Council and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. This includes investments for the delivery of public services, e.g. affordable housing, job creation, environmental sustainability, local infrastructure and the regeneration of areas – that addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Investments should not be made primarily for return.

6. The updated Prudential Code does not require authorities to sell existing primarily for return investment assets that were acquired (or committed to) prior to November 2020. However, where the Council has an expected need to borrow (internally or externally), as does the County Council for the wider capital programme, the Code requires an annual review of options to exit investments held primarily for return. The reviews should evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits. This will be undertaken each year as part of the annual Investing in Leicestershire Programme (liLP) strategy refresh. The Prudential Code allows continued investment in such assets to maximise their value, including repair, renewal and updating of the properties. liLP has always had wider objectives than simply financial return. The liLP strategy and appraisal approach was updated last year to ensure all new liLP investments will be compliant with the updated prudential code and also updated HM Treasury guidance.
7. As part of the prudent management of the Council's finances, investments will need to continue to be well managed and deliver a financial return commensurate with the level of risk. This is applicable even where the primary purpose is delivery of wider County Council policy objectives.
8. Guidance produced by HM Treasury in 2023 reinforces the requirements of the Prudential Code by restricting access to the Public Works Loans Board (PWLb) for borrowing where any schemes within an Authority's capital programme are primarily for return. The Council has had in place for some time its liLP Strategy which it first produced in 2014, prior to this guidance. This has been updated annually since then. The most recent version is scheduled to be reported to the Scrutiny Commission in January 2026, and the Cabinet in February 2026, and when read in conjunction with the Treasury Management Strategy this fulfils the Council's obligations set out within this guidance.
9. The Council's liLP Strategy sets out the approach the Council will follow when considering the acquisition of investments for the purposes of inclusion within the liLP. It specifically documents the Council's requirements for ensuring effective due diligence, risk appetite, independent and expert advice and scrutiny arrangements, and performance monitoring by the liLP Board, the Cabinet and the Scrutiny Commission as part of the regular monitoring of the MTFS.
10. The County Council has not borrowed to fund the investments within the liLP programme. liLP investments comprise direct capital investments and treasury management investments. The proposed 2026-30 capital programme includes further investments in liLP assets of £43m subject to satisfactory business cases. This will bring the total held to £260m (based on historic cost). Annual income returns are currently around £9m excluding capital growth, contributing ongoing net income for the Council. Any new investments in liLP assets will be assessed to ensure that they are not primarily for return, in line with the requirements of the updated Prudential Code, and to ensure ongoing access to PWLB for future borrowing requirements.
11. Decisions on the availability and proportionality of funding for the capital programme are made through the Capital Strategy (which includes funding for liLP). They are reviewed annually as part of the MTFS, and the Treasury Management Strategy Statement. These documents take into account the statutory guidance issued by the

Secretary of State under the Local Government Act 2003.

Treasury Management Strategy Statement and Annual Investment Strategy

12. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite, prioritising security, liquidity and investment return in that order of importance.
13. The second main function of treasury management is the funding of the Council's capital programme. The capital programme sets out the borrowing need of the Council and the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. It will also, when it is prudent and economic to do so, restructure existing long-term debt to reduce risk or costs.
14. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. As cash balances result mainly from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of the principal will in effect result in a loss to the General Fund Balance.
15. Following the lasting implications of the Covid-19 pandemic, in particular the way the pandemic demonstrated that unforeseeable events can very quickly cause significant uncertainty and shock financial markets, it is recognised that in exceptional circumstances the Director of Corporate Resources, in order to protect capital balances and liquidity, may have to take immediate action that breaches the limits within the policy on a temporary basis. The Committee noted at its meeting in January 2021 that action would only be taken as a last resort and that any such action taken would be reported, along with the rationale behind it, to the Corporate Governance Committee at the first opportunity. It was also agreed at the meeting that ideally the decision should be made in consultation with the Chairman of the Corporate Governance Committee and if immediate action was required and it was not possible to consult with the Chairman, the Chairman would be informed as soon as practicable afterwards.

Minimum Revenue Provision Review

16. The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is referred to as Minimum Revenue Provision (MRP). The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
17. In 2019/20 the Council reviewed the expenditure that is required under statute relating to a prudent MRP. Based on the average economic remaining life of assets

held, the MRP calculation for supported and unsupported borrowing was amended to a period of 40 years, which reduced the MRP charge to around £6m per annum.

18. During 2024/25 the Council has reassessed the MRP policy to assess its continued appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an annuity calculation. This results in a consistent charge to the general fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The revised approach was approved by the Council in February 2025 and is being applied from 2025/26.
19. CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.
20. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a different time period but is more aligned with the period over which the underlying assets provide benefit. The MRP strategy can be found in Annex 1 to this strategy.
21. Overall capital financing costs, MRP (annuity basis) and external debt interest, are forecast to be £12.4m in 2026/27 and to then rise to £14m in 2029/30 as a result of the requirement for new borrowing. This estimate assumes the required new borrowing is from internal cash balances. The capital financing costs do not include the cost of interest returns foregone by using internal cash balances, this will be reflected in a reduction to the bank and other interest budget.

Resource Implications

22. The interest earned on revenue balances and the interest paid on external debt (which are directly correlated to the Treasury Management Strategy Statement) will impact onto the resources available to the Council.

Equality Implications

23. There are no discernible equality implications arising from the recommendations in this report.

Human Right Implications

24. There are no discernible human rights implications arising from the recommendations in this report.

Recommendation

25. The Committee is asked to comment on this report and recommend that the County Council approves the Treasury Management Strategy Statement 2026/27, attached as an Appendix to this report.

Background Papers

Report to Corporate Governance Committee on 24 January 2025 – Treasury Management Strategy Statement and Annual Investment Strategy 2023/24:

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7959&Ver=4>

Circulation under the Local Issues Alert Procedure

26. None

Officers to Contact

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Appendix

Treasury Management Strategy Statement 2026/27

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APPENDIX N**TREASURY MANAGEMENT STRATEGY STATEMENT 2026-27****MINIMUM REVENUE PROVISION STATEMENT AND ANNUAL INVESTMENT STRATEGY****Introduction**

1. This strategy statement has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice. Accordingly, the Council's Treasury Management Strategy will be approved annually by the full Council and there will be quarterly reports to the Corporate Governance Committee.
2. The Corporate Governance Committee consider the contents of the Treasury Management Strategy Statement, including the Minimum Revenue Provision Policy Statement and Annual Investment Strategy, annually at its meetings in January of each year. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.
3. In December 2021 CIPFA published revised Treasury Management and Prudential Codes of Practice with formal adoption required from the 2023/24 financial year. The Codes require an Authority to ensure that:
 - it defines its risk appetite and its governance processes for managing risk.
 - it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.
 - it adopts a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
 - it does not borrow to finance capital expenditure to invest primarily for return.
 - increases in the Capital Financing Requirement (CFR) and borrowing are undertaken solely for purposes directly and primarily related to the functions of the Council. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
 - an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
 - its capital plans and investment plans are affordable and proportionate.
 - all borrowing/other long-term liabilities are within prudent and sustainable levels.
 - risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
 - treasury management decisions are in accordance with good professional practice.

- reporting to members is undertaken quarterly, including updates of prudential indicators.
4. The Prudential Code also requires the Council to produce an annual Capital Strategy. This is reported annually to the Council in February as part of the MTFS. The Capital Strategy is a high-level corporate document covering the following areas:
 - strategic context
 - corporate priorities
 - available resources
 - affordability
 - capacity to deliver
 - risk management
 5. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
 6. The Act requires the Council to set its treasury strategy for borrowing and to prepare an Annual Investment Strategy (for Treasury Management investments) - this is included in later paragraphs of this strategy. It sets out the Council's policies for managing its treasury management investments and for giving priority to the security and liquidity of those investments.
 7. This Strategy should be read in conjunction with the Investing in Leicestershire Programme (liLP) strategy, which sets out the Council's approach when considering the acquisition of investments for the purposes of inclusion within the liLP (which includes investments held primarily for financial return), and the Capital Strategy, which sets out the Council's approach to determining its medium term capital requirements (investments for service delivery). These documents form part of the Medium Term Financial Strategy (MTFS) and together take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.
 8. Treasury management arises from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use, i.e., balances in the Council's bank accounts resulting from the Council's day to day activities, that are not yet required. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments. covered in this strategy.
 9. Service delivery - investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in

question or otherwise incidental to the primary purpose". This is covered in the Capital Strategy.

10. Commercial return - investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an Authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An Authority must not borrow to invest primarily for financial return. This is covered in the liLP strategy.

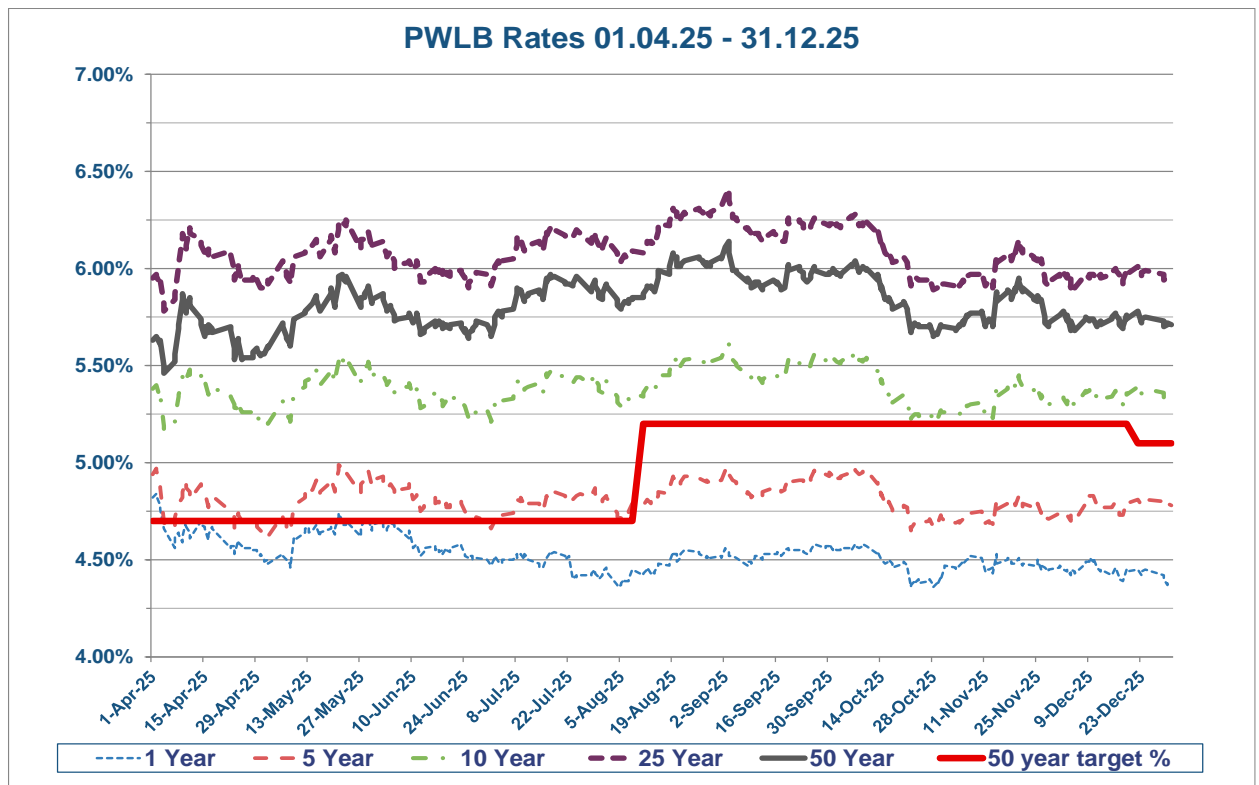
Economic Background

11. The following economic update is based on the Council's external Treasury Management advisors' (MUFG Pension & Market Services) update provided in December 2025.
12. The third quarter of 2025/26 (October to December) saw:
 - A -0.1% m/m change in real GDP in October, leaving the economy no bigger than at the start of April.
 - The 3myy rate of average earnings growth excluding bonuses fall to 4.6% in October, having been as high as 5.5% earlier in the financial year.
 - CPI inflation fall sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
 - The Bank of England cut interest rates from 4.00% to 3.75% in December, after holding in November.
 - The 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%.
13. From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern (0.1% q/q). October's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.
14. Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.
15. Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in

2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2m will generate £0.4bn.

16. CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that disinflation is well underway. There was a widespread easing in price pressures with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.

17. The chart below shows the PWLB rates from 01/04/25 to 31.12.25.



High/Low/Average PWLB rates for 01/04/25 to 31/12/25.

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|-------------------|------------|------------|------------|------------|------------|
| 01/04/2025 | 4.82% | 4.94% | 5.38% | 5.95% | 5.63% |
| 31/12/2025 | 4.37% | 4.78% | 5.34% | 5.95% | 5.71% |
| Low | 4.36% | 4.62% | 5.17% | 5.78% | 5.46% |
| Low date | 04/08/2025 | 02/05/2025 | 02/05/2025 | 04/04/2025 | 04/04/2025 |
| High | 4.84% | 4.99% | 5.62% | 6.41% | 6.14% |
| High date | 02/04/2025 | 21/05/2025 | 03/09/2025 | 03/09/2025 | 03/09/2025 |
| Average | 4.52% | 4.81% | 5.38% | 6.08% | 5.82% |
| Spread | 0.48% | 0.37% | 0.45% | 0.63% | 0.68% |

TREASURY MANAGEMENT STRATEGY 2026/27

Key Considerations

18. This proposed strategy for 2026/27 in respect of the treasury management function is based upon officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury adviser, MUFG Pension & Market Services.

Background

19. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite prioritising security, adequate liquidity and investment return in that order of importance.
20. The second main function of treasury management is the funding of the Council's capital programme. The capital programme sets out the borrowing need of the Council, the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any existing long term debt may be restructured to reduce risk or costs.
21. The contribution the treasury management function makes to the Council is critical as the balance of debt and investment operations ensure the Council can meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. As cash balances result mainly from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance. To reduce the impact of high levels of inflation eroding the value of cash balances, and to increase diversification, the Council will consider other forms for investments, such as pooled investment funds.

Reporting

22. The Council has adopted the following reporting arrangements in accordance with the requirements of the Treasury Management Code:-

| Area of Responsibility | Council/Committee/Officer | Frequency |
|----------------------------------------------------------------|----------------------------------|-----------------------------------------|
| Treasury Management Policy Statement | Full Council | Annually before start of financial year |
| Treasury Management Strategy/Annual Investment Strategy | Full Council | Annually before start of financial year |
| Quarterly Treasury Management and Prudential Indicator updates | Corporate Governance Committee | Quarterly |

| | | |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year | Cabinet (following consideration by Corporate Governance Committee, wherever practical) | Ad hoc |
| Annual Treasury Outturn Report | Cabinet | Annually by end of September following year end |
| Treasury Management Practices | Director of Corporate Resources | |
| Review of Treasury Management Strategy/Annual Investment Strategy | Corporate Governance Committee | Annually before start of financial year and before consideration by full Council, wherever practical |
| Review of Treasury Management Performance | Corporate Governance Committee | Annually by end of September following year end |

Training

23. The CIPFA Treasury Management Code requires the chief financial officer to ensure that members with responsibility for treasury management receive adequate training in treasury management.
24. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
 - Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for treasury management officers and board/council members.
 - Require treasury management officers and board/council members to undertake self-assessment against the required competencies
 - Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.
25. Training is provided for all new members and further training is arranged as required. During 2025/26 MUFG Pension & Market Services also provided a focused training session on treasury management for all members of the Corporate Governance Committee.
26. The training needs of treasury management officers are also periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the Head of Finance. Similarly, a formal record of the treasury management training received by members will also be maintained by the Head of Finance.

Treasury Management Consultants

27. External investment managers will not be used, except to the extent that a Money Market Fund or the managers of pooled property or private debt funds can be considered as an external manager.

28. The Council uses MUFG Pension & Market Services as its external treasury management adviser, but recognises that responsibility for treasury management decisions remains with the Council at all times. Undue reliance on the Council's external advisers will be avoided, although the value of employing an external adviser and accessing specialist skills and resources is recognised.
29. The Council also uses Hymans Robertson LLP, for strategic advice for the Investing in Leicestershire programme (liLP).
30. The Council recognises that there is value in employing external providers of treasury management services 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.

Capital Prudential Indicators

Capital Financing Requirement

31. The Capital Financing Requirement (CFR) measures the Council's need to borrow for capital purposes. It is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any unfunded capital expenditure plans, i.e. not funded through a revenue or capital resource, will increase the CFR.
32. The proposed MTFS capital programme for 2026-30 includes a requirement to increase the Capital Financing Requirement (CFR) by £84m by 2029/30. This will fund essential investment in service improvement, investment for growth and invest to save projects. Due to the levels of internal cash balances, which would otherwise be available to lend to banks, no new external loans are forecast to be required in the short to medium term and instead will be funded from internal borrowing.
33. A large proportion of the increase in the CFR includes forward funding of infrastructure projects in advance of developer contributions through section 106 agreements or land sales and spend to save schemes. The expectation is that this will allow cash balances to be replenished in the next 5-10 years. By the end of the MTFS, 2029/2030, the forecast position on the CFR will be under borrowed by £115m.
34. The table below shows how the CFR is expected to change over the period of the MTFS, and how this compares to the expected level of external debt. A number of debt rescheduling opportunities have been taken during 2025/26. Further rescheduling opportunities will be considered if they are in the best long-term financial interests of the Council.

| | 2026/2027 £000 | 2027/2028 £000 | 2028/2029 £000 | 2029/2030 £000 |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening Capital Financing Requirement | 193,478 | 189,264 | 218,592 | 234,711 |

| | | | | |
|----------------------------------------------|-----------------|-----------------|-----------------|------------------|
| New Borrowing | 0 | 33,626 | 21,060 | 28,951 |
| Statutory Minimum Revenue Provision (MRP) | -4,214 | -4,298 | -4,941 | -5,388 |
| Voluntary MRP | 0 | 0 | 0 | 0 |
| Closing Capital Financing Requirement | 189,264 | 218,592 | 234,711 | 258,273 |
| | | | | |
| Opening external debt | 145,754 | 145,254 | 144,754 | 144,254 |
| Loans maturing | -500 | -500 | -500 | -500 |
| Closing external debt | 145,254 | 144,754 | 144,254 | 143,754 |
| | | | | |
| Overborrowed/(borrowing requirement) | (44,010) | (73,838) | (90,457) | (114,519) |

Minimum Revenue Provision (MRP)

35. The Local Authorities (Capital Finance and Accounting) Regulations 2003 require local authorities to charge to their revenue account in each financial year a minimum amount to finance capital expenditure. This is referred to as Minimum Revenue Provision (MRP). The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
36. In 2019/20 the Council reassessed the expenditure that is required under statute relating to a prudent Minimum Revenue Provision. Based on the average economic remaining life of assets held it amended the MRP calculation for supported and unsupported borrowing to a period of 40 years, which reduced the MRP charge to around £6m per annum.
37. During 2024/25 the Council reviewed the MRP policy to assess its continued appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an annuity calculation. This results in a consistent charge to the general fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The revised approach was approved by the Council in February 2025 and is being applied from 2025/26.
- 38.
39. CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.
40. It should be noted that the revised approach does not change the overall amount of MRP payable; the same amount is simply repaid over a different time period, but is more aligned with the period over which the underlying assets provide benefit. The MRP strategy can be found in Annex 1 to this strategy.

41. Overall capital financing costs (MRP and external debt interest) are forecast to be £12.4m in 2026/27 and then rise to £14m in 2029/30 as a result of the requirement for new borrowing. This estimate assumes the required new borrowing is from internal cash balances. The capital financing costs do not include the cost of interest returns foregone by using internal cash balances, this will be reflected in a reduction to the bank and other interest budget.

Prudential and Treasury Indicators for 2026-30

42. Prudential and treasury indicators (as set out in the tables in Annex 2 to this strategy) are relevant for the purpose of setting an integrated treasury management strategy. The Council has adopted the CIPFA treasury management code.
43. The prudential and treasury management indicators include:
- Capital Expenditure
 - Capital Financing Requirement
 - Ratio of total financing costs to net revenue stream
 - Ratio of net income from commercial investments to net revenue stream
 - Liability benchmark
 - Upper and lower limits to the maturity structure of borrowing
 - Upper limits for long term treasury management investments
44. The liability benchmark provides a long-term projection of external debt and the capital financing requirement, including treasury management loans. There are four components to the benchmark:
- Existing loan debt outstanding: the Council's existing loans that are still outstanding in future years.
 - Loans CFR per the approved MTFS
 - Net loans requirement: gross loan debt less treasury management investments
 - Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.
45. The benchmark will be referred to before any borrowing decisions are made.

Borrowing

46. The treasury management function ensures that the Council's cash is organised so that sufficient cash is available to meet the day-to-day requirements of the Council and the funding required for the capital programme. This will involve both the organisation of the cash flow and the requirement for borrowing facilities.

Current Portfolio Position

47. The overall treasury portfolio position at 31st December 2025 was:

| | | Principal £m | Average Rate % |
|--------------------|------|-----------------|-------------------|
| Fixed Rate Funding | PWLB | 52.3 | 8.03 |

| | | | |
|-------------------|-----------------|--------------|------|
| (borrowing) | Market | 93.5 | 4.41 |
| | Total Borrowing | <u>145.8</u> | 5.71 |
| Total Investments | | <u>402.8</u> | 4.61 |
| Net Investment | | <u>257.0</u> | |

48. The market debt relates to structures referred to as LOBOs (Lenders Option, Borrowers Option), where the lender has certain dates when they can increase the interest rate payable and, if they do, the borrower has the option of accepting the new rate or repaying the loan. All of these LOBOs have passed the first opportunity for the lender to change the rate and as a result they are all classed as fixed rate funding, even though, in theory, the rates could change in the future.
49. The Council's average rate of return on its treasury investments is 4.61% (as at 31 Dec 25).

Treasury Limits for 2026/27 to 2029/30

50. It is a statutory duty for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Borrowing Limit represents the legislative limit specified in the Act.
51. The Council must have regard to the Prudential Code when setting the Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax level is 'acceptable'.
52. Whilst termed an "Affordable Borrowing Limit" the capital plans to be considered for inclusion incorporate financing by both borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years. Details of the Authorised Limit can be found in Annex 2 to this Strategy.

Prospects for Interest Rates

53. The Council's treasury advisor, MUFG Corporate Markets, have provided the following revised forecasts as at 22 December 2025 (latest update at the time of writing) to assist the Council to formulate a view on interest rates.

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

Additional notes by MUFG Corporate Markets on this forecast table: -

- *Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households'*

income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.

- Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.
 - Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".
 - Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
 - As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
 - Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.
 - Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.
 - Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
54. MUFG Corporate Markets suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

| Average earnings in each year | Now | Previously |
|-------------------------------|-----|------------|
|-------------------------------|-----|------------|

| | % | % |
|---------------------------|------|------|
| 2025/26 (residual) | 3.80 | 3.90 |
| 2026/27 | 3.40 | 3.60 |
| 2027/28 | 3.30 | 3.30 |
| 2028/29 | 3.30 | 3.50 |
| 2029/30 | 3.50 | 3.50 |
| Years 6-10 | 3.50 | 3.50 |
| Years 10+ | 3.50 | 3.50 |

Borrowing Strategy

55. The Council is currently under borrowed and is forecast to be under borrowed by the end of the MTFS in 2029/30. Under borrowed means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure, called internal borrowing. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.
56. Borrowing rates very rarely move in one direction without there being periods of volatility, and it is sensible to maintain a flexible and proactive stance towards when borrowing should be carried out (if, indeed, any borrowing is taken). Likewise it is sensible to retain flexibility over whether short, medium or long-term funding will be taken and whether some element of variable rate funding might be attractive. Any borrowing carried out will take into account the medium term costs and risks and will not be based on minimising short term costs if this is felt to compromise the medium term financial position of the Council.

External v Internal Borrowing

57. The Council currently has significant cash balances invested, and at the end of December 2025 these stood at £410m. These balances relate to a number of different items; reserves, provisions, grants received in advance of expenditure and simple cash flow are some of them.
58. As mentioned earlier the draft MTFS capital programme includes a funding requirement of £84m. Due to the levels of internal cash balances and the interest return compared with the cost of raising new external debt it is more economical to temporarily utilise internal cash balances
59. The Council has over the last decade repaid more than £208m of external loans with no new borrowing. If any further opportunities to repay debt occur that are sensible from a financial perspective, they will be taken.
60. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs.
61. In line with the requirements of the Prudential Code, and before any increase in the CFR is required, the Council will undertake an annual review of options to exit

investments held primary for return (those included in the liLP Strategy). The reviews evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits.

Policy on borrowing in advance of need

62. The Council will not borrow in advance of need simply to benefit from earning more interest on investing the cash than is being paid on the loan. Where borrowing is required in the approved capital programme, and value for money can be demonstrated by borrowing in advance, this option may be taken, but only if it is felt that the money can be invested securely until the cash is required. This allows borrowing to be taken out at an opportune time rather than at the time expenditure is incurred.
63. In determining whether borrowing will be taken in advance of the need the Council will:
 - ensure that there is a clear link between the capital programme and maturity profile of existing debt which supports taking financing in advance of need
 - ensure that the revenue implications of the borrowing, and the impact on future plans and budgets have been considered
 - evaluate the economic and market factors which might influence the manner and timing of any decision to borrow
 - consider the merits (or otherwise) of other forms of funding
 - consider a range of periods and repayment profiles for the borrowing.

Debt Rescheduling/Premature Debt Repayment

64. Debt rescheduling usually involves the premature repayment of debt and its replacement with debt for a different period, to take advantage of differences in the interest rate yield curve. The repayment and replacement do not necessarily have to happen simultaneously but would be expected to have occurred within a relatively short period of time.
65. If medium and long-term loan rates rise substantially in the coming years, there may be opportunities to adjust the portfolio to take advantage of lower rates in shorter periods. It is important that the debt portfolio is not managed to maximise short-term interest savings if this is felt to be overly risky, and a maturity profile that is overly focussed into a single year will be avoided. Changes to the way that PWLB rates are set, and the gap between new borrowing costs and the rate used in calculating premia/discounts for premature debt repayments, significantly reduces the probability of debt rescheduling being attractive in the future.
66. If there is a meaningful increase in medium and long-term premature repayment rates there is a possibility that premature repayment of existing debt might become attractive. This type of action would only be carried out if it was considered likely to be beneficial in the medium term.
67. All debt rescheduling or premature repayments will be reported to the Corporate Governance Committee at the earliest meeting following any action taken.

Annual Investment Strategy

Investment Policy – Management of Risk

68. The government) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of physical assets and service investments, are covered in the Capital Strategy and the liLP Strategy.
69. The Council's investment policy has regard to the following:
- Government Guidance on Local Government Investments
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
 - CIPFA Treasury Management Guidance Notes 2021.
70. The Council's investment priorities are security first, portfolio liquidity second and then yield. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security, liquidity, inflation expectations and with regard to the Council's risk appetite.
71. The above guidance places a high priority on the management of risk. The Council's policy in respect of deciding which counterparties are acceptable has always been stringent.
72. In broad terms the list of acceptable counterparties uses the list produced by MUFG Pension & Market Services (the Council's treasury management advisor) but excludes any party that is included in the MUFG Pension & Market Services list with a maximum loan maturity period of 100 days or less. All counterparties are also restricted to a maximum loan period of one year.

Creditworthiness Policy

73. MUFG Pension & Market Services' methodology includes the use of credit ratings from the three main credit rating agencies; Standard & Poor, Fitch and Moody's. The credit ratings of counterparties are supplemented with the following overlays:
- "Watches" and "outlooks" from credit rating agencies;
 - Credit Default Swap (CDS) spreads that may give early warning of changes in credit ratings;
 - Sovereign ratings to select counterparties from only the most creditworthy countries.
74. 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 bands which indicate the relative creditworthiness of counterparties. These are used by the Council to determine the suggested duration for investments. The Council further restricts the list of acceptable counterparties from the base list provided by MUFG Pension & Market Services, details are described in Annex 3.
75. MUFG Pension & Market Services issues timely information in respect of changes to credit ratings or outlooks, and changes to their suggested counterparty list are also issued. These reports are monitored within a short time of receipt and any relevant changes to the counterparty list are actioned as quickly as is practical. A weekly

summary of the credit ratings etc. of counterparties is also issued and this gives an opportunity to ensure that no important information has been missed.

Country Limits

76. The MUFG Pension & Market Services criteria includes a requirement for the country of domicile of any counterparty to be very highly rated. This is on the basis that it will probably be the national government which will offer financial support to a failing bank, but the country must itself be financially able to afford the support. The Council's list of acceptable counterparties will include a limit on the maximum amount that can be invested in all counterparties domiciled in a single country (except for the UK) in order to mitigate sovereign risk. All bank loans are made in sterling.

UK Local Authorities

77. The counterparty list from MUFG Pension & Market Services does not include Local Authorities, due to credit ratings not being available for the majority of organisations. Having never defaulted in history, UK Local authorities and levying authorities are and have always been regarded as safe counterparties.
78. Despite the difficult financial situation that many Local Authorities find themselves in, the legal basis underpinning them and their requirement to repay loans has not changed. It is considered very unlikely that one will be allowed to collapse and default on its debt. The language used to describe the financial position of Local Authorities and companies is very similar. However, the actual position is very different. Despite Government cuts to grants Local Authorities are in control of the majority of their income, due to their tax-raising powers. To regain a balanced budget service reductions can take place without a corresponding income reduction. Companies do not have this ability and if a service is cut by them, all of the related income stops. Historically when public sector re-organisations have taken place, resulting in the cessation of one or more entities, Central Government has nominated successor organisations. These organisations take on all of the historic assets and liabilities of the original entities. If a limited company ceases trading the known liabilities can only be settled out of the assets held by the company at that time.
79. Local Authorities remain very low risk counterparties and it is extremely unlikely that loans would not be repaid in full, on time and with full interest. The Council's treasury management advisors are aware of local authorities being on the list of authorised counterparties and are supportive of it, and comfortable that they remain low-risk counterparties. There is evidence that lending between local authorities continues to happen, including to those that have been highlighted as in very difficult financial positions.

Counterparty List

80. The combination of all these factors produces a counterparty list, for the County Council, which comprises only very secure financial institutions, and a list that is managed pro-actively as new information is available.
81. There is a requirement within the Annual Investment Strategy to state which of the approved methods of lending are specified, and which are non-specified. In broad terms a specified investment will be capable of repayment within one year and be made to a counterparty with a high credit rating; by implication non-specified investments are

riskier than specified investments as they are either for longer periods of time or to lower-quality counterparties. Anything that does not meet either of these 'tests' is, by default, non-specified and must be highlighted as such within the Strategy. The long-term nature of the 'LOBO-offset' loan to Danske Bank means that it is non-specified investment, although the off-setting nature of the borrowing and the loan actually makes it low risk. Investment in pooled private debt, capital release funds, pooled property and pooled infrastructure funds are also non-specified, primarily due to the illiquid and medium-term nature of the investment.

| Investment | Repayment within 12 months | Level of Security | Maximum Period | Maximum % of Portfolio or cash sum ¹ |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Term deposits with the Debt Management Office | Yes | Government-Backed | 1 year | 100% |
| UK Government Treasury Bills | Yes | Government-Backed | 1 year | 100% |
| Term deposits with credit-rated institutions with maturities up to 1 year ² (including both ring fenced and non-ring fenced banks) | Yes | Varied acceptable credit ratings, but high security | 1 year | 100% |
| Term deposits with overseas banks domiciled within a single country. | Yes | Varied acceptable credit ratings, but high security | 1 year | £70m |
| Private Term deposits that are legally capable of offset against existing LOBO borrowing that the Council has ³ | No | Varied, but off-setting nature of borrowing against loan gives a very low risk | 20 years | 25% |
| Money Market Funds: Constant NAV ⁴ Low Volatility NAV ⁵ | Yes | At least as high as acceptable credit – rated banks | Daily, same-day redemptions and subscriptions | £200m (includes any investment in variable NAV MMFs) |
| Variable NAV Money Market Funds ⁶ | Yes | At least as high as acceptable credit – rated banks | Same day subscriptions, 2 – 3 day redemption period | £160m (includes any investment in other MMFs) |
| Pooled private debt funds | No | Diversification within pooled fund and historic loss rate suggests high security | Varies across funds – likely to be at least a three year investment period, followed by a further three years to redeem all loans | £50m (£30m plus temp £20m overlap at renewal) |
| Pooled bank capital release funds | No | Diversification within pooled fund, resilience of SME loans to default and historic loss rate suggests high security | Varies across funds – likely to be at least an 18 month investment period, followed by a further 5 years to redemption | £20m |
| Pooled Property Funds | No | Diversification within pooled fund, exposure to UK property market. | Varies across funds | £20m |
| Pooled Infrastructure Funds | No | Diversification within pooled fund, exposure to global | Open ended | £15m |

| | | | | |
|----------------------------------------------------------------------------------------|-----|-----------------------------------------------------|--------|------|
| | | core infrastructure assets. | | |
| Term Deposits with UK Local Authorities up to 1 year | Yes | LA's do not have credit ratings, but high security | 1 year | 50% |
| Certificates of Deposit with credit-rated institutions with maturities of up to 1 year | Yes | Varied acceptable credit ratings, but high security | 1 year | 100% |

- (1) As the value of the investment portfolio is variable, the limit applies at time of agreeing the investment. Subsequent changes in the level of the portfolio will not be classed as a breach of any limits.
 - (2) For administrative purposes a commitment may need to be made in advance of the investment period commencing. To avoid being overexposed with a counterparty this will be kept to a few days.
 - (3) Non-specified investment
 - (4) Funds where the capital value of a unit will always be maintained at £1. These funds have to maintain at least 99.5% of their assets in government backed assets.
 - (5) Funds are permitted to maintain the unit price at £1 as long as the net asset value does not deviate by more than 0.20% from this level.
 - (6) Funds will value their units on the basis of the underlying value of the assets that they hold; the unit price will not necessarily always be exactly £1
82. Following the lasting implications of the Covid-19 pandemic, in particular, the demonstration that unforeseeable events can very quickly cause significant uncertainty and shock financial markets, it is recognised that in exceptional circumstances the Director of Corporate Resources, in order to protect capital balances and liquidity, may have to take immediate action that breaches the above policy on a temporary basis. The action will only be taken as a last resort and will be reported, along with the rationale behind it, to the Corporate Governance Committee at the first opportunity.

Investment Strategy

83. The investment strategy shall be to only invest in those institutions and/or asset types that are included in the counterparty list, and only to lend up to the limit set for each counterparty. Periods for which loans are placed will take into account the outlook for interest rates and, to a lesser extent, the need to retain cash flows. There may be occasions when it is necessary to borrow to fund short-term cashflow issues, but there will generally be no deliberate intention to make regular borrowing necessary.

Environmental, Social and Governance (ESG) Policy

84. The Council is committed to being a responsible investor at all times. Responsible investment means to recognise the importance of the long-term health and stability of the financial markets, and to understand that this depends on key external non-financial factors, such as the environment, social stability and strong governance. Collectively, these factors are often referred to under the umbrella of ESG.
85. The Council's objective is to recognise all these risks, to mitigate them where possible and thereby improve the security of its portfolio in the long-term.
86. Within these risks, the Council has identified climate change as a long-term, material and systemic financial risk with the potential to significantly impact the treasury portfolio and the Council's financial resilience over time. Therefore, the Council seeks to:

- Minimise exposure to counterparties and investments heavily impacted by climate change risk;
- Increase exposure to sectors, counterparties and investments, such as renewables, whose activities aid the transition to a lower carbon world and economy;
- Contribute meaningfully to an improved economically sustainable future locally and nationally, without sacrificing security.

87. The Council sees positive social impact also as a key mitigation to aid long-term financial stability, and as a meaningful contribution to the local, regional and national economy. Good governance meanwhile is also critical to safeguarding the Council's reputational risk.
88. The Council will incorporate ESG issues into its analysis and decision making processes when considering the treasury portfolio and investments. The Council will seek to use data and analysis to determine the type and materiality of relevant issues for counterparties, and their alignment with the Council's core principles.
89. It is important to note that the Council shall invest on the collective basis of its investment priorities – security, liquidity, yield and ESG impact – having considered all factors contributing to the risk of its counterparties and investments, including ESG factors to the extent these indirectly or directly impact on financial risk and return as well as the Council's broader policy objectives and reputation.

Scheme of Delegation

90. (i) Full Council
- Approval of annual strategy
 - Other matters where full Council approval is required under guidance or statutory requirement
- (ii) Cabinet
- Approval of updates or revisions to strategy during the year
 - Approval of Annual Treasury Outturn report
- (iii) Corporate Governance Committee
- Mid-year treasury management updates (usually quarterly)
 - Review of treasury management policy and procedures, including making recommendations to responsible body
 - Scrutiny of Treasury Management Strategy/Annual Investment Strategy and Annual Treasury Outturn report.
- (iv) Director of Corporate Resources
- Day-to-day management of treasury management, within agreed policy
 - Appointment of external advisers, within existing Council procurement procedures

Role of Section 151 Officer

91. The Section 151 Officer is the Director of Corporate Resources, who has responsibility for the day-to-day running of the treasury management function.

Pension Fund Cash

92. The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1st January 2010, and will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the County Council after 1st April 2010 will comply with the requirements of SI 2009 No 3093. From time to time the Council will manage short term cash flow requirements for either the County Council or the Pension Fund on a non-beneficial basis (i.e., at no beneficial cost – no charge will be incurred above and beyond costs incurred).

Eastern Shires Purchasing Organisation (ESPO)

93. As part of the service level agreement with ESPO, the council provides a treasury management service on behalf of ESPO for investment of surplus balances and borrowing. This service is carried out with due regard to this policy and responsibility for day-to-day management lies with the Director of Corporate Resources. Surplus balances are invested in their own right and not pooled with the County Council.

ANNUAL STATEMENT FOR THE DETERMINATION OF THE ANNUAL MINIMUM REVENUE PROVISION (MRP)

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of Capital Financing Requirement (CFR) from its calculation, unless by an exception set out in statute.

Prudent Provision.

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The definition of what is prudent provision is determined by each local Council based on guidance rather than statutory regulation.

During 2024/25 the Authority undertook a review of its MRP policy to assess its appropriateness. The review has identified that changes to the existing policy can be made to remain prudent and to more accurately reflect the time value of money through the use of an Annuity calculation. This results in a consistent charge to the general fund for assets over their useful lives. Setting the annuity rate at the Bank of England's Monetary Policy Committee's inflation target rate of 2% is considered appropriate and prudent. MRP will increase by this percentage each year. This reflects the time value of money and can be considered to be fairer on council tax-payers as it produces a consistent charge as measured in real terms. The previous policy was to apply MRP at a rate of 2.5% per year using the straight line method. The revised approach, with effect from 2025/26, was approved by the Council in February 2025.

CIPFA's Practitioners' Guide to Capital Finance in Local Government supports the use of the Annuity method on the basis that the MRP charge to the General Fund takes account of the time value of money.

It is proposed that provision is made on the following basis:

Government supported borrowing and Prudential (unsupported) borrowing as at 31 March 2026:

Provision to be based on the estimated life of the assets remaining with repayments by annuity instalments of 2% each year. The extent of borrowing required to finance the capital programme is not directly linked to any specific projects thus in determining the average life of assets an average of 35 years has calculated for all existing assets as at 31 March 2026.

Prudential (unsupported) borrowing and expenditure capitalised by direction of the Secretary of State and certain other expenditure classified as capital incurred after 31 March 2025:

Provision to be based on the estimated life of the assets remaining with repayments by annuity instalments of 2% each year. The extent of borrowing required to finance the capital

programme is not directly linked to any specific projects thus in determining the average life of assets an average of 40 years has been taken as a proxy for the average life of assets.

The County Council will also look to take opportunities to use general underspends and one-off balances to make additional (voluntary) revenue provision where possible to reduce ongoing capital financing costs. As at 31 December 2025, the cumulative amount of voluntary MRP paid in advance was £12.0m.

Financial Implications

MRP is a constituent of the Financing of Capital budget shown within Central Items component of the revenue budget and for 2026/27 is estimated to total £4.2m, excluding finance lease MRP.

PRUDENTIAL AND TREASURY INDICATORS

In line with the requirements of the CIPFA Prudential Code for Capital Finance in local authorities, the various indicators that inform authorities whether their capital investment plans are affordable, prudent and sustainable, are set out below.

A further key objective of the Code is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The indicators for Treasury management are set out in this paper.

Compliance with the Code is required under Part I of the Local Government Act 2003.

| | <u>2025/26</u> <u>Estimate</u> | <u>2026/27</u> <u>Estimate</u> | <u>2027/28</u> <u>Estimate</u> | <u>2028/29</u> <u>Estimate</u> | <u>2029/30</u> <u>Estimate</u> |
|----------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Capital Expenditure | £200m | £162m | £160m | £135m | £137m |
| Capital financing requirement | £194m | £189m | £219m | £235m | £258m |
| Ratio of total financing costs to net revenue stream | 2.0% | 1.9% | 1.9% | 1.9% | 1.9% |
| Ratio of net income from commercial activities to net revenue stream | 1.0% | 1.3% | 1.4% | 1.3% | 1.3% |

The projected level of capital expenditure shown above differs from the total of the detailed four year programme presented in the MTFs as an allowance has been provided to cover estimated additional expenditure that may occur during the course of a year, for instance projects funded by government grants, section 106 contributions and projects funded from the future developments programme.

The capital financing requirement (CFR) measures the Council's need to borrow for capital purposes and as such is influenced by the availability of capital receipts and income from third parties, e.g. grants and developer contributions. The CFR is increasing during the MTFs period for essential investment in services, investment for growth and invest to save projects. The prudential code includes the following as a key indicator of prudence:

'In order to ensure that over the medium term gross debt will only be for a capital purpose, the local Council should ensure that gross debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'. In the short term this indicator will not be met due to the reduction in the capital financing requirement in recent years and the currently prohibitively expensive premiums to repay existing debt. The Council will consider options to reduce this position where they are in the long term financial interests of the Council. Further details are included in the main Treasury Management Strategy Statement and Annual Investment Strategy 2026-27.

In respect of external debt, it is recommended that the Council approves the limits detailed in the tables below for its total external debt for the next four financial years. These limits separately identify borrowing from other long term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Director of Corporate

Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Any such changes made will be reported to the Cabinet at its next meeting following the change.

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario. The key difference is that the Authorised Limit cannot be breached without prior approval of the County Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

Operational boundary for external debt

| | <u>2026/27</u> <u>£m</u> | <u>2027/28</u> <u>£m</u> | <u>2028/29</u> <u>£m</u> | <u>2029/30</u> <u>£m</u> |
|----------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Borrowing | 194 | 224 | 240 | 263 |
| Other long term liabilities (finance leases) | 1 | 1 | 1 | 1 |
| Total | 195 | 225 | 241 | 264 |

Authorised limit for external debt

| | <u>2026/27</u> <u>£m</u> | <u>2027/28</u> <u>£m</u> | <u>2028/29</u> <u>£m</u> | <u>2029/30</u> <u>£m</u> |
|----------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Borrowing | 204 | 234 | 250 | 273 |
| Other long term liabilities (finance leases) | 1 | 1 | 1 | 1 |
| Total | 205 | 235 | 251 | 274 |

In agreeing these limits, the Council is asked to note that the authorised limit determined for 2026/27 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Comparison of original 2025/26 indicators with the latest forecast

In February 2025 the County Council approved certain prudential limits and indicators, the latest projections of which are shown below:

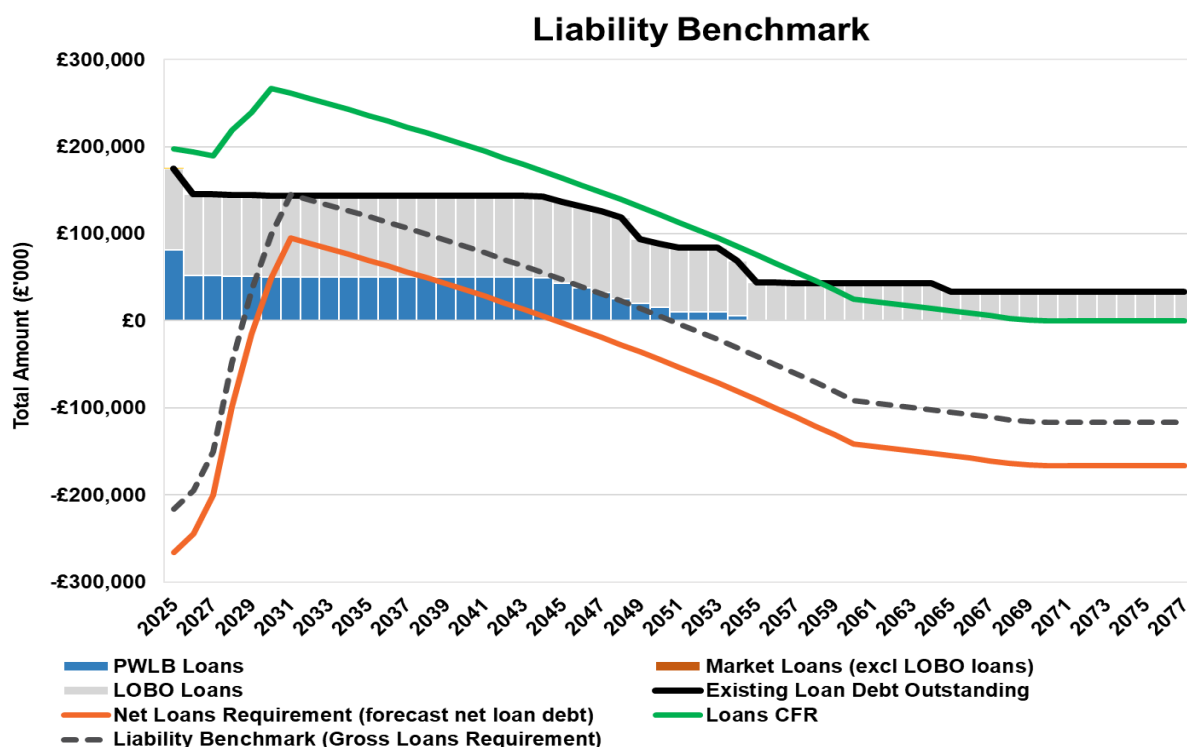
| | <u>Prudential</u> <u>Indicator</u> <u>2025/26</u> | <u>Latest</u> <u>Projection</u> <u>31/12/25</u> |
|------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| Actual Capital Financing Costs as a % of Net Revenue Stream | 2.2% | 1.9% |
| Capital Expenditure | £164m | £200m |
| Operational Boundary for External Debt | £207m | £207m |
| Authorised Limit for External Debt | £217m | £217m |
| Net Income from Commercial Activities as % of net revenue stream | 1.0% | 1.0% |
| Estimated Debt as at 31/03/2026 | N/A | £146m |
| Capital Financing Requirement | £196m | £193m |
| Liability Benchmark - Gross loans requirement (£m) | £-186m | £-192m |

With the exception of the capital expenditure forecast for 2025/26 All other indicators are within the targets set. The latest estimate of capital expenditure in 2025/26 is £200m compared with the original prudential indicator of £164m. The increase is due to additional government capital grants, announced after the MTFS was approved, and the rephasing of capital expenditure (and its funding) from the 2024/25 outturn. The increase in the programme is fully funded and there is no change in the overall borrowing required to fund the four-year capital programme, £84m by 2029/30. The Director of Corporate Resources reports that no difficulties are envisaged in complying with these indicators. The latest forecast of external debt at 31 March 2026 is £146m and is within both the authorised borrowing limit and the operational boundary set for 2025/26. The maturity structure of debt is within the indicators set.

Treasury Management Indicators

The Local Government Act 2003 requires the County Council to ensure that treasury management is carried out with good professional practice. The Treasury Management and Prudential Codes includes the following as the required indicators in respect of treasury management:

- a) Liability benchmark - is a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. This is shown by the gap between the Council's existing loans that are still outstanding at a given future date and the Council's future need for borrowing (as shown by the liability benchmark). It is presented as a chart, covering four sections:
- Existing loan debt outstanding – shown by the type of debt, to show interest risk
 - Loans capital financing requirement – same as the CFR
 - Net loans requirement (NLR) – gross debt less treasury management investments, proposed prudential borrowing, MRP and any other major cash flows forecast
 - Liability bench mark (or gross loans required) equals the net loans requirement plus short-term liquidity allowance.



The opening position is as at April 2025. At this point the net loans requirement (NLR) is calculated as outstanding debt of £175m less treasury management investments of £441m. For the Council this is a negative figure of £-266m. The liability benchmark, or gross loans requirement, is this figure plus the short-term liquidity requirements of the Council, which provides a negative figure of £-216m. This position is primarily due to funding set aside to fund the capital programme, no new prudential borrowing for over a decade and limited opportunities to repay debt early.

As the chart moves through the MTFS period 2026-30 the liability benchmark (gross loans requirement) increases as the capital strategy is actioned through prudential borrowing and earmarked reserves being used. After this date the benchmark then reduces as MRP reduces the CFR. Despite this the gross loans requirements is always below the level of existing debt outstanding which indicates that no external borrowing is likely to be required.

There are limitations with the chart in that it is focused on current commitments and makes no assumption of any future possible prudential borrowing needs. However, it is a useful tool to review the net management of the treasury position with the aim to minimise and reduce refinancing, interest and credit risk by profiling borrowing portfolio to benchmark borrowing requirements.

- b) Upper and lower limits for the maturity structure of its borrowings as follows:
Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

| | <u>Upper Limit %</u> | <u>Lower Limit%</u> |
|--------------------------------|----------------------|---------------------|
| under 12 months | 30 | 0 |
| 12 months and within 24 months | 30 | 0 |
| 24 months and within 5 years | 50 | 0 |
| 5 years and within 10 years | 70 | 0 |
| 10 years and above | 100 | 25 |

- c) An upper limit for treasury management investments longer than 1 year is 25% of the portfolio.

The County Council has adopted the CIPFA code of Practice for Treasury Management in the Public Services.

ANNEX 3**POLICY ON APPROVED ORGANISATIONS FOR LENDING****APPROVED ORGANISATIONS/ LIMITS FOR LENDING**

| <u>Institution*</u> | <u>Maximum Sum Outstanding/Period of Loan</u> |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| UK Clearing Banks and UK Building Societies** | £35m/6 months up to £55m/12months (Not special Institutions) £75m/12months (special Institutions) 'Special' = significant element of UK government ownership. |
| UK Debt Management Office | No maximum sum outstanding/12 months |
| UK Government Treasury Bills | No maximum sum outstanding/12 months |
| Overseas Banks | £10m/6 months £20m/12 months |
| Money Market Funds*** | £40m ongoing limit within any AAA-rated fund, rising to £50m should the cash position necessitate. £200m maximum exposure to all Money Market Funds |
| UK Local Authorities | £10m/12 months |
| Pooled Private Debt Funds | £50m/variable 3-6 years |
| Pooled Bank Capital Release Funds | £20m/variable 3-6 years |
| Pooled Property Funds | £20m/variable |
| Pooled Infrastructure Funds | £15m/variable |

* includes ring fenced and non-ring fenced banks.

**In the event that an investment is entered into which is legally offset against borrowing in the form of a LOBO (Lender's Option, Borrower's Option) from the same counterparty, the maximum period will be 20 years and the maximum sum will be the amount of the LOBO deal against which the legal offset exists.

*** For the most part, a practical limit of £40m will apply to each of the four MMF's available. However, if the total cash requirement for MMFs does exceed £160m (e.g. the £40m limit is reached in each), then the limit can be increased to £50m for each MMF.

The list of acceptable institutions will mirror the list of suggested counterparties maintained by MUFG Pension & Market Services, except the maximum maturity period will be restricted to 1 year and any institution with a suggested maturity period of 100 days or less will be excluded.

Some financial institutions have both a parent company and a subsidiary that are licensed deposit takers in the UK. Where this is the case a 'group limit' will apply, and this will be the limit that is given to the parent company.

In some cases the parent company will be an overseas institution and they will have UK-registered subsidiaries. Where this is the case the parent company limit will apply at a total group level, even if this limit is less than would be given to the UK subsidiary on a stand-alone basis. Any money invested with a UK subsidiary of an overseas institution will be classed as being invested in the country of domicile of the parent if the parent is an overseas institution for country-maximum purposes.

If the credit rating of an individual financial institution decreases to a level which no longer makes them an acceptable counterparty the Director of Corporate Resources will take action to bring this back into line at the earliest opportunity. It should be noted that there will be no legal right to cancel a loan early, and any premature repayment can only be made with the approval of the counterparty and may include financial penalties. Similar actions will be taken if a counterparty is downgraded to a level which allows them to remain on the list of acceptable counterparties, but where the unexpired term of any loan is longer than the maximum period for which a new loan could be placed with them.

In the event that the circumstances highlighted above occur, the Director of Corporate Resources will report to the Corporate Governance Committee.

TREASURY MANAGEMENT POLICY STATEMENT (TMPS)

1. This organisation defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.



CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

QUARTERLY TREASURY MANAGEMENT REPORT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. The purpose of this report is to update the Committee on the actions taken in respect of treasury management for the quarter ending 31 December 2025 (Quarter 3).

Policy Framework and Previous Decisions

2. Within the County Council's Constitution, Part 3 – responsibility for functions, the functions delegated to the Corporate Governance Committee include 'that the Council's Treasury Management arrangements are appropriate and regularly monitored'.
3. The Annual Treasury Management Strategy and Annual Investment Strategy (AIS) for 2025-29 form part of the Council's Medium Term Financial Strategy (MTFS). These were considered and supported by the Corporate Governance Committee in January 2025 and approved by the County Council in February 2025.
4. The Treasury Management Strategy requires quarterly reports to be presented to the Corporate Governance Committee, to provide an update on any significant events in treasury management. The aim of these reporting arrangements is to ensure that those with responsibility for the treasury management function appreciate the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. This is in line with the CIPFA Treasury Management Code.

Background

5. Treasury Management is defined as "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
6. Temporary cashflow balances are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of the treasury management service is the funding of the Council's capital plans. These provide a guide to the borrowing need of the Council, essentially the longer-term

cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. Treasury risk management at the Council is conducted within the framework of CIPFA's Treasury Management Code of Practice.

7. Capital investments in services, including those within the Investing in Leicestershire Programme, are part of the Capital Strategy (and the capital programme), rather than the Treasury Management Strategy. The capital programme is monitored and reported regularly to the Scrutiny Commission and the Cabinet.

Economic Background

8. The Council's treasury management adviser, MUFG Pension & Market Services (formerly Link Asset Services), provides a periodic update outlining the global economic outlook and monetary policy positions. An extract from that report is attached as Appendix A to this report. The key points are summarised below.
9. The third quarter of 2025/26 saw:
 - A -0.1% m/m change in real GDP in October, leaving the economy no bigger than at the start of April.
 - The 3myy rate of average earnings growth excluding bonuses fall to 4.6% in October, having been as high as 5.5% earlier in the financial year.
 - CPI inflation fall sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
 - The Bank of England cut interest rates from 4.00% to 3.75% in December, after holding in November.
 - The 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%.

Action Taken During Quarter 3 to December 2025

Short Term Investments

10. A summary of movements and key performance indicators (KPIs) in the Council's investment loan portfolio can be viewed in the table below which details the Annual Percentage Rate (APR) of the portfolio, the average APR of loans matured, and new loans placed. The table also shows the Weighted Average Maturity (WAM) of the portfolio.

KPIs Loans only:

| | Total Loans | APR (Loans Only) | WAM (Days) ¹ | Maturities (£m) | APR Maturities | New Loans (£m) | APR New Loans |
|-------------|-------------|------------------------|----------------------------|--------------------|-------------------|-------------------|------------------|
| Current Qtr | 345.8 | 4.19% | 167 | 135.8 | 4.37% | 86.2 | 4.05% |
| Prior Qtr | 395.4 | 4.27% | 165 | 144.7 | 4.56% | 145.8 | 4.13% |
| Change | ↓ 49.6 | ↓ 0.08% | ↑ 2.0 | ↓ 8.9 | ↓ 0.19% | ↓ 59.6 | ↓ 0.08% |

¹WAM excludes MMFs as these are overnight maturity

11. The total balance available for short term investment decreased by £49.6m during the quarter.

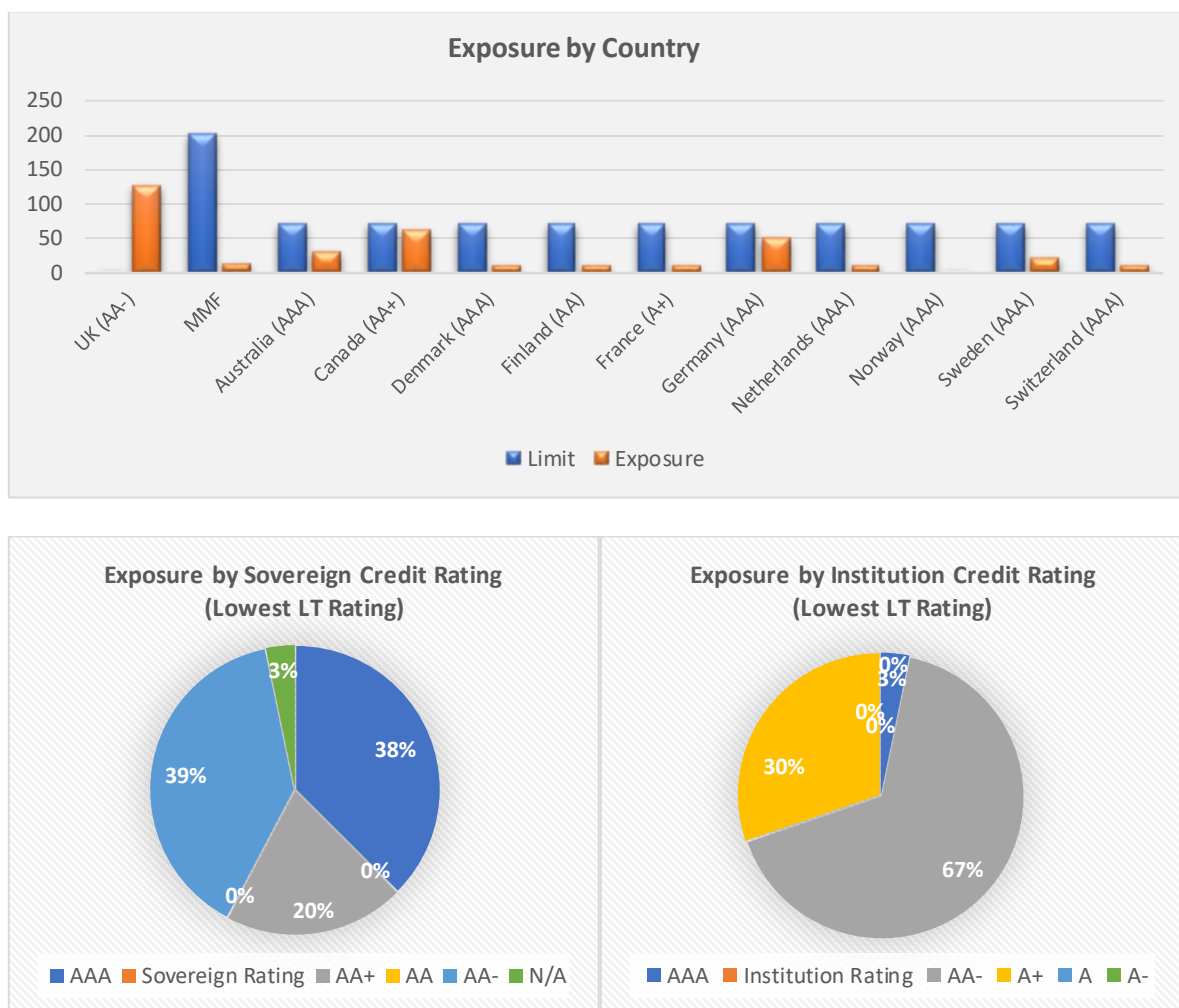
12. As a result of the falling base rate, the APR on new loans has reduced by 0.08% quarter on quarter.
13. The loans WAM increased by 2 days and indicates that the portfolio will be more insulated against movements in interest rates (whether these are up or down). This was primarily driven by less cash being available to lend longer due to the value of maturities in the quarter.
14. The loan portfolio at the end of December was invested with the counterparties shown in the table below, listed by original investment date:

| | £m | <u>Maturity Date</u> |
|----------------------------------------------------------------|--------------|-----------------------------|
| Instant Access | | |
| Money Market Funds | 11.2 | January 2026 |
| 6 Months | | |
| Credit Industriel vt Commercial | 10.0 | March 2026 |
| Goldman Sachs | 10.0 | March 2026 |
| Goldman Sachs | 15.0 | April 2026 |
| 12 Months | | |
| Rabo Bank | 10.0 | March 2026 |
| Skandinaviska Enskilda Banken AB (SEB) | 20.0 | April 2026 |
| Union Bank of Switzerland (UBS) | 10.0 | April 2026 |
| Macquarie Bank | 9.6 | April 2026 |
| Toronto Dominion Bank | 20.0 | May 2026 |
| Bank of Montreal | 20.0 | May 2026 |
| Nordea ABP | 10.0 | May 2026 |
| Deutsche Zentral (DZ) | 20.0 | May 2026 |
| Australia & New Zealand Bank | 20.0 | May 2026 |
| National Westminster Bank Plc | 10.0 | July 2026 |
| Lloyds Bank Plc | 40.0 | July 2026 |
| Royal Bank of Canada | 20.0 | September 2026 |
| National Westminster Bank Plc | 10.0 | September 2026 |
| Landesbank Hessen Thuringen | 10.0 | September 2026 |
| Landesbank Baden Wurtember | 10.0 | October 2026 |
| Landesbank Hessen Thuringen | 10.0 | October 2026 |
| Lloyds Bank Plc | 15.0 | October 2026 |
| National Westminster Bank Plc | 25.0 | October 2026 |
| Beyond 12 Months but included in short term investments | | |
| Danske Bank [#] | 10.0 | May 2027 |
| Short term investments total | 345.8 | |
| Beyond 12 Months | | |
| Partners Group (Private Debt) 2017 | 0.0 | Estimated 2025 |
| Partners Group (Private Debt) 2021 | 9.2 | Estimated 2029 |

| | | |
|--------------------------------------------------------------------------|--------------|----------------------------------|
| Partners Group (Private Debt) 2023 | 8.5 | Estimated 2030 |
| CRC CRF 5 (Bank Risk Sharing) 2022 | 11.0 | Estimated 2030 |
| CRC CRF 6 (Bank Risk Sharing) 2025 | 9.6 | Estimate 2032 |
| Pooled Property | 9.9 | Open ended/ Estimated 2026/27 |
| Pooled Infrastructure | 8.8 | Open ended fund |
| | | |
| <u>TOTAL PORTFOLIO BALANCE:</u> <u>31 December 2025</u> | 402.8 | |

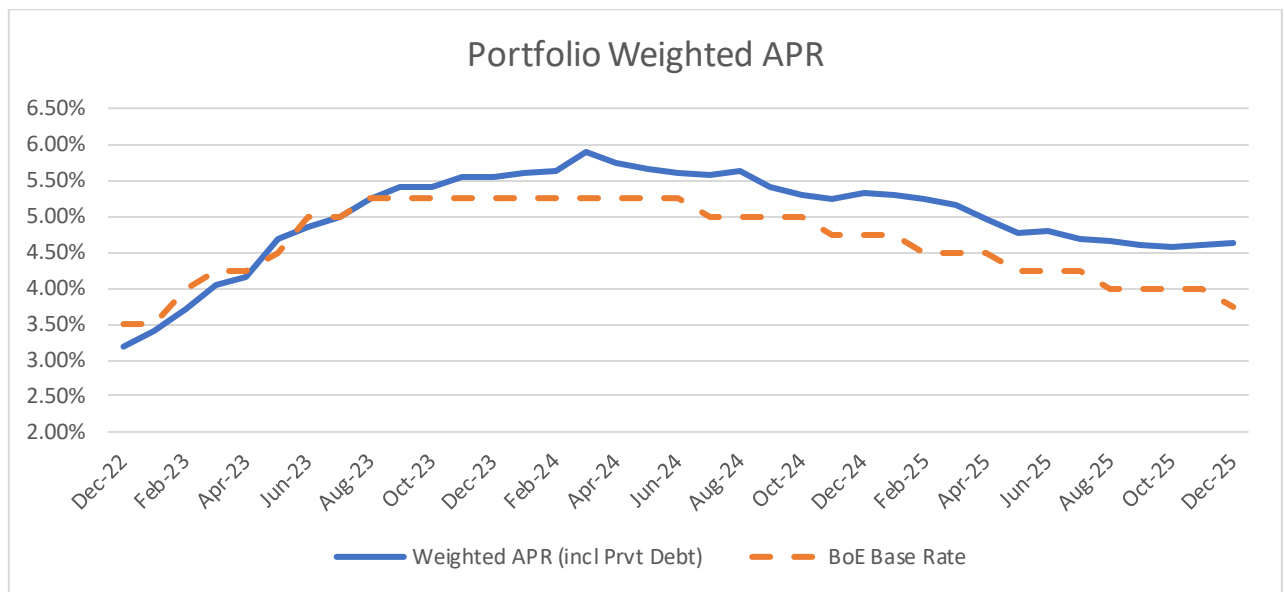
#Danske Bank loan is included in short term investments for reporting in the tables above as the interest fixing is every six months.

15. The graphs below show the exposure of the short-term investments by country, sovereign rating and institution rating:



16. These graphs provide an indication of the Council's exposure to credit risk but it should be noted that long term credit rating is just one of the components used to determine the list of acceptable counterparties; short-term ratings, ratings outlook, rating watches, credit default swap movements (the cost of insuring against a default) and general economic conditions are also factored into the counterparty list.

17. The loan portfolio weighted APR decreased from 4.27% in Quarter 2 to 4.19% in Quarter 3. This is due to reductions in the rates available in the market, in anticipation of upcoming reductions to the Bank of England (BoE) base rate. The chart below shows the weighted APR achieved by the treasury portfolio compared to the BoE base rate. This highlights that following the base rate increase to August 2023, the weighted APR of the portfolio has since achieved a higher return in the months that followed. Most investments within the portfolio are on a fixed interest basis so changes in base rate do not immediately have a material impact on the APR achieved. One indicator for how big this lag is the WAM. This shows the average length of time remaining until the Council's short-term investments mature. It can be seen from the table in paragraph 16 that the average days to maturity of loans is 167 days – an increase of 2 days from the last quarter.



Investments Beyond 12 Months

18. The table below provides an overview of the investments made that were beyond 12 months when placed. This shows the current capital levels within each fund the table also shows the Net Asset Value (NAV), and Internal Rate of Return (IRR) for each fund. Following a review of the accounting treatment of the Council's investments in pooled property and pooled infrastructure, these have been assessed as meeting the definition of treasury management investments, previously held as capital expenditure, and are now included in the table below.

| As at end of Q3 | | | | | During Qtr | |
|------------------------|-----------------------------------|----------|---------------------|-------------------------|---------------------|-------------|
| | Capital invested (remaining) (£m) | NAV (£m) | IRR (Since Incep'n) | Total Income Rec'd (£m) | Capital Repaid (£m) | Income (£m) |
| Private Debt | | | | | | |
| 2017 MAC IV | 0.0 | 0.0 | 4.48% | -3.9 | -0.2 | -0.1 |
| 2021 MAC VI | 9.2 | 10.7 | 7.10% | -3.1 | -0.9 | -0.1 |
| 2023 MAC VII | 8.5 | 9.6 | 8.43% | 0.0 | 0.0 | 0.0 |
| Bank Risk Share | | | | | | |

| | | | | | | |
|-----------------------------------------------|------|------|--------|------|-----|------|
| 2022 CRC CFR 5 | 11.0 | 10.3 | 11.85% | -6.4 | 0.0 | -0.9 |
| 2025 CRC CRF 6 | 9.6 | 9.6 | 8.0% | 0.0 | 9.6 | 0.0 |
| <u>Pooled Property</u> | | | | | | |
| 2015-19 Hermes, DTZ, Lothbury, Threadneedle * | 9.9 | 7.9 | 2.4% | -7.9 | 0.0 | -0.1 |
| <u>Pooled Infrastructure</u> | | | | | | |
| 2023 JPM Infra | 8.8 | 8.9 | 5.1% | -1.5 | 0.0 | -0.1 |

*At present only the Threadneedle property unit trust and DTZ property fund are distributing income quarterly. The Hermes property fund returned all capital in Q2 2025/26 and Lothbury property fund has just £0.1m of capital to return.

19. The Council received its 42nd and 43rd distributions from the Partners MAC IV (2017) fund during the quarter in the form of £207,000 of invested capital. Only £2,000 capital now remains invested in this fund.
20. The Council received its 27th, 28th and 29th distributions from the MAC VI fund during the quarter totalling £1.0m; this represented a return on invested capital of £874,000, with £131,000 being income.
21. The Partners MAC VII is a relatively new fund that was calling investments until September 2025.
22. The Council received its 19th and 20th distributions from the Christofferson Robb and Company's (CRC) Capital Relief Fund 5 (CRF 5). The total receipt of £914,000 being income.
23. During quarter 3, calls were made to the new Christofferson Robb and Company's (CRC) Fund 6 (CRF 6). The total currently invested is £9.65m.
24. The pooled property investments were committed to between 2015 and 2019. Four UK commercial property funds were invested into, three open funds and one closed ended fund. All provided regular quarterly income. At present one has returned all the invested capital, and another is in the process of returning the final amount of capital from the remaining portfolio after it was decided by unit holders to liquidate and return capital. The income for the quarter ended 31 December 2025 is estimated at £85k.
25. The pooled infrastructure investment with JP Morgan is a diversified global mandate investing in already developed infrastructure. The commitment to this Fund in 2022 was for £8.8m which was called by JP Morgan in January 2023. The fund can pay regular quarterly distributions given the operational assets it owns.

Loans to Counterparties that breached authorised lending list

26. During quarter 3 2025/26 there were no loans which breached the authorised lending list.

Compliance with Prudential and Treasury Indicators – Quarter 3

27. The prudential and treasury indicators are shown in Appendix B. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits.

During the quarter ending 31 December 2025, the Council has operated within the treasury and prudential indicators as set out in the Council's Treasury Management Strategy Statement for 2025/26, except for the capital expenditure forecast for 2025/26. The latest estimate of capital expenditure in 2025/26 is £200m compared with the original prudential indicator of £164m. The increase is due to additional government capital grants, announced after the MTFS was approved, and the rephasing of capital expenditure (and its funding) from the 2024/25 outturn. The increase in the programme is fully funded and there is no change in the overall borrowing required to fund the four-year capital programme - £84m by 2028/29. The Director of Corporate Resources reports that no difficulties are envisaged in complying with these indicators.

Resource Implications

28. The interest earned on revenue balances and the interest paid on external debt will impact directly onto the resources available to the Council. The budgeted income for interest generated by treasury management activities (excluding investments beyond 12 months – which are reported separately as part of the Investing in Leicestershire Programme, liLP) for 2025/2026 is £12.0m. Current bank interest forecasts show interest earned in 2025/2026 could reach £16.5m. The increase in interest income is due to i) forecast Bank of England base rate levels being higher and for longer than forecast and ii) higher than estimated average Council balances than when the budget was set. Average balances remain strong due to the level of earmarked reserves, latest phasing of spend on the capital programme and government grants received in advance. The forecast position is also compounded by the lag on changes to interest rates impacting the portfolio, as explained earlier in the report.

Recommendations

29. The Committee is asked to note this report.

Background papers

30. None.

Circulation under the Local Issues Alert Procedure

31. None.

Equality and Human Rights Implications

32. There are no discernible equality and human rights implications.

Appendices

Appendix A - Economic Overview (For the quarter to December 2025)

Appendix B – Prudential and Treasury Indicators for 2025/26 as at 31st December 2025

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ECONOMIC OVERVIEW (DECEMBER 2025)**The third quarter of 2025/26 saw:**

- A -0.1% m/m change in real GDP in October, leaving the economy no bigger than at the start of April.
- The 3myy rate of average earnings growth excluding bonuses fell to 4.6% in October, having been as high as 5.5% earlier in the financial year.
- CPI inflation fell sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
- The Bank of England cut interest rates from 4.00% to 3.75% in December, after holding in November.
- The 10-year gilt yield fluctuated between 4.4% and 4.7%, ending the quarter at 4.5%.
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern (0.1% q/q). October's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK rose from 51.2 in November to 52.1 in December, suggesting the economy may be benefitting somewhat from pre-Budget uncertainty fading. This may also reflect a diminishing drag from weak overseas demand. While the services PMI rose from 51.3 to 52.1, the improvement in the manufacturing output balance from 50.3 to 51.8 was larger. Indeed, the manufacturing sector has been more exposed to the recent weakness of external demand and has lagged the services sector since the end of last year.
- 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. Nonetheless, the 0.1% m/m fall in retail sales volumes in November built on the 0.9% m/m drop in October, suggesting the longer-lasting effects of weak employment and slowing wage growth are impacting. Moreover, the decline in the GfK measure of consumer confidence from -17 in October to -19 in November suggests that consumers are not that optimistic at present.
- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.
- Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.
- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.
- After the Budget, public net sector borrowing of £11.7bn in November was comfortably below last November's figure of £13.6bn and was the lowest November borrowing figure since 2021, mainly due to tax receipts being £5.4bn higher, largely because of the hike in employer NICs in April 2025.

Appendix A

Cumulative borrowing in the first eight months of 2025/26 was still £10bn above last year's total. However, lower inflation and a disposal of assets ahead of the Budget should mean borrowing in 2025/26 comes in below last year's total.

- 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, the 38,000 fall in payroll employment in November was the tenth monthly decline in the past 13 months, causing the annual growth rate to slow further, from -0.5% to -0.6%. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022) but the less reliable Labour Force Survey data showed that employment fell by 16,000 in the three months to October, with the unemployment rate rising further, from 5.0% to 5.1%. All this suggests the labour market continues to loosen, albeit at a slow pace.
- A looser labour market is driving softer wage pressures. The 3myy growth rate of average earnings including bonuses eased from 4.9% in September to 4.7% in October. And excluding bonuses, the 3myy rate slowed from 4.7% to 4.6%. Regular private sector pay growth continued to slow from 4.2% to 3.9%. That left it broadly on track to meet the Bank's end of December prediction of 3.5%.
- CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that disinflation is well underway. There was a widespread easing in price pressures with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to a high of c4.8%, before ending June at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although, subsequently, gilt yields fell back after the Budget, supported by a tighter fiscal plan, fewer tax hikes required following a smaller-than-expected downgrade to the OBR's fiscal forecast, and a favourable shift in bond issuance away from long-dated debt. Gilt yields hovered around 4.5% at the end of the quarter.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further significant jump in value. The stock market hit new record highs above 9,900 in Mid-November, driven by a global rebound on hopes of a US government-shutdown resolution, expectations of a December rate-cut, and strong corporate earnings. Despite some jitters around Budget time, the FTSE 100 closed Q4 at 9,931, 5% higher than at the end of September and 22% higher since the start of 2025.

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

- There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged.

Appendix A

In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

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APPENDIX B**PRUDENTIAL INDICATORS 2025/26**

| | Prudential Indicator set 2025/26 | Quarter 3 Forecast |
|-----------------------------------------------------------------------|-------------------------------------------------|-------------------------------|
| Capital Expenditure | £164m | £200m |
| Capital Financing Requirement | £196m | £193m |
| Actual Capital Financing Costs as a % of Net Revenue Stream | 2.2% | 1.9% |
| Net income from commercial activities as a % of net revenue stream | 1.0% | 1.0% |
| Operational Boundary for External Debt | £207m | £207m |
| Authorised Limit for External Debt | £217m | £217m |
| Liability Benchmark – Gross Loans Required | £-186m | £-192m |
| Estimated debt as at 31/3/2026 | N/A | £146m |

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CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT UPDATE

Purpose of the Report

1. One of the roles of the Corporate Governance Committee (the Committee) is to ensure that the Council has effective risk management arrangements in place. This report assists the Committee in fulfilling that role by providing an overview of key risk areas and the measures being taken to address them. This report covers:
 - Corporate Risks Update
 - Risk Management Policy Statement and Strategy
 - Insurance Policy
 - Property & Occupants Risk Management

Corporate Risks Update

2. Within the County Council's Constitution (revised November 2025), the Terms of Reference at Section 2: Governance and Risk place a responsibility on the Committee at 2.5, 'To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework'.
3. The Council maintains Departmental Risk Registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the Council is managing, and which are 'owned' by Directors and Assistant Directors.
4. The CRR captures strategic risks that affect corporately or specific departments, typically over a longer time frame. It is a dynamic document, reviewed regularly to ensure high/red risks are added as needed. As mitigation measures take effect and controls are embedded, risk scores are reassessed, and some risks may be removed from the CRR and managed within departmental registers
5. The last update to the Committee was on 24 November 2025. Given the short interval since then, written assurances were gained from risk owners confirming there were no significant changes to corporate risks and none to add or remove from the CRR.

Presentation

6. A presentation will be provided on the emerging risk of the use of Artificial Intelligence (AI) technologies to include assurances on accuracy of outputs, training plans and the use of personal data within AI, and the risks associated with this.

Risk Management Policy Statement and Strategy and Insurance Policy

7. Within the County Council's Constitution (revised November 2025), the Terms of Reference at Section 2: Governance and Risk places responsibilities on the Committee: -
 - a. at 2.6, 'To review and make recommendations to the County Council on the Council's Risk Management Policy Statement and Strategy
 - b. at 2.10, 'To review and make recommendations to the County Council on the Council's Insurance Policy'.
8. Both documents have been reviewed, and some (mostly minor) revisions were made.
9. Key amendments and items for consideration for the Risk Management Policy Statement and Strategy are: -
 - a. Page 2 – The Policy Statement reflects the potential impact and opportunities of the Government's local government reorganisation and devolution plans and the continuing financial uncertainty following the Government's late changes to local government funding reform
 - b. Page 7 (and Annex 1 page 17) – Chief Officers have decided to retain the Council's **overall** risk appetite as 'open' i.e. Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk. Work will be undertaken during 2026 to develop and agree risk appetite levels for individual risk categories then apply the selected appetites to the CRR and eventually to all risk registers which will give an overview of where identified risks are i.e. within or outside of appetite.
 - c. Page 8 – Whilst the external risk maturity review using the Council's insurers is yet to be arranged, any recommendations for improvement from an objective internal audit undertaken e.g. the decoupling and management of risks and issues, will be considered for implementation.
 - d. Page 11 – a new area of specialist risk management has been added to reflect the requirements to identify, evaluate and manage risks (and opportunities) that will arise from the outcome of local government reorganisation
 - e. Page 20 – Chief Officers have decided to retain the practice that departmental risks scoring 15 or above must be escalated to them for review and consideration for including on the Corporate Risk Register
 - f. Page 27 – Action Plan for 2026
10. There was only one key amendment for the Insurance Policy: -
 - a. Page 2 – specific limits applied to Recycling & Household Waste Sites

11. Both documents will be submitted as appendices to the report on the Medium-Term Financial Strategy to the Cabinet on 3 February and full County Council at the Budget Meeting on 18 February.
12. A copy of the revised Risk Management Policy and Strategy is included in Appendix A and the revised Insurance Policy in Appendix B.

Property & Occupants Risk Management

13. Following the tragic events of both the Grenfell Tower fire and high-profile terrorism attacks during 2017, a corporate group was established, initially to review fire safety risk across the Council's owned and procured properties but was widened to incorporate the Council's identification and management of terrorism and marauder risk. The span of property and people related risks covered is considerably wider now than when the group was established. The group is chaired by the Head of Internal Audit & Assurance Service and meets quarterly. It contains a wide breadth of representatives from the Council's services and has regular inputs from the Council's insurers and brokers and has links to the emergency 'blue light' services.
14. The Terms of Reference for the Property & Occupants Risk Management Group (P&ORMG) require a report to the Committee annually (at its meeting in January) as an appendix to the Risk Management Update report. A summary of key work undertaken by the P&ORMG during 2025 and planned work for 2026 is included as Appendix C.

Recommendations

It is recommended that the Committee:

- a. Notes the current status of the corporate risks facing the County Council.
- b. Makes recommendations on any areas which might benefit from further examination.
- c. Recommends the Cabinet to approve the revised Risk Management Policy Statement and Strategy and the Insurance Policy subject to consideration by the Corporate Governance Committee with delegation to the Director of Corporate Resources to amend it if necessary.
- d. Notes the update on the work undertaken and planned work of the Property & Occupants Risk Management Group (P&ORMG)

Resources Implications

None.

Equality and Human Rights Implications

None.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Report of the Director of Corporate Resources – ‘Risk Management Update’ – Corporate Governance Committee, 24 November 2025.

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Appendices

| | |
|------------|--------------------------------------------------------------------------------------------------------------|
| Appendix A | Risk Management Policy Statement and Strategy (2026) |
| Appendix B | Insurance Policy (2026) |
| Appendix C | Property & Occupants Risk Management Group (P&ORMG) - Summary of key work undertaken 2025 & planned for 2026 |

Risk Management

POLICY STATEMENT AND STRATEGY

Document Details:

| | |
|---------------------|---------------------------------------------------------------------------------|
| Owner/Lead Officer | : Head of Internal Audit & Assurance Service, Corporate Resources Department |
| Created | : January 2026 |
| Review Arrangements | : Annually |
| Next Review Date | : January 2026 |
| Ratified by | : Chief Officers (Annually) |

Risk Management Policy Statement

1. Local government in the UK will begin to plan for significant changes starting in 2026. The Government is currently reviewing numerous councils' business cases with the outcome of replacing all two-tier county and district councils with single tier unitary authorities. It also has ambitions to devolve powers across England by implementing Mayoral Strategic Authorities (MSA). Unlocking devolution will allow better alignment to public services, boost economic growth and place funding and powers closer to residents to empower communities. Reforms will have a significant impact on every community and will result in fundamental change to councils creating many risks but also significant opportunities.
2. Despite the Government outlining principles for funding reform, stressing allocations were based on robust analysis and demand drivers, last minute unexpected post-consultation changes at the end of November 2025 redirected funds to urban councils at the expense of rural areas, despite updated assessments showing county regions have the greatest increase in needs. This change in approach was confirmed when the provisional Local Government Finance Settlement for 2026/27 was published on 17 December 2025, with the decision to continue the Recovery Grant to a limited number of authorities being detrimental for Leicestershire. The provisional settlement also failed to offer enough clarity to councils on how rising demand for SEND and historic deficits will be funded and what this means for their long-term financial stability. Significant cost and demand pressures also persist in children's and adult social care and home-to-school transport. Councils face ongoing uncertainty, high service demand, and budget challenges through 2026 and beyond, raising widespread concerns about short- to medium-term sustainability and their ability to meet statutory duties.
3. The Council's four-year Strategic Plan agreed in May 2022, was refreshed to set out its revised long-term vision and priorities to 2026. The Council is continuing to operate in an extremely challenging financial climate. Whilst the proposed next four-year MTFS forecasts a balanced budget for 2026-27 (after use of £23m earmarked reserves), significant gaps remain in the following three years.
4. Local authorities that foster effective risk management and aim for a 'no surprises' culture are better positioned to meet objectives, sustain services, deliver value for money, and uphold good governance with stakeholders. Robust risk management balances protection from harm with openness to calculated risks and opportunities. While new complexities and risks will emerge, they also create chances for innovation, collaboration, transformation, community engagement, and new approaches to service delivery.
5. While protecting the most vulnerable, the Council promotes a risk-aware culture that encourages creativity and innovation. Risks are identified, understood, and proactively managed rather than avoided. Risk management is central to the Council and its partners, enabling it to meet current community needs and prepare for future challenges
6. This Policy Statement and Strategy provide an integrated framework for effective risk management. It assures stakeholders, partners, and customers of a consistent approach to managing risks and opportunities across all activities, aligned to and supporting delivery of the Council's Strategic Plan, its other plans, strategies and related programmes.
7. This Policy Statement and Strategy are fully supported by Chief Officers, who are committed to embedding risk management across the Council. Its success depends on the cooperation of all managers and employees to ensure effective use of resources. The Policy and Strategy will be presented to the Corporate Governance Committee (the Committee) and Cabinet as part of the MTFS.

Signed:  Title: Chief Executive Date: 13 January 2026

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Leicestershire County Council Risk Management Strategy

1.0 Defining Risk and Risk Management

Leicestershire County Council (the Council) has adopted these definitions of risk and risk management from the ISO31000:2018 'Risk management – guidelines' which are applied in the Association of Local Authority Risk Managers (ALARM) 'Risk management tool kit 2021':

Risk is defined as:

The effect (positive or negative) of uncertainty on objectives

Risk Management is defined as:

Coordinated activities to direct and control an organisation with regards to risk

By managing risk effectively, the Council will be in a better position to safeguard against potential threats and make the most of potential opportunities to and retain and improve services and continue to provide value for money.

This Risk Management Strategy outlines how the Council will use risk management to successfully deliver corporate, departmental and service objectives and priorities.

2.0 Why undertake risk management?

Statutory requirements

Part 2 of the Accounts and Audit Regulations 2015 (Internal Control) places explicit requirements on the Council around risk: -

- Paragraph 3 (c) - the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk;
- Paragraph 4.4 (a - iii) – the Responsible Financial Officer (the Director of Corporate Resources) must determine, on behalf of the Council financial control systems which must include measures to ensure that risk is appropriately managed;
- Paragraph 5 (1) the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management processes.

Local (external) audit requirements

Under the Local Audit and Accountability Act (2014) the Council's local (external) auditor (Grant Thornton LLP) is required to satisfy itself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources i.e. its value for money arrangements. Within its review of governance arrangements, the auditor considers how the council monitors and assesses risk and gains assurance over the effective operation of internal controls including arrangements to prevent and detect fraud.

Constitutional requirements

The County Council's Constitution (revised 24 November 2025), Part 3: 'Responsibility for Functions' contains several references to risk management.

- Section B: Responsibility for "County Council" functions – Corporate Governance Committee (the Committee).
 - The functions delegated to the Committee shall be all those non-executive functions relating to the promotion and maintenance of high standards and integrity within the Authority in relation to governance, risk etc
 - Committee Terms of Reference – Section 2: Governance & Risk^{1&2}
 - 2.5 - To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework.
 - 2.6 - To review and make recommendations to the County Council on the Council's Risk Management Policy Statement and Strategy.
- Section D: General scheme of delegation to Chief Officers
 - 5(h) that any exercise of delegated powers by officers, shall have identified and managed appropriate strategic and operational risks within the officer's area of responsibility

¹ These align to the oversight of risk management arrangements as being a core function of a local government Audit Committee as referred to in CIPFA's Guidance on Audit Committees 2022.

² The Council's Local Code of Corporate Governance (2022) complies with the 'Delivering Good Governance in Local Government; Framework' (2016), specifically Principle F which advises that good governance is promoted when there is management of risks and performance through robust internal control and strong public financial management.

Leadership Behaviour requirements

Risk management is central to the Council's strategic management principles. Managers systematically address risks to achieve sustained benefits across all activities, focusing on identifying and treating risks. The Leadership Behaviour 'Think' reinforces informed, evidence-based decision-making and continuous improvement through reflection and evaluating the team's work and performance.

Management should evaluate risks and opportunities that will improve their service and manage those accordingly, and regularly horizon scan to understand the likely impact on their service, forward planning, weighing up any risks and making future decisions accordingly.

3.0 Benefits of risk management

Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits - taken from the ALARM 'Risk management tool kit 2021':

| | | |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------|
| Improved operational efficiency | Better delivery of intended outcomes | Maximised opportunities |
| Reputation protection | Achievement of the organisation's objectives | Reduced losses from workplace accidents and illnesses |
| Better mitigation of key risks | Demonstration of good governance | Enhanced political and community support |
| Protection of budgets from unexpected financial losses or increased ability to secure funding | Increased effectiveness of change projects and programmes | Protection of assets |
| Enabling risk taking in chosen areas | Improved management information to inform decision making and planning | Setting the desired risk culture |

4.0 Risk Management Strategy objectives

The objectives of the Council's Risk Management Strategy are to:

- Fully embed risk management into the Council's culture and service planning processes, to support achievement of objectives.
- Ensure there is an effective framework for consistently identifying, assessing, managing/mitigating, reviewing, reporting and communicating risks across the Council.
- Improve the communication of the Council's approach to and importance of risk management.
- Improve the coordination of risk management activity across the Council.
- Ensure Chief Officers, Members, the Committee, and external stakeholders have assurance that the Council is mitigating risks to achieving key priorities and complying with corporate governance standards.
- Manage risk in accordance with best practice and ensure compliance with statutory requirements.
- Maintain clear roles, responsibilities and reporting lines for risk management within the Council.
- Measure and partake in regular comparison and benchmarking activity.

5.0 Risk Appetite and Risk Tolerance

The Council recognises that only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders.

The Institute of Risk Management (IRM) defines risk appetite as, “the amount of risk an organisation is willing to take in order to meet its strategic objectives”. A range of appetites exist for different risks, and these may change over time.

The IRM defines risk tolerance as, “the boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its strategic objectives”.

Risk appetite and risk tolerance help an organisation determine what high, medium, and low risk is. In deciding this, the organisation can:

- More effectively prioritise risks for mitigating actions
- Better allocate resources
- Demonstrate consistent and more robust decision making
- Clarify the thresholds above which risks need to be escalated in order that they are brought to the attention of senior management and/or Members.

Risk Appetite Statement

Chief Officers collectively agree the Council operates in a high-risk environment which is likely to persist. This requires defining acceptable risk levels (high, medium, low) by impact and likelihood, enabling prioritisation and proportionate actions aligned to decisions and service impact.

The Council will take risks in a controlled manner, reducing exposure to a level deemed acceptable. In order to take advantage of opportunities, the Council will support innovation and the imaginative use of resources. However, the Council will seek to control all highly probable risks which have the potential to:

- Cause significant harm to service users, staff and the public.
- Severely compromise the Council’s reputation.
- Significantly impact on finances.
- Significantly impact on the environment.
- Jeopardise the Council’s ability to undertake its core purpose.
- Threaten the Council’s compliance with law and regulation.
- Create opportunity for fraud and corruption or inadvertent loss through error.

Taking the above into consideration, the Council’s current **overall** risk appetite is defined as ‘**Open**’, meaning it is prepared to consider all delivery options and choose those with the greatest potential benefits, even where risks are higher. Appetite varies by activity: greater risk may be accepted to support innovation, while compliance and public confidence in the Council require a cautious approach. Specific risk appetites can be adjusted with appropriate approval by appropriate officers and/or Members. Overall, the

Council may need to accept proportionately higher risks to address growing financial challenges.

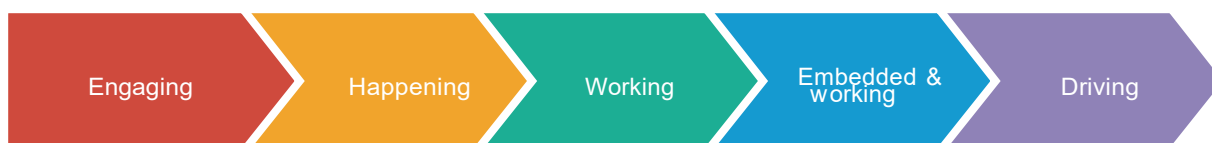
The Council will review risk appetite and tolerance annually to ensure risks are being managed adequately. **Annexes 1 and 2** provide further details.

6.0 Risk Management Maturity

All organisations are on a risk management journey with differing levels of risk management maturity. Risk management maturity refers to how well-established risk management is as a discipline across the organisation.

The Council continues to review its current risk management capability to help it direct resources in the areas that need improvement and further development, ensuring the risk management arrangements remain fit for purpose in this changing environment.

ALARM has developed and published a National Performance Model for Risk Management in Public Services (2016) to illustrate what good risk management looks like in a public service organisation. There are 5 levels.



An independent objective review of the Council's risk management arrangements by the Council's previous insurers, considered that the work undertaken by the Council further strengthened its position in respect of risk management standards and practices, thus increasing the likelihood of it attaining the higher grading of 'risk management is embedded and working' (level 4).

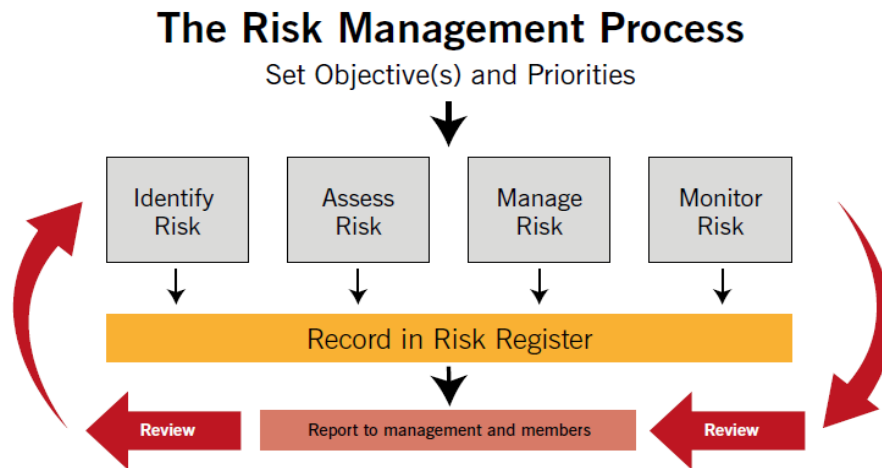
The Council has new insurers, and it is intended to arrange for their risk management team to undertake a further independent review. Pending planning with the insurer for an external evaluation, the outcome of an objective internal audit scoped, 'To evaluate how effectively Leicestershire County Council identifies, assesses, manages, and monitors risks that could impact its strategic goals, operations, and overall stability' is awaited, and recommendations for improvement will be considered.

In its report on the Council's Value for Money arrangements for 2024-25, Grant Thornton stated that the Council has reasonable arrangements to manage strategic risks with a Risk Management Policy Statement and Strategy in place. The Committee holds responsibility for risk management and is informed of changes to the Corporate Risk Register (CRR). The Auditor did not make any improvement recommendations on risk management arrangements.

The Council also networks and shares information with other similar organisations e.g. East Midland Risk Management Group (Six County Councils, five City/Borough/District Councils) which enables the Council to benchmark its position.

7.0 The Risk Management Approach and Process

Risk management is a continual process involving the identification and assessment of risks, prioritisation of them and the implementation of actions to mitigate both the likelihood of them occurring and the impact if they did. Risks and issues require different responses. Risks require proactive controls and issues require active resolutions. A risk is a potential future event. It is something that could happen, but it has not yet occurred. An issue is a problem that has already happened or is currently happening. The Council's approach to risk management will be proportionate to the decision being made or the impact of the risk, to enable the Council to manage risks in a consistent manner, at all levels.



Explanations of the stages within the risk management process:

| | |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Identify risk | <p>A mixture of: -</p> <ul style="list-style-type: none"> Review existing registers - Has the impact or likelihood of any of the risks recorded changed significantly? Are any risks missing from the risk register? Review outputs from independent service reviews e.g. inspections, audits Clarify objective(s) and priorities from the Service Planning process and identify risks (or opportunities) which might prevent, delay (or alternatively escalate) achievement of objectives. Determine what are the consequences if this occurs. Monitor local and nationwide developments considering the nature of emerging risks, threats and trends Review relevant national reports, technical briefings, specialists and guidance. |
| Assess risk | <ul style="list-style-type: none"> Assess the inherent risk (Impact & Likelihood) using the Council's risk assessment criteria prior to the application of any existing/known controls i.e. evaluate the "Original risk score" Decide and agree the course of action (5T's) i.e. tolerate (accept) treat (mitigate), transfer, terminate or take the opportunity. |
| Manage risk | <p>Identify and assess the controls/actions already in place to mitigate each risk to arrive at the "Current Risk score". If Current Risk score is still high even with controls:</p> <ul style="list-style-type: none"> Is the scoring correct? Determine the best way to manage the risks – apply the 5Ts . Determine whether the cost of implementing further mitigating control is merited when |

| | |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>compared to the risk reduction benefits achieved.</p> <ul style="list-style-type: none"> Develop SMART actions (i.e. specific, measurable, attainable, relevant and time-bound) and assign target dates and responsible officers to achieve the desired “Target Risk score”. |
| Monitor, Review and Report | Use the Risk Management Matrix and Risk Tolerance levels to determine the frequency of review, monitoring, risk escalation and reporting. |

Annex 2 provides details of the risk measurement criteria, risk map, risk escalation and reporting arrangements.

8.0 Application - Service, Department, Corporate & Specialist Risks

Risk management supports good governance by assuring stakeholders that risks are effectively managed. It is embedded in the Council’s corporate departmental business planning process to identify and address key risks across services. Escalation provides senior management with a clear view of risks, enabling informed decisions on resource allocation and areas of concern.

There is an established framework in which consistent application of the process should ensure the flow of appropriate risk information across the Council as follows:



Service and Department Risks

The Council’s Risk Management Strategy requires identifying risks linked to service or departmental priorities and defining mitigating actions. All new service/business plans must include a risk assessment, with significant risks logged in the Departmental Risk Register.

Heads of Service are responsible for identifying risks arising from their service plans assessing likelihood and impact using the Risk Matrix, recording risks where necessary, and ensuring accountability for actions within set timescales. Departmental Risk Champions provide support for risk identification and assessment

Corporate (and high scoring Departmental) risks - Corporate Risk Register (CRR)

This process will provide Chief Officers and Members with a central record of corporate risks, to ensure consideration is given to high scoring, strategic cross cutting (or Departmental) risks that could impact the financial, political or reputational arena.

- Following a timetable set for The Committee meetings, Departmental Risk Champions and management teams will review Department Registers to identify

and consider risks for escalation to the CRR, either individually or consolidated from Departmental Risk Registers.

- The Internal Audit Service will confirm that the reviews have been consistently undertaken, provide a level of challenge to the outcomes and co-ordinate the production and reporting of the CRR, through to Chief Officers and ultimately to The Committee.
- Whilst most risks are expected to come through this route it might not capture all of the strategic risks facing the Council. Therefore, horizon scanning, information from relevant publications and minutes from key meetings will also provide a basis for including additional risks on the CRR.
- A more detailed update of the CRR (providing additional information on current and further controls/actions on how the risks are being mitigated), is presented annually to the Spring Committee.

Specialist areas of risk management

Local Government Reorganisation risks

The Government is scheduled to announce before the summer parliamentary recess, its decision on reorganisation to the two-tier systems of local government in Leicestershire. Within the County Council's proposal, under the section 'Detailed Options Analysis' the risks (and benefits) of the three main options have been assessed against the Government's criteria (High Quality and Sustainable Public Services, Finance, Unlocking Devolution, Stronger Community Engagement and Neighbourhood Empowerment and Effective Representation and Governance Structure. Before the outcome is known, work will be expected to start addressing the impact of reorganisation on the Council's financing and resources, priorities, service provision, governance arrangements and staffing. A compendium of strategic and operational risks will be developed potentially using the experiences of previous reorganisations and any tools/guidance provided for example by the Ministry of Housing, Communities and Local Government (MHCLG), the Local Government Association (LGA) <https://www.local.gov.uk/publications/lgr-risks-examples-and-options-mitigation-councils>

Project, Programme and Portfolio Risks

Risks affecting project or programme objectives will be managed by the relevant Project or Programme Board. Where these risks impact strategic or departmental objectives, they should be assessed and, if necessary, escalated to the appropriate Departmental, Portfolio, or Corporate Risk Register. The decision to escalate rests with the Senior Responsible Officer (SRO) or Sponsor, supported by the Project or Programme Board.

To complement the corporate strategy, the Transformation Unit is developing and embedding detailed guidance and practice to ensure consistent and effective management of the Strategic Change Portfolio's exposure to risk which is essential to the successful delivery of change and realisation of benefits.

Project or programme closure reports must identify risks or issues to be transferred to Business as Usual (BAU), with clear ownership assigned. Where appropriate, these risks should be escalated to the relevant Departmental or Corporate Risk Register

Partnerships

Risks which could impact on achieving the partnership's objectives will be managed through the appropriate Partnership Board and associated governance structures. However, where partnership risks impact upon strategic or departmental objectives then consideration should be given as to whether those risks should be identified, assessed, and escalated to the appropriate Departmental or Corporate Risk Register. The Council's approach for identifying, assessing and managing risk within partnerships will continue to be developed.

Health, Safety & Wellbeing Risks

The Health, Safety & Wellbeing Service provides advice and guidance to managers and staff on all aspects of Health, Safety and Wellbeing. In addition to providing advice and support, the Health, Safety & Wellbeing Service also helps to monitor the performance of the organisation through audits and inspections, set targets for continual improvement, provide operational training and awareness for staff and also respond to accidents/incidents in order to ensure they are adequately investigated, and the likelihood of further harm is reduced. In addition to this there is an employee counselling service. Regular reports are provided to the Departmental Management Teams, the Chief Executive, Chief Officers, and the Council's Employment Committee. A separate risk assessment process is in place.

In 2024, new mandatory health and safety training and new and updated Occupational Health and Safety Management System (OHSMS) guidance was published. The revised guidance places a stronger emphasis on proportionate health and safety management. A revised Policy Statement was approved in September 2024. In 2025 a new 5 year health and safety strategy was approved.

Resilience and Business Continuity

Business Continuity Management (BCM) complements the Council's risk management framework and is required under the Civil Contingencies Act 2004. BCM focuses on the impact of disruption, identifying priority services and what is needed to maintain obligations. It ensures plans are in place to protect people, premises, technology, information, supply chains, stakeholders, reputation, and essential services.

The Resilience and Business Continuity Team coordinates continuity and response plans at corporate, departmental, and service levels to minimise disruption by prioritising critical functions and defining resources, roles, and responsibilities. The resilience element addresses incidents requiring multiagency coordination when BCM alone is insufficient.

The team reports annually to the Corporate Governance Committee.

Risk Financing

Risk financing is the process of deciding how an organisation will pay for loss events in the most effective and least costly way. It balances retaining and transferring risk, manages the financial impact of retained risk, and typically involves internal funding or external insurance (such as catastrophe cover from the Council's insurers).

The goal is to ensure the organisation has sufficient resources to continue its objectives after a loss. Risk financing includes identifying risks, selecting financing methods, and monitoring their effectiveness. Options include self-insurance and commercial insurance, with the choice depending on the organisation's size, financial position, risk profile, and objectives.

Under normal circumstances the Council is largely self-insured but transfers the larger risks to insurance companies by contributing premiums. In the event of a financial loss, the Council is entitled to indemnity, subject to the terms and conditions that are in place. However, not all risks can be insured e.g. service demand and these need to be managed by the Council

The Insurance Policy is revised annually, presented to the Committee in January and then to Cabinet in February to support the MTFS. The Insurance Service presents an annual report to the Committee in September.

Property and Occupants Risk Management

Following the Grenfell fire and 2017 terrorist attacks, the Council formed a corporate group to review fire safety in the Council's owned and procured properties and later broadened its scope to include its identification and management of terrorism and marauder risks. The group meets quarterly, includes representatives from across services, and works closely with insurers, brokers, and emergency services

Terms of Reference are reviewed annually against other property groups to avoid duplication or gaps. The group reports to the Director of Corporate Resources, to Chief Officers as required for any significant issues, and to the Committee annually.

A decision will be required on what role the group may take in a Protect and Prepare Group which could be established to meet the requirements of ACT for Local Authorities (an initiative led by Counter Terrorism Policing to support local government partners to embed counter terrorism considerations into their day-to-day work).

Counter Fraud

The Internal Audit Service conducts a biennial Fraud Risk Assessment (last approved December 2024), informed by national and local intelligence. This process grades fraud risk areas, identifies emerging threats, and guides the Council's Anti-Fraud and Corruption Strategy and resource allocation. Outcomes also shape the internal audit plan. New legislation and regulations are reviewed for potential fraud impact. An annual report is provided to the Committee on counter fraud and related initiatives.

Information & Technology (I&T) and Data Protection Risks

A safe and secure I&T infrastructure underpins the working of the Council, both technically and in terms of data protection. To support this, IT & Digital Services holds and maintains its own divisional risk register which, where appropriate will feed through to the Departmental and Corporate Registers. Regarding data protection, the Information Governance Team develop, maintain and monitor compliance with a wide range of policies designed to protect information and data.

Regarding the ever-increasing threat to cyber security, the Council has an established Technical Security function (headed up by the Technical Security Officer) that sits within the Architecture and Compliance Team. This function takes responsibility for identifying emerging threats and risks, maintaining the cyber risk register and planning, and monitoring ongoing activities to continually improve the council IT Security posture. The Officer reports to the Information Security Governance Group (ISGG) which is a forum for cyber security policy, risk, strategy and best practice. The ISGG also plays a key role in ensuring the organisation secures Public Services Network (PSN) compliance and its annual PSN certificate, which is necessary for maintaining access to central government and agency information systems.

To support the Technical Security function in delivering its objectives, the implementation of technical controls and operational management aspects of cyber security and governed by the IT Security Operations Group (ITSOG). The group meets fortnightly to discuss emerging cyber security concerns and ultimately aims to implement security solutions and improvements which align to LCC cyber security roadmap – the aim ultimately to strengthen the council's cyber posture.

Externally, active threats are shared with other councils through Warning, Advisory and Reporting Points (WARPs) and guidance is taken from the National Cyber Security Centre (NCSC). Arrangements are in place with an independent security specialist to provide an incident retainer service. Cyber security is integrated into the corporate risk management process.

During 2026, the Council will self-assess against the Government's Cyber Assessment Framework.

Climate Change Risks

The Climate Change Committee (CCC) was established under the Climate Change Act 2008 and advises the UK on reducing emissions and adapting to the impacts of climate change. The CCC publishes an Independent Assessment of UK Climate Risk. Every five years, the Government publishes its Climate Change Risk Assessment (CCRA) which endorses and summarises the CCC's assessment, sets out the overall government approach, responds to the priority risks identified and produces a National Adaptation Programme.

Officers refer to the CCC's Independent Assessment of UK Climate Risk and the CCRA to identify high priority risks relevant to the Council. Officers have identified three groups of services based on their key functions in relation to climate and weather-related risks. Following the last CCRA in 2022 (next due 2027) a comprehensive review and risk assessment exercise was completed. 8 high risks and 56 medium risks were identified. Recommendations included working with service areas to develop action plans to mitigate identified high risks and developing a Climate Adaptation and Resilience Strategy and Action Plan for the area.

The 2024-25 Environmental Performance Report shows that six high risks remain on the climate change register, down by two since the 2022 assessment. The identified risks relate primarily to highways and property assets, business continuity and flood risk.

Due to capacity issues, to date it has not been possible to undertake significant work to address the other climate change risks. However, the Council's Cabinet agreed in October 2025 to allocate £2m of funding (reallocated from the earmarked reserve for carbon reduction) towards a programme of flood mitigation and climate adaptation and resilience measures, including resource to update the climate risk register and identify measures that can form a realistic action plan.

Support

The above processes will be supported by the following:

- Ownership of risks (at appropriate levels) assigned to Chief Officers, managers and partners, with clear roles, responsibilities and reporting lines within the Council.
- Incorporating risk management into corporate, service and business planning and strategic and partnership working.
- Use of the ALARM Risk Management Toolkit throughout the Council
- Providing relevant training on risk management to officers and Members of the Council that supports the development of wider competencies.
- Learning from best practice and continual improvement.
- Seeking best practice through inter-authority groups and other professional bodies e.g. ALARM.

9.0 Risk Management Roles and Responsibilities - structure

The following structure is unique to the Council and is influenced by its risk management maturity, resource capacities, skill sets, internal operations and existing operating structures. The Council's risk management framework aligns to existing structures and reporting lines. **Full details** of risk management roles and responsibilities can be found in **Annex 3**.

| Leadership | Corporate | Departmental | Assurance Services |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Cabinet • Lead Members • Chief Officers | <ul style="list-style-type: none"> • Corporate Governance Committee (CGC) which includes 2 Independent Members who provide an external perspective • Corporate Risk Management Group (CRMG) | <ul style="list-style-type: none"> • Department Management Teams (DMT) • Heads of Service • Programme/ Partnerships • Risk Champions • Staff | <ul style="list-style-type: none"> • Risk Management* • Internal Audit • Governance |

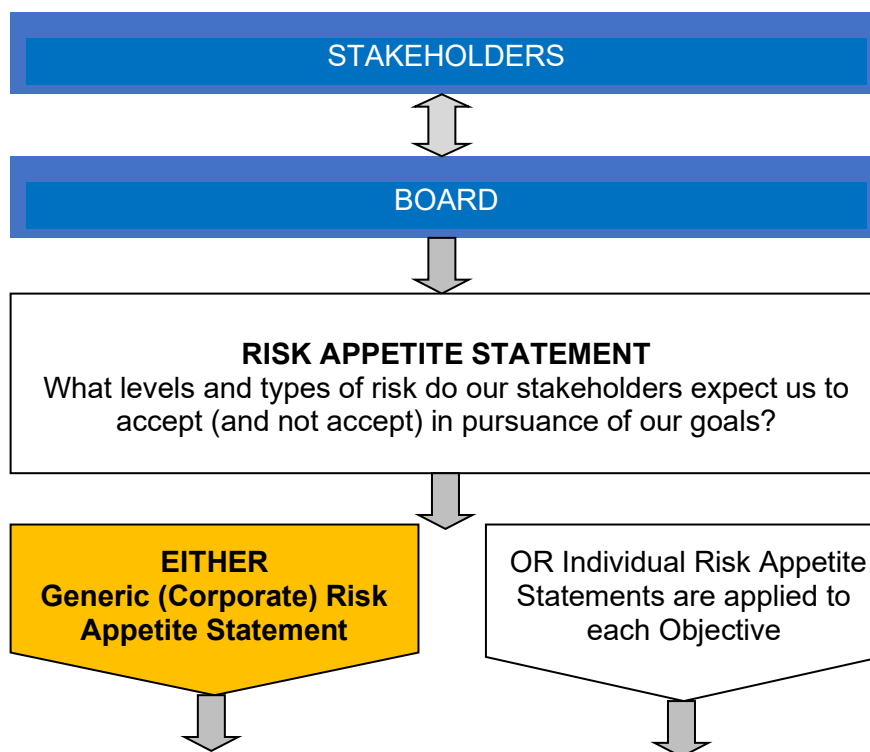
The Head of Internal Audit & Assurance Service (HoIAS) is responsible for the administration and development of, and reporting on, the Council's risk management framework (RMF). Revised Global Internal Audit Standards (GIAS) were implemented into local government from 1 April 2025. The GIAS UK (public sector) require that this 'impairment' to independence and objectivity is recorded in the Internal Audit Charter (re-approved by CGC in November 2025) and (to avoid any conflict of interests) any audits of the RMF are overseen from a manager outside of the Service.

10.0 Continuous Improvement

Regulators and risk management professionals advise that it is good practice to continuously improve risk management methodologies in line with recommendations from regular assessments and adapt to changing economic conditions.

To this effect, the Council's Risk Management Policy and Strategy and related documents will be reviewed at the specified frequency or after the release of new legislation or government guidance that affects risk management, governance, internal controls, financial management or the regulatory regime for public service organisations. They will also be reviewed following the results of any audit /review by Internal Audit Service or an external third party.

Risk Appetite



GENERIC (CORPORATE) RISK APPETITE STATEMENT AND RISK CATEGORY TYPES

| | | |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AVOID | No appetite. Not prepared to accept any risks. | Risk Category examples Health & Safety, Business Critical systems, Customers, Safeguarding, Data Security, People, Climate Change /Extreme Weather |
| AVERSE | Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return. | |
| CAUTIOUS | Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return. | Delivery partners, Non - critical systems, |
| MODERATE | Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes. | |
| OPEN | Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk. | Leadership; Reorganisation and Devolution; Growth and Infrastructure Collaboration; Alternative delivery models; Integration; Transformation; Digital; Commercial trading, Property investment, Suppliers. |
| HUNGRY | Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return. | |

Risk Impact Measurement Criteria

| Scale | Description | Department Service Plan | Internal Operations | People | Reputation | Impact on | Impact from* ¹ | Financial per annum / per loss ¹ |
|-------|---------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------------------------------------------------------------------|
| | | | | | | the Environment | | |
| 1 | Negligible | Little impact to objectives in service plan | Limited disruption to operations and service quality satisfactory | Minor injuries | Public concern restricted to local complaints | None or insignificant damage | | <£50k |
| 2 | Minor | Minor impact to service as objectives in service plan are not met | Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality. | Minor Injury to those in the Council's care | Minor adverse local / public / media attention and complaints | Minor local impact | Minor damage | £50k-£250k Minimal effect on budget/cost |
| 3 | Moderate | Considerable fall in service as objectives in service plan are not met | Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory | Potential for minor physical injuries / Stressful experience | Adverse local media public attention | Moderate local impact | Moderate damage and risk of injury | £250k - £500k Small increase on budget/ cost: Handled within the team/service |
| 4 | Major | Major impact to services as objectives in service plan are not met. | Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed. | Exposure to dangerous conditions creating potential for serious physical or mental harm | Serious negative regional criticism, with some national coverage | Major local impact | Major damage and risk to life | £500-£750k. Significant increase in budget/cost. Service budgets exceeded |
| 5 | Very High/ Critical | Significant fall/failure in service as objectives in service plan are not met | Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services | Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries | Prolonged regional and national condemnation. Serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers | Major regional or national impact. | Wide scale damage and risk to life | >£750k Large increase on budget/cost. Impact on whole council |

¹ Note that a different financial rating is used for the pension fund investments

Risk Likelihood Measurement Criteria

| Rating Scale | Likelihood | Example of Loss/Event Frequency | Probability % |
|--------------|--------------------|---------------------------------------------------------------------------------------------------|---------------|
| 1 | Very rare/unlikely | EXCEPTIONAL event. This will probably never happen/recur. | < 20% |
| 2 | Unlikely | Event NOT EXPECTED. Do not expect it to happen/ recur, but it is possible it may do so. | 20-40% |
| 3 | Possible | LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally. | 40-60% |
| 4 | Probable /Likely | Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue. | 60-80% |
| 5 | Almost Certain | Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently. | > 80% |

Risk Scoring Matrix

Impact

| | | | | | |
|-------------------------------------|-------------------------------------|-----------------------|-----------------------|------------------------------|-----------------------------|
| 5 Very High/Critical | 5 | 10 | 15 | 20 | 25 |
| 4 Major | 4 | 8 | 12 | 16 | 20 |
| 3 Moderate | 3 | 6 | 9 | 12 | 15 |
| 2 Minor | 2 | 4 | 6 | 8 | 10 |
| 1 Negligible | 1 | 2 | 3 | 4 | 5 |
| | 1 Very Rare/Unlikely | 2 Unlikely | 3 Possible | 4 Probable/Likely | 5 Almost certain |

Likelihood

Risk Tolerance/Reporting Criteria

| <u>Tolerance Levels</u> | <u>Current Risk Score</u> | <u>Expected Actions by Risk and Action Owners</u> | |
|-------------------------|---------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| White | 1 to 2 | Controls Monitoring = Escalation = | No action required No action required No action required |
| Low | 3 to 6 | Accept Risk or Maintain Controls Monitoring = Escalation = | Existing controls may be sufficient. No additional controls are required unless they can be implemented at very low cost (in terms of time, money, and effort). Actions to further reduce these risks are assigned low priority. Review six monthly Service/Area manager |
| Medium | 8 to 12 | Maintain Controls or Further Controls to reduce rating Monitoring = Escalation = | Controls required but consider in light of 5 Ts-Consideration should be as to whether the risks can be lowered, where applicable, to a tolerable level, but the costs of additional risk reduction measures should be taken into account (time, money and effort). Continued Proactive Monitoring/Review at quarterly / Reporting to DMT Business Partners / Relevant AD / DMT |
| High | 15 to 25 | Further Action/Controls to reduce rating Monitoring = Escalation = | Controls and further actions necessary. Substantial efforts should be made to reduce the risk. Arrangements should be made to ensure that existing controls are maintained. The risk reduction measures should be implemented within a defined period. Continued Proactive Quarterly Monitoring / Report to CGC Chief Officers /Lead Member |

A Departmental risk with a current risk score of 15 or more **must** be escalated to Chief Officers (either as an addition to the Corporate Risk Register, or as an emerging risk for further debate). Risks with a current risk score of 15 will still appear on Department's registers but should only be excluded from the Corporate Risk Register after debate and approval from Chief Officers.

Risk Management Roles & Responsibilities – Detail

Leadership:

Cabinet

Understands the key risks facing the Council, determines the level of risk and ensures risk management is delivered to mitigate risks by:

- Ensuring that a risk management framework has been established and embedded.
- Approving both the Council's Risk Management and Insurance Policy Statements and Strategies as part of the Medium-Term Financial Strategy.
- Ensuring relevant risk considerations (if relevant) are included within reports which may have significant strategic policy or operational implications.

Lead Members

- Responsibility for gaining an understanding of the risks facing their area of accountability (in conjunction with the relevant Director/Chief Officer) and periodically reviewing how these risks are being managed.

Chief Officers

Leading and ensuring effective management, monitoring and review of risk management across the Council by:

- Establishing a control environment and culture in which risk can be effectively assessed and managed.
- Directing the level of risk, the Council is prepared to accept (appetite and tolerance levels).
- Encouraging the promotion of risk awareness, rather than risk avoidance.
- Reviewing and, approving the Council's corporate and strategic risks on the CRR quarterly and their importance against the Council's vision and priorities.
- Taking the role of Transformation Delivery Board in managing Portfolio Level risk.
- Taking the role of Crisis Management Group in managing any significant responses
- Assisting with the identification of significant new and emerging risks as they become known - for consideration and addition to the CRR.
- Following the review and approval of the CRR, to determine whether a potential reputation or consultation matter needs to be forwarded to the Communication Unit.
- Providing challenge to the risk scoring mechanism to ensure risks are managed by balancing undermanaging risks (unaware and no control) and over-managing them (over-control).

- Ensuring their respective portfolio lead members are regularly briefed on departmental (and corporate) risks.
- Ensuring that risk assessments (if appropriate) are detailed in Cabinet or Scrutiny reports upon which decisions are based.
- Reviewing annually both the Council's Risk Management and Insurance Policy Statements and Strategies.

Corporate:

Corporate Governance Committee (CGC) including Independent Members

Provides assurance for the Council that risk management is undertaken and effective by:

- Reviewing the effectiveness of the risk management and internal control framework.
- Reviewing the Council's Risk Management Policy Statement & Strategy and how it is being implemented.
- Receiving regular progress reports on the CRR and other risk management related initiatives.
- Reviewing, scrutinising and challenging the performance of the Council's risk management framework; including reviewing progress against planned actions from the previous quarter.
- Receiving presentations on specific areas of risk.
- Receiving reports from Internal and External Audit to determine the extent to which they indicate weaknesses in control, risk management and governance arrangements.

Corporate Risk Management Group (CRMG) via Departmental Risk Champions

Provides assurance that the risk management framework and its processes are working as intended and are effective by:

- Acting as the main contact for their department and its management on risk matters (including specialist risks (H&S, Insurance etc.).
- Representing their department at the Corporate Risk Management Group.
- Encouraging the promotion of risk awareness, rather than risk avoidance.
- Assisting in the implementation of any revisions to the risk management framework and promoting use of the Risk Management Toolkit.
- Providing coaching, support and advice on risk management to Chief Officers, Heads of Service and other managers within their service/department.
- Providing support to the other departments' Risk Champions.
- Maintaining on behalf of their Chief Officers, a departmental risk register that complies with corporate guidelines.
- Providing regular risk updates to DMT's as per the agreed reporting criteria and risk timetable.
- Providing challenge to the risk scoring mechanism to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Ensuring that corporate risk information and requirements are communicated to their department.
- Assessing the relevance of corporate, other departmental service, programme, project and partnership risks and their impact on their department.

- Reviewing cross cutting risk areas where risks of one department impacts on the risks of another.
- Providing overview and scrutiny to the results of the Fraud Risk Assessment process, in relation to departmental risks.
- Providing regular updates to the Internal Audit Service for corporate risks to enable reporting to the Chief Officers and the Committee.

Departmental:

Departmental Management Teams (DMT)

Ensuring that risk management is implemented in line with the Council's Risk Management Strategy by:

- Appointing a Risk Champion for the department and authorising them to progress effective risk management that adheres to corporate guidelines, across their services.
- Ensuring that risk management is integrated within the annual service planning process.
- Taking full ownership of risks within their departmental risk register and agreeing risk mitigation actions, with defined timescales and responsibilities – including those departmental risks that are also in the CRR.
- Reviewing and challenging risk registers for their Service Areas on a quarterly basis if appropriate.
- Adhering to the corporate risk reporting timetable so that DMT meetings and risk monitoring tasks are aligned.
- Ensuring that the CRR accurately reflects only those key strategic risks facing the Council. The DMT scrutiny process should encompass a review of all departmentally identified corporate risks (new and those already identified), to critically evaluate the following:
 - Whether the risk is an ongoing corporate risk
 - Are all mitigating actions identified? Are they SMART (i.e. specific, measurable, attainable, relevant and time-bound)? Are they working adequately or are additional actions necessary?
 - The current risk score (Impact and Likelihood) is accurate and is not 'over-scored' in terms of likelihood particularly if a range of current controls have been identified as embedded and working adequately
 - Only consider any further actions/additional controls after determining whether any cost of implementing further mitigating control is merited when compared to the risk reduction benefits achieved. If required, further actions should also be SMART and record 'expected timeframe/due date' which should improve the robustness of the target risk impact and likelihood scores
- Receiving reports on risk management activity and review key risks regularly.
- Undertaking regular departmental horizon scanning for new or emerging risks, ensuring communication of these through appropriate channels and incorporation within the Departmental Risk Register if appropriate.
- Suggesting recommendations for the removal of current corporate risks that are considered as lower levels of risk.

- Taking ownership of identifying and managing project, partnership and business as usual risks effectively, and escalating risks to the Portfolio, Departmental or Corporate risk register where appropriate.
- Ensuring that risk management considerations are included in all Cabinet, Scrutiny and Regulatory bodies reports in respect of strategic policy decisions.
- Providing assurance on the effectiveness of risk management within their department as part of the Annual Governance Statement process.
- Following the review and approval of the Departmental Risk Register, DMTs to determine whether a potential reputation or consultation matter needs to be forwarded to Communication Unit.

Heads of Service

Providing assurance to DMT's that risks within their service are being managed effectively by:

- Ensuring that risk management within their area of responsibility is implemented in line with the Council's Risk Management Strategy (i.e. identify, assess, manage and monitor).
- Managing risks on a day-to-day basis.
- Adhering to the risk scoring mechanism (original, current and target risk scores) outlined in the Strategy to ensure risks are managed to add value by aiming to achieve the balance between undermanaging risks (unaware and no control) and over-managing them (over-control).
- Communicating the results of their service risk assessment to the DMT via their Risk Champion, demonstrating effectiveness of controls in place to mitigate/reduce service risks.
- Managing risks from their areas of responsibility that have been included within the departmental risk register. Where further actions/additional controls are necessary, ensure they are completed by the planned completion date.
- Identifying new and emerging risks or problems with managing known risks and escalating to the Risk Champion where appropriate.
- Assessing fraud risk within their service areas as part of the Fraud Risk Assessment process.
- Ensuring that they and their staff are aware of corporate requirements, seeking clarification from their Risk Champions when required.
- Identifying risk training needs of staff and informing this to Risk Champions.
- Using the Risk Management Toolkit and guidance.

Programme/Project/Partnerships

Providing assurance that project, programme and partnership risks and their impact are managed and communicated effectively by:

- Ensuring risk management is a regular item on Partnership/Programme/Project Board agendas.
- Reviewing and monitoring risks identified on programme/project/partnerships risks, ensuring that suitable controls are in place and working, or that plans are being drawn up to strengthen existing controls or put in place further controls.
- Identifying new and emerging risks or problems with managing known risks, ensuring communication of these through appropriate channels.

- Escalating appropriate Project, Programme or Partnership risks to the relevant Departmental Portfolio, or Corporate Risk Register where those risks may impact at a Departmental, Portfolio or Corporate level – ultimately the project or programme SRO/Sponsor is accountable for ensuring this happens.
- Ensuring any ongoing risks or issues identified at Project/Programme closure are transferred to the relevant business owner and where appropriate are escalated to Departmental or Corporate Risk Registers.

Risk Champions

- See Corporate section

Staff

- Taking responsibility for gaining an understanding of the risks facing their area of accountability.
- Report promptly perceived failures in existing control measures that could increase risk.
- Take due care to understand and comply with the risk management processes and guidelines of the Council.

Assurance Services

Risk Management function (in conjunction with the Director of Corporate Resources):

Provide assurance that the flow of risk information throughout the Council is working and effective to produce and maintain the Corporate Risk Register by:

- Leading in the development and implementation of the risk management framework and promoting use of the Risk Management Toolkit.
- Meeting with departments as per the risk management timetable to review and challenge risk registers and emerging risks.
- Identify any potential future internal audit requirements to the Head of Internal Audit & Assurance Service.
- Coordinating risk management activity across the Council with the support of Departmental Risk Champions/Representatives.
- Collating the changes to departmental risks and ensure that the Corporate Risk Register is amended to reflect current position.
- Regular scanning (in conjunction with Chief Officers, DMT Risk Champions and the Head of Internal Audit & Assurance Service) of information from relevant publications and minutes from key meetings to provide a basis for including additional risks on the Corporate Risk Register.
- Reporting progress on the Corporate Risk Register and other risk management related initiatives to the Chief Officers, the Committee and Cabinet as per the risk management timetable.
- Supporting Departmental Risk Champions/Representatives in their risk management role.

- Communicating corporate risk management information and requirements.
- Reviewing the Risk Management Policy Statement and Strategy at least annually to reflect best practice and initiate improvements.
- Arranging for the review of risk management maturity; benchmarking scrutiny and challenge.
- Establishing links with external groups and organisations to gain knowledge and share best practice on risk management issues.
- Agreeing mechanisms for identifying, assessing and managing risks in key partnerships.
- Supporting the development and delivery of relevant risk training.

Assurance function (Internal Audit Service)

Review and challenge the effectiveness of the risk management framework, providing independent assurance about the quality of controls that managers have in place, by:

- Creating a risk-based audit plan that is aligned wherever possible to the Corporate Risk Register and the Departmental Risk Registers and other drivers, e.g. biennial Fraud Risk Assessment.
- Testing and validating existing controls, with recommendations for improvement on identified control weaknesses.
- Reporting outcomes to Directors and the Committee.
- Monitoring changing risk profiles based on audit work undertaken, to adapt future audit work to reflect these changes.
- Conduct relevant audits of the risk management framework and maturity but overseen by a manager independent to the Service.
- Take account of any commentary/improvements recommended by the External Auditor in its annual review of Value for Money arrangements.

Action Plan

This Strategy sets out the developments/actions the Council proposes over the short-term future to further improve risk management maturity. These developments include the following actions:

| Action | Frequency | Target Implementation Date |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------------|
| To review and revise the Council's Risk Management Policy Statement and Strategy and related guidance with endorsement from Chief Officers and the Committee. | Annual | 23 January 2026 |
| Encourage DMTs and Risk Champions to re-align Risk Registers to their 2026-27 business planning objectives. | Annual | March/April 2026 |
| Update and communicate through Manager's Digest, the Council's intranet Risk Management pages to include: - <ul style="list-style-type: none"> Revised Risk Management Policy & Strategy All relevant guidance on methodologies and processes, including the revised Risk Assessment Criteria and Map Who to contact and details of the risk management "network", Links to further information and guidance e.g. ALARM website | Annual | February 2026 |
| Review findings and recommendations from objective internal audit undertaken. Plan to implement any actions e.g. risk appetites for individual risk categories, identifying and managing risks and issues separately | One off | February 2026 |
| Arrange an independent Risk Maturity Assessment and implement an Action Plan to address any recommendations. | Triennially | c/f - Spring 2026 |
| Develop options for Collaboration Office 365 space by Department for updates to Departmental Risk Registers. | Ongoing | c/f – Spring 2026 |
| Work with ALARM and the East Midlands Regional Group to develop guidance for identifying and managing new & emerging risks | Quarterly | As part of EMRMG meetings. |
| Introduce and continuously develop key performance indicator(s) for risk management activity to maintain and improve the maturity rating. | Ongoing | c/f – Summer 2026 |
| Develop a training matrix to define required training levels by role. Consider delivery options (e.g., face-to-face, external courses) and review training offered by the Council's insurance providers. | Ongoing | c/f – Summer 2026 |
| Develop E Learning for Risk Management | Ongoing | c/f – Summer 2026 |

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INSURANCE POLICY 2026

Within Leicestershire County Council's Constitution (revised December 2025), the Terms of Reference of the Corporate Governance Committee at Section 2: Governance and Risk places responsibilities on the Committee at 2.10, 'To review and make recommendations to the County Council on the Council's Insurance Policy'

Leicestershire County Council's (the Council's) insurance programme is arranged in conjunction with its appointed Insurance Brokers. This is Marsh Limited which was appointed from 1 February 2023. The contract was extended in February 2025 (the second of three allowable extensions).

Potential losses are covered by a combination of self-insurance and a range of policies held with insurance companies, which are renewed on an annual basis. The process to identify the level of self-insured retention (deductibles/excess) against the insurance required is based on several factors. These include the reduction in premium (including associated premium tax currently 12%) to be achieved by altering the excess levels weighed up against the Council's ability to meet an increased exposure, for example by way of a spike in claims received due to external factors like the weather and for one-off large losses.

'Aggregate stop limits' are in place which cap the potential exposure to the Council on an annual basis by reducing the deductible/excess levels significantly once the limit has been breached.

Following a procurement exercise, from 1 October 2024 the Council's Insurance Programme is now insured via Maven Public Sector for casualty and property risks, and Travelers UK for motor risk. The initial contracts with both insurers expire on 30 September 2027 with the option of three further 2-year extensions i.e. 9 years in total.

The Council no longer insures its maintained schools under the main insurance programme, instead the schools are now insured under a separate scheme which is currently insured via Zurich Municipal.

There are several other classes of insurance which didn't form part of the main procurement exercise. These were procured directly via Marsh Limited (the LCC appointed broker) as they were not available to procure via the YPO Framework used for the main programme.

The following policies/covers are currently in place from 1 October 2025:

| Class of Insurance | Type | Limit of Indemnity / Basis of Cover | Self-insured deductible/excess¹ | Aggregate Stop Limit² |
|---------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------|
| Employers' Liability | Casualty | £50m – Cover written on an any one occurrence basis. £35m Primary Layer, £15m Excess Layer. | £500,000 | £2.5m |
| Public Liability | Casualty | £50m - Cover written on an any one occurrence basis. £35m Primary Layer, £15m Excess Layer | £500,000 | £2.5m |
| Officials Indemnity | Casualty | £10m – Cover written on an aggregate basis | £250,000 | £2.5m |
| Professional Indemnity | Casualty | £10m - Cover written on an aggregate basis | £250,000 | £2.5m |
| Fidelity Guarantee | Casualty | £10m - Cover written on an aggregate basis | £100,000 | N/A |
| Material Damage & Business Interruption (Non-Education) | Property | Day One Reinstatement Business Interruption £25m Increased Cost of Working (ICOW) (48 months). Recycling & Household Waste Sites - <i>Cover is limited to declared value.</i> Business Interruption £250,000 Increased Cost of Working (ICOW) (48 months). | £500,000 | £1m |
| Material Damage & Business Interruption (Commercial including Industrial Units) | Property | Day One Reinstatement Business Interruption £25m ICOW (48 months) | £250 | N/A |

| Class of Insurance | Type | Limit of Indemnity / Basis of Cover | Self-insured deductible/excess¹ | Aggregate Stop Limit² |
|-------------------------------------------------|-------------|-----------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------|
| Material Damage & Business Interruption (Farms) | Property | Day One Reinstatement Business Interruption £25m ICOW (48 months) | £500 | N/A |
| Motor | Motor | Comprehensive | £5,000 (only applying to own vehicle damage) | N/A |
| Terrorism | Property | Select properties Business Interruption £25m (48 months) | Nil | N/A |
| Medical malpractice | Casualty | £10m – Cover written on an aggregate basis | £425,000 | N/A |

¹ A significant decision which affects the cost-risk balance is the level of self-insured retention (deductible/excess) that the Council meets from its own resources. Premiums can be reduced by taking a higher deductible. The deductible is generally on a “per claim” basis. The Council’s internal claims management capabilities and good risk management assist being able to set high deductibles.

² Where applicable ‘Aggregate stop limits’ are in place which cap the potential exposure to the Council on an annual basis by reducing the self-insured retention levels (deductible/excess) significantly once the limit has been breached.

An annual revenue contribution is required to allow the Council to fund claims within the self-insured retention limits, thus aiming to prevent a detrimental impact on service budgets. The level required is assessed annually as part of the MTFS, based upon several factors including the current claims experience and anticipated future changes. For example, new heads of claims which may emerge.

The amount of funding required from the Council, can vary significantly each year. This can be due to a one-off catastrophic incident occurring, such as a large building fire, or simply the timing of when claims are reported culminating in an increased volume of claims covering one particular period.

For own property damage claims, and fidelity (theft) claims, there is usually a short delay between incident and notification. It is therefore a more straightforward process to set aside appropriate funding for annual losses but retaining a focus on catastrophic events which occur on a less regular basis, but which have a greater financial impact.

Assessing liability claim levels is more difficult, due to the nature of claims that the Council receives, claims will have been incurred but not reported within the financial year of the incident. A number of years can elapse before a liability claim is concluded.

Earmarked funds are held to allow for years of exceptionally high claims, both in terms of volume and value, to be covered without detriment on the annual revenue budget. The earmarked funds for these classes are subject to an annual internal assessment to ensure that they are maintained at suitable levels in order to meet ongoing financial commitments. In addition, provisions are held for claims received that are awaiting settlement, the level being based on an assessment of the likely liability.

An external independent actuarial review of the Council's in-house Liability Insurance Fund and Uninsured Loss Fund as at 1st October 2022, was concluded in early 2023. The outcome from the actuarial review was to release a smaller reserve £0.4m in 2023-24 and from 2024-25 reduce the annual top up to funds by £0.2m. The other larger specific reserves remain under review as the MTFS progresses.

The Insurance Service employs experienced claims negotiators which handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer.

The claims handling delegated authority extends to cover investigations into allegations of negligence and provides authority to take decisions on liability. The Council's claims negotiators, its Legal Services team and external solicitors and other approved experts, work in partnership to defend litigated claims.

The Insurance Service has traditionally been subject to annual audits undertaken on behalf of the Insurance Company. The outcome of these audits could ultimately have implications on the agreed delegated authority limits resulting in reduced autonomy over decisions of liability and settlement negotiations. Outcomes have generally been exceptional (highest rating).

More details on the principles of risk financing are to be found in the Council's Risk Management Policy Statement and Strategy 2026.

Revised January 2026

Next due December 2026

Property & Occupants Risk Management Group (P&ORMG)

Summary of key work undertaken 2025 & planned for 2026

Note: Because of security considerations minimal detail is provided

Work undertaken during 2025

P&ORMG Terms of Reference

- Revised to reflect changes in group membership
- Re-affirmed approach to informing/reminding academies/3rd parties on their regulatory responsibilities

Standing items

Fire safety

Sprinklers - policy revision and installations

- Reviewed policy and processes.
- Amendments made regarding testing, maintenance & servicing of sprinkler systems.
- Published on LCC website. Shared with developers for future projects

Fire Risk Assessments (FRA) in schools & academies

- Operational Property Services (OPS) Regulatory Compliance Team ongoing reviews of FRA's returned from academies

FRA's procured services

- OPS Technical Fire Safety Officer ongoing working with & training A&C and C&FS contract monitoring officers.
- Supporting other client departments e.g. not only in 3rd party procured services but also in SCIP managed buildings owned by LCC.

Fire evacuation – County Hall campus

- Reviewed and revised alarm systems and evacuation process
- All buildings subject to evacuation drills in last 12 months
- Sought and took account of feedback following drills and posted lessons learned on intranet

Insurers risk improvement reports

- Reviewed & responded to improvement actions for three site reports

- Improved arrangements for vacant property management

Occupants' safety

County Hall physical security controls

- Ongoing reviews and revisions where required
- Additional external security training provided
- Penetration exercises planned

Tenants

- Routine meetings between landlord and tenants covering
 - Site inductions
 - Access security including tailgating
 - Car park security & enforcement.

Other LCC sites physical security controls

- Based on known incidents, undertook reviews and carried out improvements to physical security measures at two sites
- Reviews supported forthcoming Martyn's Law requirements (Standard Tier site in terms of occupancy).

Ways of Working programme (now closed)

- Reviewed security and H&S matters
- Provided evacuation monitor training

Regulations

- Work on the government's counter-terrorism strategy (CONTEST)
 - Prevent duty – started an audit of venue hire arrangements
 - Protect (Martyn's Law) - Shortlist of potential properties identified; next step is service-level review.
- STWA reviews of lead in maintained schools
- Radon gas – revised Public Health England (PHE) data on radon gas coverage – reviewed corporate estate and arranged testing. Informed relevant academies
- Planned for HSE asbestos site visits – audit conducted by H&S and OPS Regulatory Compliance
- OPS Technical Fire Safety Officer involved in embedding Building Safety Act (2022) processes within the property capital and revenue construction programmes via an internal Principal Designer role (Building Regulations). Technical guidance also being provided to other departments across the Council

Work planned for 2026

- Continue to monitor worthiness and effectiveness of P&ORMG
- Standing agenda items – continuous review where they can be amended or removed
- Increase involvement in determining Protect requirements
- Determine group role in establishing/maintaining a Prepare & Protect Group as proposed under the Government's Action Counters Terrorism (ACT) in local government initiative
- Respond to ad-hoc requests from DoCR or others
- Continue to build relationship with insurers including: -
 - further site security surveys
 - training within LCC to ensure key insurer conditions are understood.

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CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

GLOBAL INTERNAL AUDIT STANDARDS IN THE UK PUBLIC SECTOR – GOVERNANCE DOCUMENTS

Purpose of Report

1. The purpose of this report is to provide the Corporate Governance Committee (the Committee) with details about important governance documents required for conformance with Global Internal Audit Standards effective in the UK public sector from 1 April 2025.

Background

2. At its 31 March 2025 meeting, the Committee was advised by the Head of Internal Audit Service (HoIAS) that from 1 April 2025, public sector internal audit teams would adopt new internal audit standards. These combine the Global Internal Audit Standards (GIAS) with CIPFA's 'Application Note', which essentially brings together the GIAS and specific requirements for the UK public sector. Together, they form the 'GIAS UK (public sector)'.
3. The GIAS UK (public sector) requires the development and maintenance of three important governance documents: -
 - a. An Internal Audit Charter (the Charter). This is an established component of internal audit standards. It is a formal document defining the audit activity's mandate i.e. its purpose, authority, and responsibilities. It sets the function's position within the organisation, reporting lines, and confirms the Committee's responsibilities, the HoIAS role in managing the function, and the scope of services provided. Within English local government, the mandate for internal audit derives from statute i.e. the Accounts and Audit Regulations 2015. A revised Charter was approved by the Committee at its meeting on 24 November 2025.
 - b. A new requirement to self-assess compliance to CIPFA's Code of Practice for the Governance of Internal Audit in Local Government (the Code).
 - c. A new local government requirement for an Internal Audit Strategy (the Strategy).

CIPFA's Code of Practice for the Governance of Internal Audit in Local Government

4. When the GIAS were published, they contained 'essential conditions' for the governance of internal audit. These conditions are needed to allow effective internal audit practice and for internal auditors to conform with standards. However, in the UK public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government, where there isn't a straightforward replacement for the 'board' as described in GIAS. Elected representatives are ultimately those charged with governance and audit committees are non-executive advisory bodies with limited decision-making powers. Internal audit's primary mandate comes from statutory regulations rather than the decision of the Audit Committee.
5. CIPFA has created a Code of Practice for Internal Audit Governance in Local Government (the Code). It meets the objectives of the essential conditions by providing governance suited to UK local government bodies, outlining roles and responsibilities of the Audit Committee, senior management, and those charged with governance. Much of it reflects existing CIPFA good practice, with older guidance to be phased out once the Code is established.
6. The Code contains three main provisions (split across nine sub-provisions):
 - a. Providing authority for internal audit – covering its mandate, charter and support for internal audit
 - b. Positioning internal audit independently – covering organisational independence and qualifications of the Head of Internal Audit
 - c. Oversight of internal audit – covering Audit Committee interaction, resources, quality and external quality assessment (EQA)
7. The HoIAS has conducted a provisional self-assessment against compliance to the Code which is attached at Appendix 1. It contains: -
 - a. The Code's requirements
 - b. The HoIAS assessment of the function's current position
 - c. A RAG rating of improvements (R = important, A = minor, G = none)
 - d. What action is required
 - e. Who will be responsible for implementing the action
 - f. Where will the evidence of the change be found
8. The self-assessment is a lengthy document and there is some repetition/overlap within the Code's requirements resulting in some actions being repeated. Overall, the HoIAS has concluded that his self-assessment confirms good compliance, but some improvements are required as follows: -

Important

- a. Assurance Framework – Develop an assurance map and clarify how internal audit fits within wider assurance arrangements.
- b. Collaborative and arm's length arrangements – Develop protocols for joint work with other organisations and ensure contracts with third-party providers include clauses granting internal audit access
- c. Corporate Governance Committee – the Committee requires training on CIPFA's audit committee guidance before producing its 2025-26 Annual Report to full Council

Minor

- d. Internal Audit Charter – some minor changes to the document which was approved in November with a delegation to the Director of Corporate Resources to make any necessary changes
 - e. Corporate Governance Committee – arrangements for private meetings, reporting workplans and final review of AGS
 - f. Organisational independence – consider further independence controls and disclosures where the HoIAS has additional roles and responsibilities
 - g. Quality – conduct self-assessment against GIAS UK (public sector) using a soon to be released CIPFA tool (to include cross check against 2024 external quality assessment minor improvements).
9. Going forward, compliance to the Code will have to be reported in: -
- a. The Annual Governance Statement
 - b. The HoIAS' annual internal quality self-assessment which will be reported to the Committee for the 2025-26 financial year
 - c. Future External Quality Assessments (EQA) of LCCIAS which are conducted once every five years.

Internal Audit Strategy

10. An Internal Audit Strategy (the Strategy) is a plan of action designed to achieve a long-term or overall objective. The Strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. It helps guide the internal audit function toward the fulfilment of the internal audit mandate. The HoIAS must review the Strategy with senior management and the Committee periodically.

11. Having a Strategy is both a GIAS UK (public sector) requirement and a business necessity; without it, the function risks losing direction and misalignment with organisational needs. To develop the Strategy the HoIAS has referred to relevant elements of the Institute of Internal Auditors (IIA's) Strategy Guidance and Toolkit and consulted with the Statutory Officers and the Corporate Management Team.
12. The HoIAS has developed a draft Strategy covering from January 2026 to the end of March 2028. This is contained in Appendix 2. It's deliberately short(er) term because of the unknown outcomes of the pending Local Government Reorganisation (LGR). It will be reviewed and amended at the time of refreshing annual plans, any significant changes to the function and once the outcome of LGR is known.
13. Work continues on the two remaining governance documents (the Code and the Strategy) and the Committee is asked to agree a delegation to the Director of Corporate Resources to make any necessary minor changes to either document.

Resource implications

14. Implementation of the new standards continues to significantly impact the resources of the HoIAS and his team.

Equality Implications

15. None.

Human Rights Implications

16. None

Recommendations

17. The Committee is recommended to: -
 - a. Note the results and improvements required following the HoIAS provisional self-assessment against the Code of Practice for the Governance of Internal Audit in Local Government.
 - b. Note the draft Internal Audit Strategy – January 2026 to March 2028
 - c. Agree a delegation to the Director of Corporate Resources to make any necessary minor changes to either document.

Background Papers

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

<https://democracy.leics.gov.uk/documents/s189409/Appendix%201%20-%20Application%20Note%20Global%20Internal%20Audit%20Standards%20in%20the%20UK%20public%20sector.pdf>

CIPFA Code of Practice for the Governance of Internal Audit in Local Government

<https://democracy.leics.gov.uk/documents/s189410/Appendix%202%20-%20CIPFA-Code-on-the-Governance-of-Internal-Audit-2025.pdf>

Corporate Governance Committee (31 March 2025) - Implementation of the Global Internal Audit Standards in the UK Public Sector

<https://democracy.leics.gov.uk/documents/s189408/Implementation%20of%20the%20Global%20Internal%20Audit%20Standards%20in%20the%20UK%20Public%20Sector.pdf>

Corporate Governance Committee (24 November 2025) – Draft Internal Audit Charter – November 2025

<https://democracy.leics.gov.uk/documents/s193164/Appendix%201%20-%20Draft%20Internal%20Audit%20Charter%20-%20November%202025%20-%20final.pdf>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- | | |
|------------|---------------------------------------------------------------------------------------------------------------------|
| Appendix 1 | Provisional self-assessment against CIPFA Code of Practice for the Governance of Internal Audit in Local Government |
| Appendix 2 | Draft Internal Audit Strategy (January 2026 to March 2028) |

Provisional - Self-assessment of compliance to CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government

Assessment completed – December 2025

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------------------------|
| 1. Providing authority for internal audit | | | | | |
| 1.1 Internal audit's mandate | | | | | |
| To be effective and to meet the requirements of professional standards, internal audit authority needs to be established. | Internal Audit's mandate derives from the Accounts and Audit Regulations 2015 and is detailed, along with rights of access, in the Internal Audit Charter (November 2025). | G | None | | Charter |
| Each body may agree a wider statement of internal audit authority. In developing the mandate with the chief audit executive, senior management should consider their wider assurance framework. The framework ensures that those responsible for governance and the audit committee receive the assurances they need, including assurance from first and second lines, and clarifies how internal audit contributes. | There is currently no documented assurance framework/map setting out other sources of assurance. | R | An auditor experienced in assurance mapping will undertake some work in Q4. Agree scope with Directors of Corporate Resources (DoCR) and Law & Governance (DoLG) | HolAS March 2026 | Scope & evidence gathered Assurance map |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|
| Development of the mandate will involve the HoIAS, senior management and the audit committee. The audit committee must approve, or recommend for approval, the mandate. | ToR for Corporate Governance Committee (the Committee) contains a responsibility to approve the internal audit charter. | G | | | Committee ToR |
| If there are changes to the regulations, the mandate must be updated to reflect them. | This is not currently explicit within the Internal Audit Charter. | G | Charter will be updated to reflect new Standards and outline how mandate changes are managed and reported. | HoIAS January 2026 | Charter |
| 1.2 Internal Audit's Charter | | | | | |
| The chief audit executive has a responsibility to prepare a charter that conforms with GIAS (UK public sector). | Charter was revised in November 2025 | G | An annual review/revision will be undertaken to support the Internal Audit Plan presented each March | HoIAS January 2026 | Charter |
| When reviewing the charter, the audit committee should be satisfied that it covers the governance arrangements for internal audit. | Governance arrangements for internal audit are documented within the Charter. | G | | | Charter |
| It must include the mandate derived from the regulations, plus any additional agreed mandate, | The mandate and reporting lines to Committee are included | G | | | Charter |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
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| and include internal audit's reporting line to the audit committee. | | | | | |
| The charter should include the administrative reporting arrangements for internal audit and the chief audit executive. | The HoIAS reports to the Assistant Director of Finance (Deputy s151 Officer) and has direct access to the DoCR (Chief Financial Officer), DoLG (Monitoring Officer), Chief Executive, senior management, the Corporate Management Team (CMT) as needed, and the Committee Chair at any time. | G | | | Charter |
| <p>Senior management must work with the chief audit executive to ensure that the charter sets out the arrangements the function needs to achieve internal audit's purpose. In local government, internal audits' role would normally include:</p> <p>*Supporting the delivery of the authority's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls.</p> <p>*Championing good practice in governance through assurance, advice and contributing to the authority's annual governance review.</p> | <p>The Charter contains the GIAS definition of purpose.</p> <p>Whilst the first three suggested roles are adequately covered, the fourth requires improvement</p> | A | <p>Develop protocols for joint work with other organisations and auditors, defining roles and responsibilities</p> <p>Ensure contracts with third-party providers include clauses granting internal audit access when required</p> | <p>HoIAS March 2026</p> <p>Head of Procurement April 2026</p> | Charter & associated documents |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------|--------------------------------|---------------------|
| *Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes. * Access to the authority's collaborative and arm's-length arrangements. | | | | | |
| If the audit committee has authority, it must approve the charter; alternatively, it should recommend approval to those charged with governance (TCWG). | ToR for the Committee state it has responsibility for approving the internal audit charter | G | None | | ToR |
| Where there are significant changes to the governance of the authority, its risks or the internal audit function, the charter must be reviewed to ensure it is still fit for purpose and new formal approval given. A regular review is recommended to confirm the charter or update as required. | The Charter will be reviewed annually in March Consideration will be given to updating the Charter mid-year if significant changes have arisen which may impact on the Internal Audit function | G | None | | Charter |
| 1.3 Support for internal audit: <i>This means access to and support from senior management, the audit committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations</i> | | | | | |
| Championing the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work. | Senior management are all supportive of the work of internal audit and propose audits to the HoIAS as necessary. | G | | | Charter Annual Plan |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------|-----------------------------------|------------------------------------|
| Facilitating access to senior management, the audit committee and the authority's external auditor. | All contained within the approved Charter | G | | | Charter DMT CMT Committee |
| Assisting, where possible, with access to external providers' assurance such as regulators, inspectors and consultants. | Charter states the HoIAS is to stay aware of other assurance and advisory providers and rely on them where appropriate. If coordination cannot be achieved, escalate the issue to Senior Management and, if necessary, to the Committee. | G | See earlier actions on protocols and clauses | HoIAS March and April 2026 | Charter & associated documents |
| Engaging constructively with internal audit findings, opinions and advice. | Specific responsibilities in Charter for considering findings and monitoring responses to recommendations. | G | | | Charter Progress reports |
| Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the authority, and of internal audit's contributions. | <p>The Committee receives a wide range of governance reports including the AGS. It oversees risk management arrangements and receives presentations on risks.</p> <p>Most of Senior Management will see the governance arrangements through CMT meetings</p> | G | Offer training to DMTs on the role and breadth of IAS in time for 2026-27 planning | HoIAS January 2026 | Committee Agendas & Minutes |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
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| <i>Support also means putting in place conditions to enable its work:</i> | | | | | |
| When senior management and those charged with governance agree organisational structures, they must ensure that the reporting line of the chief audit executive is not lower than a member of the senior management team and has access to all members of the team. | The HoIAS reports to the Assistant Director of Finance (Deputy s151 Officer) and has direct access to the DoCR (Chief Financial Officer), DoLG (Monitoring Officer), Chief Executive, senior management as needed, and the Committee Chair at any time. The HoIAS attends CMT as required. | G | | | CMT reports & minutes |
| Where internal audit is outsourced or delivered through a partnership arrangement, senior management and those charged with governance should ensure there is a nominated chief audit executive, and client responsibility lies with a member of senior management. | Not applicable at the County Council | N/A | | | N/A |
| <i>The audit committee can demonstrate its support for internal audit by:</i> | | | | | |
| Enquiring of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively. | Covered within the Committee's oversight responsibility within the Charter | G | | | Charter |
| Considering the audit plan or planning scope and formally approving or recommending approval to those charged with governance. | Covered within the Charter to consider and approve the risk based internal audit strategy and plans. Also consider changes to the plan. There is no onward recommendation to TCWG | G | | | Charter Committee ToR |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------|--------------------------------|--------------------------------------|
| Meeting at least annually with the chief audit executive in sessions without senior management present. | The Charter allows private meetings with the Committee or just the Chair. Hasn't yet happened. | A | Review guidance Plan arrangements | HolIAS January 2026 | Charter Agenda & notes of meeting |
| 2. Positioning internal audit independently: <i>On behalf of those charged with governance and the audit committee, senior management establishes and protects the internal audit function's independence and qualifications. These arrangements must include:</i> | | | | | |
| 2.1 Organisational independence | | | | | |
| Ensuring internal audits access to staff and records, as set out in regulations, and the charter operates freely and without any interference. | Contained in Charter under 'Authority'. Internal auditors are accountable for confidentiality and safeguarding records and information. The implications of any interference should be disclosed to the Committee | G | | | Charter Progress reports |
| Ensuring that the chief audit executive reports in their own right to the audit committee on the work of internal audit. | Direct reporting to Senior Management and the Committee are explicit in the Charter | G | | | Charter Reports to CMT & CGC |
| Providing opportunities for the chief audit executive to meet with the audit committee without senior management present. | The Charter allows private meetings with the Committee or just the Chair. Hasn't yet happened. | A | Review guidance Plan arrangements | HolIAS January 2026 | Charter Agenda & notes of meeting |
| Where there are actual or potential impairments to the independence of internal audit, senior management should work with the chief audit | Three actual impairments are contained in the Charter i.e. the HolIAS/Internal Audit Service roles in corporate risk | A | Consider if further controls and more detailed | HolIAS DoCR & | Charter AGS |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------|
| executive to remove or minimise them or ensure safeguards are operating effectively. | management, compiling the annual governance statement and fraud and corruption. A fourth impairment (managing the Insurance Service) isn't disclosed. | | disclosures are required e.g. AGS and HolAS Annual Report Add Insurance Service to Charter and additional disclosures | DoL&G April 2026 | HolAS Annual Report |
| Recognise that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit. The impact must be discussed with the chief audit executive and the views of the audit committee sought. Where needed, appropriate safeguards must be put in place by senior management to protect the independence of internal audit and support conformance with professional standards. | See above | A | See above | See above | Charter AGS HolAS Annual Report |
| The audit committee should provide feedback on the proposed job description, and the performance evaluation of the chief audit executive should include feedback from the chair of the audit committee. | Feedback from the Chair of the Committee and the Director of Corporate Resources on the performance evaluation of the HolAS was only added to the Charter in November 2025. | A | Arrange for feedback | AD Finance TBC | Comments received |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------|
| The audit committee must support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the chief audit executive. | Not explicit within the Charter | A | Amend Charter Better disclosure in HolAS Annual Report. Committee to confirm effectiveness of safeguards | HolAS April 2026 | |
| The chief audit executive must have the right of access to the chair of the audit committee at any time. | The Charter allows private meetings with the Committee or just the Chair. Hasn't yet happened. | A | Review guidance Plan arrangements | HolAS | Charter Agenda & notes of meeting |
| The audit committee can escalate its concerns about internal audit independence to those charged with governance. | Not explicit in the Charter but the Committee publishes an annual report to full Council on its work including performance in relation to the ToR and effectiveness in meeting its purpose. It's responsible for... <i>the adequacy and effectiveness of the internal and external audit of the Council's services.</i> | G | | | Committee Annual Report |
| 2.2 Qualifications of the chief audit executive | | | | | |
| The GIAS (UK public sector) sets out the qualifications of, and competencies expected of the chief audit executive. These must be taken into account by senior management when recruiting to the post. | Contained in the Charter. The HolAS is a CIPFA member and experienced internal audit professions | G | | | Membership CPD |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------|
| Where internal audit is fully outsourced, senior management should ensure that an appropriate individual from the provider is nominated as the chief audit executive and meets the qualification requirements. | Not applicable | N/A | | | N/A |
| 3. Oversight of internal audit: <i>To ensure the effectiveness of internal audit, it should be overseen by the audit committee on behalf of those charged with governance. CIPFA has established recommended practice for audit committees in local government and police, the Position Statement: audit committees in local authorities and police 2022 and its supporting guidance publication, Audit committees: practical guidance for local authorities and police (2022) The following principles are consistent with their recommended practices for the oversight of internal audit.</i> | | | | | |
| 3.1 Audit committee interaction | | | | | |
| All audit committees should follow the CIPFA audit committee guidance for the oversight of internal audit . | Shared with new Committee (June 2025): - <ul style="list-style-type: none"> - January 2024 self-assessment against good practice. No response. - Self-assessment of knowledge & skills relating to Audit Committees | R | Review and update both in time for the Committee's 2025–26 Annual Report | HolAS April 2026 | Record in Committee Annual Report |
| To ensure there is good interaction between the audit committee and internal audit, audit committees must agree its work plan with the chief audit executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas. The audit committee workplan should provide for the internal audit mandate and charter, strategy, | Raised with Democratic Services in April 2025. Not LCC practice to agree on any workplans with Committees. IA workplan contains all of the requirements | A | Review position in time for new municipal year Consider informing Committee of forthcoming IAS | HolAS DoL&G Head of Democratic Services | Decision on sharing workplans with Cttee. |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------|
| plans, engagement reporting and the annual conclusion, and quality reports. | | | reports in future committees | | |
| The audit committee must familiarise itself with the authority's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit. | There is currently no documented assurance framework/map setting out other sources of assurance. | R | An auditor experienced in assurance mapping will undertake some work in Q4. Agree scope with DoCR and DoL&G | HolAS March 2026 | Scope & evidence gathered Assurance map |
| Senior management should engage with the audit committee on significant changes to governance, risk and control arrangements and any concerns they may have on assurance. | Constitution functions of the Monitoring Officer (DoL&G) and Chief Financial Officer (DoCR). Also in the Charter i.e. any significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates would be amended in the Charter/Mandate. The HoIA also attends CMT periodically to give updates and discuss key issues such as the Strategic Risk Register | G | | | Constitution Charter |
| The audit committee should have oversight of the annual governance statement before final approval | Draft AGS presented to Committee at its May/June meeting. Final currently reviewed by Constitution Committee | A | Arrange for final review to revert to Committee | DoL&G March 2026 | Committee ToR |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------|--------------------------------|-----------------------------------------------|
| Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the audit committee must review and make their recommendation to either management or those charged with governance. | The Charter states that the HoIAS will report at least annually to Senior Management and the Committee regarding management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite. | G | | | Charter Progress reports |
| 3.2 Resources | | | | | |
| The audit committee and senior management must engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS (UK public sector). | The Charter (Committee oversight) states the Committee should consider and approve the risk-based internal audit strategy and plans. This includes making appropriate inquiries of senior management and the HoIAS to determine whether scope or resource limitations are inappropriate. | G | | | Charter Annual IA Plan HoIAS Annual Report |
| Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance. | Not explicit in the Charter but the Committee publishes an annual report to full Council on its work including performance in relation to the ToR and effectiveness in meeting its purpose. It's responsible for... <i>the adequacy and effectiveness of the internal and external audit of the Council's services.</i> | G | | | Committee Annual Report |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------|-------------------------------------------|----------------------|
| If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement. | Not explicit in the Charter but the Committee should consider HoIAS' annual report including the overall conclusion on the adequacy and effectiveness of the Council's control environment. | A | Amend Charter to reflect requirement | HolIAS January 2026 | |
| Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the authority and internal audit's role in supporting those objectives. | The budget for the Internal Audit Service has been preserved and vacancies kept despite budgetary pressures, enabling delivery of the plan using outside resources. | G | | | |
| Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources. | Temporary resource constraints have been managed using outside resources. | A | Consider filling vacancies on short term/fixed contracts pending the outcome of LGR | HolIAS AD Finance June 2026 | |
| 3.3 Quality | | | | | |
| Annually, the audit committee must review the results of the chief audit executive's assessment of conformance against GIAS (UK public sector), including any action plan. | Annual assessments against PSIAS (the former standards) and the implementation of GIAS (UK public sector) have been reported to the Committee. CIPFA is launching a self-assessment tool in January | A | Conduct assessment against GIAS (UK public sector) and report in June 2026 | HolIAS April 2026 | HolIAS Annual Report |

| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------|--------------------------------|--------------------------------------|
| The audit committee must review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. | This is clear within the Charter (Committee Oversight) | G | | | Charter HolAS Annual Report |
| To meet the requirements of the regulations (the mandate) for internal audit, the audit committee must satisfy itself on the effectiveness of internal audit. They should take into account conformance with the standards, interactions with the committee, performance and feedback from senior management. Their conclusions should be reported to those charged with governance, for example, as part of the audit committee's annual report. | This is clear within the Charter (Committee Oversight) | G | | | Charter HolAS Annual Report |
| 3.4 External quality assessment | | | | | |
| On behalf of those charged with governance and the audit committee, senior management must ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS (UK public sector), including this Code. Senior management and the chief audit executive should discuss the timing of the review and report the options and their recommendations to the audit committee. | In May 2024, the Committee was informed that the outcome of the five yearly External Quality Assessment (EQA) was 'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards'. | G | | | EQA |
| Senior management and the chief audit executive should discuss the timing of the review and report | The next EQA is not due until 2028-29 | N/A | | | |




| <u>Code requirement</u> | <u>Current position</u> | <u>RAG</u> | <u>Action required</u> | <u>Resp'y & date (end)</u> | <u>Evidence</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------|--------------------------------|-------------------------|
| the options and their recommendations to the audit committee. | | | | | |
| The proposals for the scope, method of assessment and assessor should be brought to the audit committee for agreement. The assessor must use this Code alongside the standards and be familiar with the sector. | The next EQA is not due until 2028-29 | N/A | | | |
| The audit committee must receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored. | The 2024 Assessor made recommendations for improvement. These need to be reviewed against any new requirements in the GIAS (UK public sector introduced from 1 April 2025. | A | Conduct assessment against GIAS (UK public sector) and report in June 2026 | HolIAS April 2026 | HolIAS Annual Report |
| Where the audit committee does not have delegated authority, the committee should report the overall results of the external quality assessment to those charged with governance. | The Committee has delegated authority but referred to the 2024 EQA outcome in its annual report to full Council 2024-25 | G | | | Committee Annual Report |

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Vision: To become an established trusted advisor and strategic partner to senior management, providing independent and objective assurance, insight and challenge that contributes to informed decision-making, improved governance, and enhanced organisational performance.

Mission: We enhance and protect LCC’s organisational value by providing risk-based, objective and impactful assurance, insight and advice.

| State – January 2026 | Strategy | | | State – March 2028 |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------------------------|
| Current State | Strategic IA Objectives | Strategic IA Initiatives | Priority | Desired End State |
| 73% of audit clients are very satisfied with the timeliness & quality of insights in audit reports. | Improve the timeliness & quality of insights in reports. | Integrate conversations into the engagement process at key intervals to refine and finalise audit insights. | | 85% of clients are very satisfied with the timeliness & quality of insights in reports. |
| For appropriate audits 40% of auditors use data analytics in the engagement. | a. Embed audit technology and analytics into audit for all audit workflows. b. Increase auditors' digital acumen and data literacy. | a. Pilot continuous monitoring in at least two new key risk areas. b. Establish & reinforce baseline, role-level expectations for data analytics use c. Regular training and upskilling | | For appropriate audits 100% of auditors use data analytics for engagements. |
| AI is infrequently utilised | Embed the controlled use of AI | Attend demonstrations by peers into utilisation of AI Comply with IT policy on safe use of AI | | All audits utilise AI (in some capacity) within a robust control environment |
| 80% of auditors are highly engaged and feel managers are invested in their careers. | Refine talent strategy to recruit, retain, & engage next generation auditors. Re-run SWOT | Develop career pathways to help communicate & clarify career options and development opportunities for auditors | | 100% of auditors are highly engaged & feel managers are invested in their careers. |
| IA Maturity Analysis: Self-assessed between Level 3 (Implemented) ¹ & Level 4 (Managed) ² | Close any gaps so that Level 4 is attained | Workshops with DMTs. | | Level 4 attained/maintained. Working towards level 5 (Optimising) ³ . |
| Unplanned for impact/changes from LGR | On decision engage staff & other LAs | Join audit network LGR group | | Successfully implement outcome |

| | | | | |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Uncertainty over level of GIAS conformance | Identify and address gaps Align to EQA improvements areas | Utilise IA networks & CIPFA tools & guidance Specific GIAS training |  | Full conformance by March 2026 |
| Key Performance Indicators/Performance Reporting require review and update | Identify and address gaps | Utilise IA networks Design & Implement Monitoring and Reporting Tool |  | Routine reporting as and when required for Senior Management and Committee |
| Improvements required following self-assessment against CIPFA Code of Practice for the Governance of IA in LG | Complete actions by end of May 2026 | Compliance with identified actions |  | Report conformance to code to June 2026 Committee |

Internal Audit Maturity Analysis Framework Levels

¹ Level 3 - Implemented: At the Implemented level, internal audit policies, procedures, and approaches are formally defined, documented, and integrated with one another. The function consistently adheres to professional standards, such as the GIAS. Technology and data analytics are embedded into the audit lifecycle, enabling more efficient and effective assurance.

² Level 4 - Managed: As the function reaches the Managed level, it becomes an integral component of the organisation's governance and risk management framework. Audit plans are dynamic and responsive to changing business needs. Continuous monitoring and data-driven insights enable proactive risk identification. The function is seen as a trusted advisor, delivering value beyond basic assurance.

³ Level 4 - Optimised: At the pinnacle of maturity, the internal audit function is fully aligned with the organisation's purpose and strategic objectives. It focuses on continuous learning and improvement, leveraging advanced analytics and innovative techniques to deliver predictive insights. The function is adaptive and consistently delivers measurable value to the organisation.



CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

CHANGES TO THE CONTRACT PROCEDURE RULES

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE DIRECTOR OF LAW AND GOVERNANCE

Purpose of the Report

1. The purpose of this report is to provide an overview of the forthcoming changes to the Contract Procedure Rules, and to recommend that these be approved by the County Council.

Background

2. In January 2025, the Corporate Governance Committee approved the new Contract Procedure Rules to align with the Procurement Act 2023 which came into force on 24 February 2025.
3. Rule 8 (Annual Reporting) of the Council's Contract Procedure Rules stipulates that the Director of Corporate Resources, in consultation with the Director of Law and Governance, shall submit a report to the Corporate Governance Committee to set out any proposed revisions to the Rules and/or changes required to accommodate the requirements of UK and EU procurement law, as may be necessary from time to time.
4. Following consideration by the Committee, the revised Contract Procedure Rules will be submitted to the County Council in February 2026 for approval.

Proposals regarding the Contract Procedure Rules

5. Notable changes to the Contract Procedure Rules – Procurement Act 2023 include:
 - a. Financial thresholds for procurement processes have been updated to reflect inflation and regulatory changes. The amended version clarifies VAT inclusion and the requirement for notices at specific value points.
 - b. Introduced at 5.14 the requirement for contracts that are intended to be longer than 5 years must have prior approval from the Director of Corporate Resources or Deputy S151 Officer.

- c. Inclusion of the term and meaning of Corporate Procurement Board into the glossary.
 - d. Clarification included that capitalised terms have specific meaning and the glossary of definitions should be referred to for meaning.
 - e. Inclusion of signposting to toolkit guidance to be used alongside these rules.
 - f. Clarification included at 9.4.3 to the preliminary market engagement notice requirements.
 - g. Change to 21.5 to exclude Procurement Board for Direct Awards for switching in relation to light touch contracts.
 - h. Inclusion at 21.7 for approach to below threshold for Direct Awards.
 - i. Clarification included at 38.3 “The Council encourages the inclusion of KPIs in light touch contracts where appropriate, to support effective contract management and service delivery. However, there is no statutory requirement under the Procurement Act 2023 for these KPIs to be published.”
6. The changes to the Rules are supported by the Director of Law and Governance and the Director of Corporate Resources and will be presented to the County Council in February for approval, subject to this Committee’s agreement.
 7. Should the County Council approve the revised Contract Procedure Rules the new Rules will come into force immediately and will be published on the Council’s internet and intranet sites and communicated to all relevant managers and staff within the Council as appropriate.

Future reporting arrangements

8. The Contract Procedure Rules will be reviewed annually or in line with any necessary legislation changes and will be presented to Corporate Governance Committee for approval.

Equality Implications

9. The Rules will ensure that all potential suppliers and suppliers receive equal treatment when bidding for contracts.

Human Rights Implications

10. The Rules will ensure that all procurements consider human right implications before commencing. There are no human rights implications associated with this report.

Recommendations

11. It is recommended that the Committee endorses the revised Contract Procedure Rules and recommends their approval by the County Council.

Background Papers

The Constitution of Leicestershire County Council

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1187&MId=7661&Ver=4&Info=1>

Circulation under the Local Issues Alert Procedure

None

Appendices

Appendix A – Contract Procedure Rules for the Procurement Act 2023 v2.

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Part 4G

Contract Procedure Rules – The Procurement Act 2023

These Rules apply to procurements commenced on or after 24/2/2025 under the Procurement Act. Appended to these Rules are the Contract Procedure Rules for procurements undertaken under the Public Contract Regulations 2015.

Further guidance for staff on the application of these rules can be found in the [Councils Procurement Toolkit](#).

Dated 7th January 2026 v2

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GLOSSARY

In these Contract Procedure Rules, the following terms shall have the meanings set out below.

| Term | Meaning |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Appropriate Chief Officer | <p>means the Chief Officer responsible for the function to which the Contract relates except that, where another Chief Officer is responsible for the letting of the Contract, it shall mean that Chief Officer in consultation with the Chief Officer on whose behalf the Contract is to be let. Refer to the following for the list of Chief Officers: https://www.leicestershire.gov.uk/about-the-council/how-the-council-works/leader-and-cabinet/chief-officers-of-the-council</p> <p>In the case of ESPO the Chief Officer is Director of ESPO.</p> |
| Associated Person | <p>means a person that the supplier is relying on to satisfy the conditions of participation, but not a person who is to act as guarantor (see section 22(8) and 22(9) of the Act).</p> |
| Below Threshold Contract (Regulated) | <p>means a Contract for the supply, for pecuniary interest, of goods, services or works to the Council; a Framework; or a Concession Contract, that has an Estimated Value of less than the Relevant Procurement Threshold for the type of contract.</p> <p>A notifiable below-threshold contract is a regulated below threshold contract if its awarded value is £30,000 including VAT (£25,000 excluding VAT) or more.</p> <p>A “regulated below-threshold contract” (s.84 Procurement Act) does not apply to:</p> <ul style="list-style-type: none"> a) An Exempted contract. b) A Concession Contract; or c) A Utilities Contract |
| Below Threshold Contract Details Notice (Regulated) | <p>means the notice that must be published as soon as reasonably practicable after entering a Regulated Below Threshold Contract.</p> <p>This is in accordance with Section 87 of the Procurement Act.</p> |
| Below Threshold Tender Notice (Regulated) | <p>means the notice that must be published if advertising for the purpose of inviting Tenders for Regulated Below Threshold Contracts.</p> <p>This in accordance with Section 87 of the Procurement Act.</p> |
| Best Value | <p>means the duty which Part 1 of the Local Government Act 1999 places on local authorities to secure continuous improvement in the way functions are exercised, considering a combination of economy, efficiency, and effectiveness.</p> |

Part 4G Contract Procedure Rules

| Term | Meaning |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cabinet | means the Council's Executive with functions set out in Article 7 and Part 4D of the Constitution. |
| Call Off Contract | means Contracts that are awarded under a Framework. |
| Central Digital Platform | means the system whereby notices, documents and other information required to be published under the Procurement Act is to be made available |
| Chief Finance Officer | means the officer appointed pursuant to Section 151 of the Local Government Act 1972. The functions of the Chief Finance Officer are set out in Article 12 of Part 2 of the Council's Constitution. The Director of Corporate Resources. |
| Commercial Specialist | means an Officer authorised by the Director of Corporate Resources to manage the procurement of a category or categories of goods, services and/or works. If there is no Commercial Specialist for the goods, services and/or works being procured, the Senior Commercial Specialists or Head of Procurement and Supply Chain Management will adopt this role. In the case of ESPO this means Procurement Officers. |
| Commissioning Support Unit ("CSU") | means a unit responsible for supporting departments providing the Council with the development of commissioning strategies, service re-design, professional support in relation to the Council's procurement and supplier and contract management functions. In the case of ESPO this is the Commercial and Procurement Division. |
| Competitive Flexible Procedure | means any other competitive tendering procedure, not including the Open Procedure, that the Council considers appropriate for the purpose of awarding a public Contract. The competitive flexible procedure allows the Council the freedom to design its own procedure as set out in Section 20 of the Procurement Act. |
| Competitive Tendering Procedure | means either the Open Procedure or the Competitive Flexible Procedure as defined in the Procurement Act. |
| Concession Contract | means a contract for the supply, for pecuniary interest, of works or services to the Council, where (i) at least part of the consideration for that supply is a right for the supplier to exploit the works or services; and (ii) under the contract the supplier is exposed to real operating risk as defined in Section 8 of the Procurement Act |
| Conditions of Participation | means the conditions of participation that the Council may set in relation to the award of a Public Contract in accordance with Section 19 of the Procurement Act as described in Rule 15. |

Part 4G Contract Procedure Rules

| Term | Meaning |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Constitution | means the document which the Council is required to keep pursuant to Section 9P of the Local Government Act 2000 which contains a copy of the Council's standing orders, its code of conduct, details of how the Council operates; how it reaches decisions as well as the procedures that officers are required to follow. The Constitution is a statutory document |
| Contract | means any contract between two or more parties for the execution of works or the supply of goods and/or services and "contracts" shall be interpreted accordingly. |
| Contract Award Notice | means a notice that must be published in accordance with Section 50 of the Procurement Act. |
| Contract Change Notice | means a notice that must be published before a Contract is modified in accordance with Section 75 of the Procurement Act. |
| Contract Details Notices | means a notice published confirming that a Contract has been entered into in accordance with Section 53 of the Procurement Act. |
| Contract Extension | means an extension to the duration of the Contract as described in Rule 45. |
| Contract Extension Form | means a form that must be completed, approved, and retained in accordance with Rule 45 before an extension can be completed. In the case of ESPO this is the Procurement Control Record. |
| Contract Manager | means an Officer responsible for the administration and management of the Contract. |
| Contract Modification | means a modification to a Contract or Public Contract in accordance with Rule 48. |
| Contract Modification Form | means the form that must be completed, approved, and retained in accordance with Rule 48 before a modification can be done. In the case of ESPO this is the Contract Change Control Form. |
| Contract Termination Notice | means a notice that must be published to notify that a contract has been cancelled, terminated or expired in accordance with Section 80 of the Procurement Act |
| Contracts Register | means a register of (current) Contracts, on the Councils electronic tendering system. |
| Covered Procurement | means the award, entry into and management of a Contract which is entered into by the Council with a value above the relevant Procurement Threshold and that is not an Exempted Contract under the Procurement Act |
| Convertible Contract | means a Contract that, because of the value of a modification, will take the value of the Contract over the relevant |

Part 4G Contract Procedure Rules

| Term | Meaning |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Procurement Threshold, such that the contract will become a public contract. |
| Corporate Contract | means any Contract, Framework or other arrangement approved for use in sourcing a particular requirement approved for use as a Contract for use across the whole Council by CSU. |
| Corporate Governance Committee | means the Committee with the delegated function (as set out in Part Section 3 B of the Council's Constitution) of the promotion and maintenance of high standards in relation to the operation of the Council's Local Code of Governance. |
| Corporate Procurement Board | means a governance body established to oversee and approve significant procurement activity. In the case of ESPO this is the contracts panel. |
| Council | means Leicestershire County Council including ESPO. |
| Direct Award | means when a public contract is awarded without a competitive tendering procedure and the public contract is placed directly with the supplier of the Councils choosing. |
| Direct Employee | a person who works as an employee of the Council and is paid a salary by it, rather than being employed through an agency or other third party. |
| Director of Corporate Resources | means the Council's Chief Finance Officer who is responsible for the Council's Corporate Resources function, as amended sometimes. |
| Director of Law and Governance | means the Council's Officer who is responsible for the Council's Legal and Governance function, as amended sometimes. |
| Dynamic Markets | means a list of qualified suppliers who have met the conditions of membership of the dynamic market and who are eligible to participate in future procurements. |
| Electronic Tendering System | means an electronic tendering system approved in accordance with Rule 54. |
| ESPO | means Eastern Shires Purchasing Organisation. |
| Estimated Value | means the value as estimated under Rule 10. |
| E-Tender | means a Tender that has been submitted using an Electronic Tendering System. |
| Exception | means an exception where in limited circumstances the departure from the rules may be considered as detailed in Rule 57. |
| Exception Form | means the form to be submitted where an Exception is requested in accordance with Rule 57. |

Part 4G Contract Procedure Rules

| Term | Meaning |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Excluded Supplier | means if any exclusion ground applies to either the supplier or an associated person (see the references to 'associated person' in section 57 of the Procurement Act) and if the circumstances giving rise to the ground are continuing or likely to occur again. |
| Executive | See definition of Cabinet above. |
| Exemption/Exemption Contract | means the requirement may be exempt from the regulations set out in the Procurement Act as detailed in Rule 4. |
| Exemption Form | means the form to be submitted where an Exemption is requested in accordance with Rule 4. |
| Financial Procedure Rules | means the Councils Financial Procedure Rules as set out in Part 4F of the Constitution. |
| Framework | means a contract between the Council and one or more suppliers that provides for the future award of Contracts by the Council or other contracting authorities to the supplier or suppliers as defined in Chapter 4 of the Procurement Act. |
| Invitation to Tender (ITT) | means the document(s) containing information about the Competitive Tendering Procedure (along with other appropriate information) as issued to the Tenderers to invite the submission of Tenders. |
| Irregular Tender | <p>means a tender which the Council may be entitled to reject (including for reasons set out in Section 19 of the Procurement Act) or the Council's own rules or policies. Grounds for exclusion may include inter alia: -</p> <p>(a) If a tenderer does not comply with the requirements of the procurement documents; or</p> <p>(b) If a tender is received late; or</p> <p>(c) If there is evidence of collusion or corruption.</p> |
| Key Decision | <p>means a decision as defined in Rule 8 of the Executive Procedure Rules (Part 4D) of this Constitution. Without limitation, key decisions include such matters as reports in connection with the annual revenue budget or capital programme; reports about actions having significant effects on local communities or reports dealing with significant reductions in services.</p> <p>In the case of ESPO only if a decision does not fall within Appendix 4 to Schedule 1: Functions of, and Delegations to the Director of ESPO. The decision can be escalated to the Director of ESPO, the Chief Officers Group or Management Committee.</p> |
| Light Touch Contract | means a contract for certain social, health, education and other public services and are subject to more flexible procurement rules. Light Touch Contracts are services provided directly to |

Part 4G Contract Procedure Rules

| Term | Meaning |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | individuals or groups of people. Light Touch Contract is defined in Section 9 of the Act. Schedule 1 to the Act specifies which services fall under a Light Touch Contract. |
| National Procurement Policy Statement | means the statutory statement set by the Cabinet Office of the Government to communicate the wider policy objectives to which it expects public procurement to contribute as may be amended. |
| Novation | means the method by which the parties to an existing contract 'transfer' the rights and obligations of that contract to a third party. |
| Officer | means an employee of the Council. |
| Open Framework | means a scheme of Frameworks that provides for the award of successive Frameworks on substantially the same terms as defined in Section 49 of the Procurement Act. |
| Open Procedure | means a single stage Competitive Tendering Procedure as provided for under Section 20 of the Procurement Act. |
| Person | means legal persons (<i>which, without limitation, includes corporate bodies corporations sole</i>) and natural persons (<i>which, without limitation, includes individuals, sole proprietors, partnerships, and unincorporated associations</i>). |
| Pipeline Notice | means a notice that lists the Councils planned public procurements which must be published in accordance with Section 93 of the Procurement Act. |
| Planned Procurement Notice | means a notice that may be published to inform the market that the Council intends to publish a Tender Notice in accordance with Section 15 of the Procurement Act. |
| Post Tender Negotiations | means discussions that may occur after the submission of a tender proposal and before the awarding of a contract as detailed in Rule 30. |
| Preliminary Market Engagement Notice | means a notice published to inform the market that a pre-market engagement exercise will be undertaken in accordance with Section 17 of the Procurement Act. |
| Procurement Act (the Act) | means the Procurement Act 2023 which comes into force on the 24 February 2025. |
| Procurement Initiation Document (PID) | means a form which is completed and submitted by departments/service areas with the purpose of seeking approval to start a procurement process. In the case of ESPO this is the Procurement Control Record or the Internal Procurement Request Form, as applicable. |
| Procurement Termination Notice | means a notice to be published after publication of a Tender |

Part 4G Contract Procedure Rules

| Term | Meaning |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Notice or Transparency Notice where the Council has decided not to award or continue with the contract and to terminate the procurement. |
| Procurement Threshold | <p>means the respective procurement thresholds that apply from 1 January annually for Services, Goods, Works, Light-Touch, Concession and Utilities Contracts referred to in the Schedule 1 to the Procurement Act as may be amended from time to time, usually every two years.</p> <p>Threshold values as of January 1st, 2026, including VAT Goods & Services = £207,720 (£173,100 excluding VAT) Works = £5,193,000 (£4,327,000 excluding VAT) Light Touch = £663,540 (£552.950 excluding VAT)</p> |
| Procuring Officer | means any Officer, acting under the delegated powers of the Appropriate Chief Officer, who is responsible for the procurement of works, goods, and/or services. |
| Provider Selection Regime | means the Health Care Services (Provider Selection Regime) Regulations 2023 set for procuring Health Care Services as may be amended from time to time. |
| Public Contract | <p>means a:</p> <ul style="list-style-type: none"> a) Contract for the supply, for pecuniary interest, of goods services or works to the Council. b) Framework. c) Concession Contract. <p>which has an Estimated Value of no less than the applicable Procurement Threshold and is not an Exempted Contract</p> |
| Quotation | <p>means an offer to sell works, goods and/or services at a stated price under specified conditions. A Quotation may or may not be written.</p> <p>Request for Quotation is used for below threshold procurements and not above threshold tenders.</p> |
| Regulations | means the Procurement Regulations 2024 as may be amended from time to time. References to "Regulation" followed by a number in these Rules should be interpreted accordingly. |
| Relevant Procurement Threshold(s) | means the applicable financial thresholds which are referred to in Section 3 and set out Schedule 1 of the Procurement Act and which amounts may from time to time be increased or revised |
| Request for Quotation (RFQ) | means a document or documents containing the specification, and proposed terms and conditions issued to potential suppliers to solicit written Quotations for below threshold |

Part 4G Contract Procedure Rules

| Term | Meaning |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | procurements. |
| Rules | means these Contract Procedure Rules, as may be amended from time to time. |
| Sensitive Commercial Information | means <ul style="list-style-type: none"> (a) constitutes a trade secret, or (b) would be likely to prejudice the commercial interests of any person if it were published or otherwise disclosed. |
| Social Value | means how what is proposed to be procured might improve the economic, social, and environmental well-being of the people and areas of the non-metropolitan parts of Leicestershire. This definition shall be construed in keeping with the requirements of Section 1 of the Public Services (Social Value) Act 2012. |
| Standard Terms and Conditions | means standard contractual terms used by the Council, including those attached to procurement orders or orders generated by 'line of business' systems, those included in Request for Quotation templates, and standard industry terms. |
| Standing List | means a list of approved contractors or suppliers qualified for invitation to tender for works or services the rules for which are further described in Rule 47. |
| Standstill | means a period of eight working days between the Council announcing its intention to enter into a contract (by publishing the contract award notice) and actually entering into that contract; the Council cannot enter into the contract during the standstill period as detailed in Section 51 of the Procurement Act |
| Strategic Plan | means the strategy document that explains how the Council will improve the quality of life for the people of Leicestershire and make Leicestershire the best possible place to live and work for everyone. |
| Supplier | means a person or organisation that provides something needed such as a product or service to the Council, this includes contractors and consultants. Suppliers may at times be referred to suppliers contracted to LCC and 'potential suppliers' - i.e. bidders and the wider supply market. |
| Supplier Code of Conduct | means the Council's Supplier Code of Conduct which sets out principles to help suppliers understand the standards and behaviours expected when working with the Council. A copy of which can be found at – https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2018/11/27/supplier-code-of-conduct.pdf |
| Supplier Relationship Manager | means an officer of the Council whose role is to support the management of complex relationships with external suppliers |

Part 4G Contract Procedure Rules

| Term | Meaning |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | and vendors. In the case of ESPO this is the relevant Procuring Officer. |
| Technical Guidance | means the Technical Guidance intended to help with interpretation and understanding of the Procurement Act, published by the Government Commercial Function. Further details can be found at – https://www.gov.uk/government/collections/procurement-act-2023-guidance-documents |
| Tender | means a formal offer from a Tenderer as a response to an Invitation to Tender. It shall include all documents comprising the submission including pricing, technical specification and method statements and information about the Tenderer. A written Quotation is also a Tender. The term “Tender” also includes an E-Tender except where the context implies otherwise. |
| Tender Notice | means a notice published in accordance with Section 21 of the Procurement Act to advertise and commence a Competitive Tendering Procedure, this includes both Open and Competitive Flexible procedures. |
| Tenderer(s) | means the Person or Persons invited to participate in a procurement process. |
| Transitional Regulations | means the rules that determine how procurements awarded under the previous legislation continue to be managed alongside the introduction of the Procurement Act. The Procurement Act 2023 (Commencement No. 3 and Transitional and Saving Provisions) Regulations 2024) |
| Transparency Notice | means a notice published to alert the market that the Council intends to make an award without competition in accordance with Section 44 of the Procurement Act before directly awarding a Contract under Section 41 or Section 43 |
| Utilities Contracts | means a Contract for the supply of goods, services, or works wholly or mainly for the purpose of utility activity. |

Part 4 G - Contract Procedure Rules

Please note that capitalised terms have specific meanings (as per the definitions section) and should be referred to for full understanding.
 Guidance supporting this document can be found
<https://leics.sharepoint.com/sites/procurementandcontracts>

INTRODUCTION

RULE 1. *Compliance*

- 1.1 These Rules apply where the Council proposes to procure goods, services, or works. Failure to follow these Rules may result in disciplinary action.
- 1.2 Where a procurement under these rules relates to a Key Decision, such a procurement must be taken to the Executive for approval.
- 1.3 All Officers seeking to procure goods, services or works on behalf of the Council will need to familiarise themselves with and comply with these Rules and any other policies/guidance, legislation (including but not limited to the Procurement Act) and the National Procurement Policy Statement (NPPS).
- 1.4 Each Officer is responsible for ensuring they are familiar with and act in accordance with these Rules.
- 1.5 If there is any doubt as to the application of these Rules, advice should be sought as appropriate.

RULE 2. *Delegation*

- 2.1 Appropriate Chief Officers may delegate responsibilities under these Rules in accordance with Rule 6 of Section D (General scheme of delegation to Heads of Departments) of Part 3 (Responsibility for Functions) of the Constitution.

RULE 3. *Application*

- 3.1 These Rules apply to situations where the Council commences a procurement for the provision of works, goods, or services on or after 24 February 2025 under the Procurement Act. The procurements that were procured prior to the implementation of the Procurement Act will continue to be managed under the PCR 2015 Contract Procedure Rules. Contract Procedure Rules that will apply to such procurements are appended to these Rules.
- 3.2 Throughout these Rules, references are made to the Procurement Act 2023 (the Act) which will apply to Covered Procurements that commence after the entry into force of the Procurement Act on 24 February 2025. Procurements commenced under previous legislation (the Public Contracts Regulations 2015, Concession Contracts Regulations 2016, and Utilities Contracts Regulations 2016) must continue to be procured and managed under the applicable legislation or as required under the Transitional Regulations. Officers should seek advice from the Commissioning Support Unit (as appropriate) as to the applicable procurement regime and applicable contract procedure rules that governs a particular public contract.

Part 4G Contract Procedure Rules**RULE 4. *Exempted Contracts***

- 4.1 When entering an Exempt Contract, the Council is not subject to the rules governing Covered Procurements and as such the Council is broadly free to conduct a procurement as it considers most appropriate. However, even in the case of Exempt Contracts, the Council is legally required to comply with National Public Policy Statements and the Council expects Officers to deal with Exempt Contracts on that basis.
- 4.2 Exempted Contracts (as defined in Part 2 of Schedule 2 to the Procurement Act) include (but are not limited to) the following arrangements:
- a) Contracts solely for the acquisition or disposal of any interest in land.
 - b) Contracts for the lending or borrowing of money.
 - c) Contracts of employment (making an individual a Direct Employee of the Council).
 - d) Contracts for financial services in connection with the issue, sale, purchase or transfer of securities or other financial instruments within the meaning of the Financial Services and Market Act 2000 (Markets in Financial Instruments) Regulation 2017 – UK Statutory Instruments 2017 No. 701.
 - e) A contract for the provision of exempt legal services to the Council. Not all legal services are exempt, only those legal services that are related to judicial or other dispute resolution proceedings, notary services and legal services that must be carried out by a particular person under an order of court or tribunal enactment are exempt under the Procurement Act;
 - f) Horizontal and vertical agreements between contracting authorities. Horizontal – cooperative agreements between different public authorities to achieve common goals (referred to as Hamburg contracts). Vertical – contracts between the Council and an entity it controls, essentially allowing for in house procurement (referred to as Teckal contracts).
 - g) Contracts for the acquisition, development, production or co-production of material intended for broadcast or contracts for the broadcast to the general public of material supplied by the supplier; this includes contracts for creating, acquiring, producing television programs, radio shows, film or other content intended for broadcasting.
 - h) Contracts for facilitating the provision of electronic communications to the general public or Contracts to provide, maintain or use a public electronic communication network.
 - i) Contracts for the provision of arbitration, mediation or conciliation services.
 - j) Contracts for the provision by an organization not run for profit in respect of emergency services.
 - k) Contracts for public passenger transport concession services that are to be awarded in accordance with the public service obligations regulations as defined in section 136(11) of the Railways Act 1993.
 - l) Contracts for research and development services that (i) are intended to be for or result in a benefit to the public; and (ii) the Contract does not provide for the provision of goods or works.
 - m) Contracts awarded under procedures set out in international agreements.
 - n) Contracts that the Council considers, in the interest of national security, should not be subject to this Act or a part of this Act.

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- o) Contracts for carrying out, facilitating or supporting intelligence services.
 - p) Certain types of Defence and Security Contracts, Utilities Contracts (for the purchase of water, fuel for energy production, energy and resale of lease goods or services by utility companies except by central purchasing authorities) and Concession Contracts.
 - q) Contracts for the supply of goods, services or works to the Common Council of the City of London other than for the purposes of its functions as a local authority, police authority or port health authority.
- 4.3 The sale of Council assets is not part of these Rules. Officers should refer to the Financial Procedural Rules. The sale of an asset, which is part of a contract, should be transacted separately i.e. LCC invoice for the sale value agreed.
- 4.4 All contracts that are deemed as Exempt Contracts under a), e), f) and l) need to be approved by the completion of an Exemption Form by an Appropriate Chief Officer in consultation with a Commercial Specialist.

PROCUREMENT PRINCIPLES**RULE 5. General Requirements**

- 5.1 Every Contract, Public Contract or official order for works, goods or services made by the Council shall be for the purpose of implementing the Council's policies and must be made in accordance with the Council's duty of Best Value and in line with the Finance Procedure Rules and the Council's Strategic Plan.

Social Value

- 5.2 Where the Council proposes to enter into any Contract with an Estimated Value equal to or greater than £50,000 excluding VAT, it shall before commencing the procurement, consider the Social Value (if any) of the proposed procurement. Social Value will be addressed and managed by contract management of the relevant contract. The Council will seek to ensure that Social Value is enshrined in such a Contract in at least one of the following two ways: -
- a) As award criteria linked to the Council's Social Value Policy Statement and the Council's Strategic Plan.
 - b) As Outcomes built into the specification or Contract.
- 5.3 Where Social Value has not been considered within either the award criteria or specification, the reason shall be recorded and forwarded for approval to the relevant Commercial Specialist.

Provider Selection Regime

- 5.4 Where the Provider Selection Regime applies, Social Value will need to be considered regardless of the Estimated Value of the Contract.

Use of Corporate Contracts

- 5.5 The Procuring Officer must ensure that whenever Corporate Contracts have been approved and deemed suitable by a Commercial Specialist that goods, services are ordered via that Corporate Contract by raising a purchase order.
- 5.6 The Procuring Officer may not procure outside of the Corporate Contract unless it is agreed by the Commercial Specialist that better value for money can be clearly demonstrated outside of

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these approved Corporate Contracts.

- 5.7 Where the Estimated Value of a Contract (or Public Contract) to be awarded under a Corporate Contract exceeds £30,000 including VAT (£25,000 excluding VAT), the Procuring Officer must approve the award with a Commercial Specialist before completing the award. The Procuring Officer must consider what risks the contract presents ahead of any procurement process, considerations must include those relating to Health and Safety, Business Continuity, compliance with the Modern Slavery Act 2015 and Information Security.

Applicable Laws

- 5.8 Procedures set out in the relevant Acts of Parliament and UK legislation (including for the avoidance of doubt (but not limited to) the Procurement Act and the Provider Selection Regime must be complied with.

Budgets

- 5.9 The Procuring Officer must ensure that sufficient budget provision has been agreed with the budget holder prior to any procurement process being undertaken.

Procurement Act

- 5.10 The Council must not carry out a Covered Procurement except in accordance with the Procurement Act. As such, a public contract may not be entered into unless it is awarded in accordance with the Procurement Act.
- 5.11 In conducting a Covered Procurement, the Council must have regard to the importance of:
- a) Delivering value for money.
 - b) Maximising public benefit.
 - c) Sharing information for the purpose of allowing suppliers and others to understand the Council's procurement policies and decisions.
 - d) Acting, and being seen to act, with integrity.
- 5.12 In carrying out Covered Procurements as per section 12 of the Act, the following must apply:
- a) The Council must treat suppliers the same unless a difference between the suppliers justifies different treatment.
 - b) If the Council considers that different treatment is justified in a particular case, it must take all reasonable steps to ensure it does not put a supplier at an unfair advantage or disadvantage.

Supplier Code of Conduct

- 5.13 The Council's Supplier Code of Conduct must apply to all procurement process and be incorporated in all supplier Contracts.

Term of Contract

- 5.14 Subject to the provisions of Rule 19.3 Contracts shall not be longer than 5 years (including extensions) in duration or of indeterminate length without the prior written approval of the Director of Corporate Resources or Deputy Section 151 Officer, such approval to be obtained prior to the commencement of the Procurement Exercise.

Part 4G Contract Procedure Rules**RULE 6. *Financial Thresholds and Delegation***

- 6.1 Financial limits and thresholds within these Rules may be varied by the Corporate Governance Committee.
- 6.2 Arrangements for the delegation of functions to Officers within these Rules may be varied by the Chief Executive.
- 6.3 Financial thresholds and delegations are set out in the Finance Procedure Rules and the [Procure to Pay Policy](#).

PRELIMINARY PROCUREMENT STEPS – PLANNING STAGE**RULE 7. *Pipeline Notices***

- 7.1 Pipeline Notices must be published within 56 days of the 1st April (by the 26th of May) in accordance with Section 93 of the Procurement Act.
- 7.2 An individual notice on the Central Digital platform, setting out specified information about any proposed public contract with a value of more than £2,000,000 including VAT must be made.
- 7.3 The pipeline notice should include individual details relating to each relevant upcoming procurement likely to occur within the 18-month period it covers.

RULE 8. *Planned Procurement Notices*

- 8.1 The Council may consider whether to publish a Planned Procurement Notice to provide suppliers with advance notice of an upcoming Competitive Tendering Procedure.
- 8.2 A Planned Procurement Notice is intended to give as much advance information to the market as possible to allow interested suppliers to appropriately plan for future opportunities.

RULE 9. *Preliminary Market Engagement*

- 9.1 Before commencing a Competitive Tendering Procedure, the Council may engage with suppliers and other persons for the purposes of:
 - 9.1.1 developing the Council's requirements and approach to the procurement.
 - 9.1.2 designing a procedure, conditions of participation or award criteria.
 - 9.1.3 preparing the tender notice and associated tender documents.
 - 9.1.4 identifying suppliers that may be able to supply the goods, services or works required.
 - 9.1.5 identifying likely contractual terms.
 - 9.1.6 building capacity among suppliers in relation to the contract being awarded.

Such engagement will be considered "Preliminary Market Engagement." When conducting Preliminary Market Engagement the Commissioning Support Unit must be consulted.

- 9.2 When carrying out Preliminary Market Engagement the Council must take steps to ensure that:
 - a) suppliers participating in the Preliminary Market Engagement are not put at an unfair advantage; and

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- b) competition in relation to the award of the public contract is not otherwise distorted.

9.3 If the Council considers that:

- a) a supplier's participation in Preliminary Market Engagement has put the supplier at an unfair advantage in relation to the award of a public contract; and
- b) the advantage cannot be avoided.

that supplier must be treated as an Excluded Supplier for the purposes of (i) assessing tenders under section 19 of the Procurement Act; or (ii) awarding a contract under Section 41 or 43 of the Procurement Act and excluded from participating in, or progressing as part of, any Competitive Tendering Procedure.

Preliminary Market Engagement Notice

9.4 In carrying out Preliminary Market Engagement the Council must either:

- 9.4.1 publish a Preliminary Market Engagement notice before publishing a Tender Notice; or
- 9.4.2 provide reasons for not publishing a Preliminary Market Engagement notice in the Tender Notice.
- 9.4.3 preliminary market engagement could include (but not limited to) requests for information, supplier questionnaires and surveys, to understand their capabilities and any potential barriers to procurement; and meet-the-buyer events etc.

PRELIMINARY PROCUREMENT CONSIDERATIONS/PLANNING STAGE**RULE 10. *Calculating the Estimated Value of Contracts***

- 10.1 Before any procurement process is begun the Procuring Officer must calculate the Estimated Value of a Contract in accordance with Section 4 and Schedule 3 of the Procurement Act. Determining an Estimated Value for a contract enables the Council to determine whether the proposed procurement will be above or below the relevant threshold and in turn determine which procedures should be followed.
- 10.2 The Estimated Value for the Procurement must not be artificially subdivided to circumvent the application of these Rules or the Procurement Act.
- 10.3 The Estimated Value of Contracts must be calculated in accordance with paragraph 1 of Schedule 3 to the Procurement Act.
- 10.4 Rules 10.5–10.7 (below) covers Contracts for goods, services, works and Utilities Contracts.
- 10.5 The Estimated Value shall be calculated as the maximum amount the Council could expect to pay under the Contract, including where applicable, amounts already paid. The Estimated Value shall be inclusive of VAT.
- 10.6 The estimated amount the Council could expect to pay includes (but is not limited to) the following:
 - 10.6.1 the value of any goods, services or works provided by the Council under the Contract other than for payment; for example, if the Council is giving something to the contractor as part of the agreement (materials, equipment, staff time etc), this needs to be factored into the estimated contract value.
 - 10.6.2 amounts that would be payable if all options in the Contract to supply additional goods, services or works were exercised.

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- 10.6.3 amounts that would be payable if all options in the Contract to extend or renew the term of the Contract were exercised.
- 10.6.4 amounts representing premiums, fees, commissions, inflationary uplifts, gain shares or interest that could be payable under the Contract; and
- 10.6.5 amounts representing prizes or payments that could be payable to participants in the procurement.
- 10.6.6 periodic purchases for the same requirement, whether that is from the same or different suppliers, must be aggregated over a minimum of a 12-month period. Requirement to aggregate contracts that could reasonably be supplied together and not split to avoid thresholds.....
- 10.7 In calculating the Estimated Value, the Council must consider all the facts material to the estimate and available to the Council at the time it makes the estimate.

Estimating for Framework Contracts

- 10.8 The Council must estimate the value of a Framework as the sum of the Estimated Values of all the Contracts that are or may be awarded in accordance with the Framework during its entire term.
- 10.9 For open frameworks the Council must estimate the total value as the combined value of all individual frameworks awarded under the scheme, including future anticipated re openings of the framework.

Estimating for Concession Contracts

- 10.10 The Estimated Value of Concession Contracts is to be calculated in accordance with paragraph 3 of Schedule 3 to the Procurement Act.
- 10.11 The Council must calculate the Estimated Value of a Concession Contract as the maximum amount the supplier could expect to receive under or in connection with the Contract including, where applicable, amounts already received.
- 10.12 The amount a supplier could expect to receive includes (but is not limited to) the following:
 - a) amounts representing revenue (whether monetary or non-monetary) receivable pursuant to the exploitation of the works or services to which the contract relates (whether from the Council or otherwise).
 - b) the value of any goods, services or works provided by the council under the contract other than for payment amounts that would be receivable if an option in the contract to supply additional services or works were exercised.
 - c) amounts that would be receivable if an option in the contract to extend or renew the term of the contract were exercised.
 - d) amounts representing premiums, fees, commissions, or interest that could be receivable under the contract.
 - e) amounts received on the sale of assets held by the supplier under the contract.

Estimating for Mixed Procurement Contracts

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- 10.13 Where a Contract comprises of a mixture of services, works or goods, consideration will need to be given to Section 5 of the Procurement Act as to the classification of that Contract and advice sought from the CSU as appropriate.

Estimating for Mixed Category Contracts

- 10.14 Where a Contract involves different categories or types of Contracts, e.g, Concession Contracts, Light Touch Contracts etc. the classification of that Contract will need to be considered in accordance with Section 10 of the Procurement Act and advice sought from the CSU as appropriate.

Anti-avoidance of estimating

- 10.15 The Council must calculate the Estimated Value of each of the Contracts in accordance with paragraph 4 of Schedule 3 to the Procurement Act as including the value of all of the Contracts unless it has a good reason for not doing so. This would apply where:

10.15.1 the Council calculates the Estimated Value of two or more Contracts; and

10.15.2 the goods, services or works to be supplied under the Contracts could reasonably be supplied under a single Contract.

Inability to calculate the Estimated Value of a Contract

- 10.16 Where it is not possible to calculate the Estimated Value of a Contract (in accordance with this Rule), e.g., where the duration of a Contract is unknown, that Contract is to be treated as exceeding the Threshold amount for that type of Contract.
- 10.17 Where the Estimated Value (calculated in accordance with this Rule) is £6,000 including VAT (£5,000 excluding VAT) or more the Procuring Officer must notify in writing, via completion of a PID, the appropriate Commercial Specialist of the Estimated Value before proceeding. A written record of that Estimated Value must then be kept on file by the Procuring Officer.

RULE 11. Procurement Approach

- 11.1 The Estimated Value of a Contract inclusive of VAT (calculated in accordance with Rule 10) will dictate the procurement approach to be followed as set out below:

| Estimated Value including VAT | Route to Market | Procurement Process | Advertising Requirements | Award Requirements | Documentation |
|-------------------------------------|-------------------|-------------------------------------------------------|--------------------------|--------------------|-----------------------------------------------------------|
| £0 - £6,000 £5,000 excluding VAT | Request for Quote | Obtain a minimum of one oral/written Quotation | None | None | Record details of the contract on the Contracts Register. |
| £6,001 – £29,999 | Request for Quote | Complete a PID and secure approvals before commencing | None | None | Record details of the contract on the Contracts |

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| Estimated Value including VAT | Route to Market | Procurement Process | Advertising Requirements | Award Requirements | Documentation |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| £5,001 - £24,999 excluding VAT | | (Not applicable to ESPO). Obtain a minimum of 3 written Quotations. If this is not possible, approval must be sought from CSU to continue. | When inviting quotations officers should consider the benefits of including a local supplier or SME in the request for quotation. | | Register including a copy of the PID, Request for Quotation issued by the Procuring Officer and Quotations received. |
| £30,000 – Relevant Procurement Threshold £25,000 excluding VAT | Framework: Call off with or without further competitive selection process | Complete a PID and secure approvals before commencing. Invite tenders from particular or pre-selected suppliers, i.e., a Framework. | No notice required. Undertake via the Councils electronic tendering system. | Below Threshold Contract Details Notice. | Record details of the contract on the Contracts Register including a copy of the PID, call off documents issued by the Procuring Officer and Quotations received. |
| £30,000 – Relevant Procurement Threshold £25,000 excluding VAT | Open Market | Complete a PID and secure approvals before commencing. Advertising more widely for the award of a below-threshold contract. Seek written Quotations (to be based on a Request for Quotation document where practical) | Below Threshold Tender Notice required before publishing/advertising elsewhere. | Below Threshold Contract Details Notice | Record details of the contract on the Contracts Register including a copy of the PID, Request for Quotation issued by the Procuring Officer and Quotations received. |
| Contracts of any value for independent day or residential school placements for children with Special Educational Needs | Request for Quote | Complete a PID and secure approvals before commencing. | When inviting quotations officers should consider the benefits of including a local supplier in the invitation to quote where appropriate or applicable to the Contract. | Contract Details Notice | Record details of the contract on the Contracts Register including a copy of the PID, Request for Quotation issued by the Procuring Officer and Quotations received. |

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| Estimated Value including VAT | Route to Market | Procurement Process | Advertising Requirements | Award Requirements | Documentation |
|-----------------------------------------------------------------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Light Touch Contract – below light touch Procurement Threshold | Request for Quote | Complete a PID and secure approvals before commencing. Obtain a minimum of 3 Quotations (to be based on the request for Quotation document where practical). If this is not possible, approval must be sought from CSU to continue. | When inviting quotations officers should consider the benefits of including a local supplier in the invitation to quote where appropriate or applicable to the Contract. | Contract Details Notice | Record details of the contract on the Contracts Register including a copy of the PID, Request for Quotation issued by the Procuring Officer and Quotations received. |
| Contracts or Frameworks of any value for Healthcare Services falling within the Provider Selection Regime | Direct Award Process A | Complete a PID and secure approvals before commencing. Approval must be sought from the Head of Procurement & Supply Chain Management. Procuring Officer must seek the advice of a Commercial Specialist on a suitable Process to follow under these Regulations. | None | Confirmation of Award Notice | Record details of the contract on the Contracts Register including a copy of the PID, clear records detailing the decision-making process and rationale for direct award process A, as set out in the Regulations. |
| Contracts or Frameworks of any value for Healthcare Services falling within the Provider Selection Regime | Direct Award Process B | Complete a PID and secure approvals before commencing. Approval must be sought from the Head of Procurement & Supply Chain Management. Procuring Officer must seek the advice of a Commercial Specialist on a suitable Process to follow under these Regulations. | None | Confirmation of Award Notice | Record details of the contract on the Contracts Register including a copy of the PID, clear records detailing the decision-making process and rationale for direct award process B, as set out in the Regulations. |
| Contracts or Frameworks of any value | Direct Award Process C | Complete a PID and secure approvals before commencing. | Intention to award notice. | Confirmation of Award Notice | Record details of the contract on the |

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| Estimated Value including VAT | Route to Market | Procurement Process | Advertising Requirements | Award Requirements | Documentation |
|------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| for Healthcare Services falling within the Provider Selection Regime | | Approval must be sought from the Head of Procurement & Supply Chain Management. Procuring Officer must seek the advice of a Commercial Specialist on a suitable Process to follow under these Regulations. | Complete Standstill | | Contracts Register including a copy of the PID, clear records detailing the decision-making process and rationale for direct award process C, as set out in the Regulations. |
| Contracts or Frameworks of any value for Healthcare Services falling within the Provider Selection Regime | Most Suitable Provider Process | Complete a PID and secure approvals before commencing. Approval must be sought from the Head of Procurement & Supply Chain Management. Procuring Officer must seek the advice of a Commercial Specialist on a suitable Process to follow under these Regulations. | Intended approach notice Intention to award notice. | Confirmation of Award Notice | Record details of the contract on the Contracts Register including a copy of the PID, clear records detailing the decision-making process and rationale for most suitable provider process, as set out in the Regulations. |
| Contracts or Frameworks of any value for Healthcare Services falling within the Provider Selection Regime. | Competitive Process | Complete a PID and secure approvals before commencing. Approval must be sought from the Head of Procurement & Supply Chain Management. Procuring Officer must seek the advice of a Commercial Specialist on a suitable Process to follow under these Regulations. | Publication of Tender Notice to advertise Competitive Tendering Intention to award notice. | Confirmation of Award Notice | Record details of the contract on the Contracts Register including a copy of the PID, clear records detailing the decision-making process and rationale for competitive process, as set out in the Regulations. |
| Relevant Procurement | Framework: Call off with or without | Complete a PID and secure approvals before commencing. | None | Contract Award Notice | Record details of the contract on the |

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| Estimated Value including VAT | Route to Market | Procurement Process | Advertising Requirements | Award Requirements | Documentation |
|------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Threshold and above | further competitive selection process | Invite tenders from particular or pre-selected suppliers, i.e., a Framework. | Undertake via the Councils electronic tendering system. | <p>Assessment Summary</p> <p>Voluntary Standstill</p> <p>Contract Details Notice</p> <p>If contract is over £5,000,000 - a copy of the Contract and the key performance indicators must be published (not required for Light Touch).</p> | Contracts Register including a copy of the PID, all tender documents, responses, evaluation, moderation, award letters and contract. |
| Relevant Procurement Threshold and above | Open Market Tender | <p>Complete a PID and secure approvals before commencing.</p> <p>Competitive Tendering Procedure, quotations sought via Invitation to Tender (ITT) in accordance with Procurement Act (refer to Commissioning Support Unit)</p> | <p>Publication of Tender Notice to advertise Competitive Tendering.</p> <p>Undertake via the Councils electronic tendering system.</p> | <p>Contract Award Notice</p> <p>Assessment Summary</p> <p>Standstill</p> <p>Contract Details Notice</p> <p>If contract is over £5,000,000 - a copy of the Contract and the key performance indicators must be published (not required for Light Touch)</p> <p>Direct Award Notice only (where Light Touch and user choice)</p> | Record details of the contract on the Contracts Register including a copy of the PID, all tender documents, responses, evaluation, moderation, award letters and contract. |

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| Estimated Value including VAT | Route to Market | Procurement Process | Advertising Requirements | Award Requirements | Documentation |
|------------------------------------------|-----------------|--------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relevant Procurement Threshold and above | Dynamic Markets | Complete a PID and secure approvals before commencing. | <p>None</p> <p>Undertake via the Councils electronic tendering system.</p> | <p>Contract Award Notice</p> <p>Assessment Summary</p> <p>Voluntary Standstill</p> <p>Contract Details Notice</p> <p>If contract is over £5,000,000 - a copy of the Contract and the key performance indicators must be published (not required for Light Touch).</p> | Record details of the contract on the Contracts Register including a copy of the PID, all tender documents, responses, evaluation, moderation, award letters and contract. |

Additional Requirements

- 11.2 Details of oral Quotations must be confirmed in writing.
- 11.3 All procurements proposed over £6,000 including VAT (£5,000 excluding VAT) must be approved before any procurement activity, by the CSU through use of the PID.
- 11.4 All procurements regardless of value must have an approved Purchase Order in place before commencement of work.
- 11.5 The CSU shall advise the Procuring Officer on the appropriate route to market which may include the use of Frameworks or a Corporate Contract prior to the procurement process beginning.
- 11.6 When the Corporate Contract is a Framework, the Procuring Officer must comply with Rule 19 after consulting with a relevant Commercial Specialist on the suitability of the Framework intended for use.

RULE 12. Consideration of Lots

- 12.1 Before commencing a procurement process the Council must consider whether the goods, works or services could reasonably be supplied under more than one Contract to benefit Small to Medium sized Enterprises (SMEs) and reduce risk and if those Contracts could appropriately be awarded by reference to lots.
- 12.2 The Act makes provision in relation to lots at Section 18 (Duty to consider lots), Section 20 (Competitive tendering procedures) and Section 23 (Award criteria).

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- 12.3 The Procuring Officer must provide reasons within the Procurement Initiation Document (PID) for not splitting a procurement into lots for all contracts other than light touch contracts, the reasons must also be provided in the Tender Notice.

REGULATED BELOW THRESHOLD CONTRACTS**RULE 13. *Regulated Below Threshold Contract Requirements***

(over £30,000 including VAT/ £25,000 excluding VAT but below Threshold).

General

- 13.1 A Regulated Below Threshold Contract is a Contract which does not meet the relevant Procurement Threshold as defined by the Procurement Act.
- 13.2 The Council must conduct procurements for Regulated Below Threshold Contracts in accordance with Part 6 of the Procurement Act. The duties to have regard to National Procurement Policy Statements and the duty not to discriminate against a treaty supplier will also apply to Regulated Below Threshold Procurements.

Suitability Assessment

- 13.3 Where the Council invites the submission of quotations in relation to the award of a Regulated Below Threshold Contract, the Council must ensure that the assessment of the suppliers' suitability to perform the Contract doesn't restrict their ability to submit a quotation. A separate suitability stage before the submission of bids cannot be used to reduce the number of suppliers invited to bid, but this does not prevent the council from asking for this information in a bid and then assessing supplier suitability at award stage.
- 13.4 There is an exception to Rule 13.3 (above) detailed at section 85 of the Procurement Act to the rule prohibiting a separate suitability stage in relation to a below-threshold works contract if the contract:
- 13.4.1 has an estimated value of not less than £207,720 including VAT (£173,100 excluding VAT). This is the same as the thresholds for goods and services. This exception is because the works threshold is much higher, and it is appropriate that contracting authorities carrying out procurements for higher value below-threshold works contracts that are still above the goods and services thresholds, can include a separate suitability stage before the award stage, if desired or;
- 13.4.2 is awarded in accordance with a Framework.
- 13.5 Based on criteria laid down by the Executive, the Chief Finance Officer will be responsible for evaluating the financial status of Tenderers and suppliers. The Chief Finance Officer is responsible for setting the criteria for evaluating the financial status of Tenderers and Suppliers which Officers will use.

Notices

- 13.6 The Council must publish a Regulated Below Threshold Tender Notice on the Central Digital Platform if advertising for the purpose of inviting Tenders for Below Threshold Contracts where the Estimated Value of the Contract is no less than £30,000 including VAT (£25,000 excluding VAT).
- 13.7 The requirement set out in Rule 13.6 (above) does not apply where the Council invites Quotes or Tenders from a closed group of pre-selected suppliers, i.e. via a Framework or from one or more targeted suppliers provided it does not advertise the procurement in any other way.

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- 13.8 The Below Threshold Tender Notice must be published on the Central Digital Platform before being published elsewhere via the Councils Electronic Tendering System.
- 13.9 Section 87(3) provides that as soon as reasonably practicable after entering into a notifiable below-threshold contract, a Contract Details Notice must be published on the Central Digital Platform via the Councils Electronic Tendering System. This applies to all notifiable below-threshold contracts, and not just those which require the publication of a below-threshold tender notice.
- 13.10 If a contracts estimated value is below £30,000 including VAT (£25,000 excluding VAT), there is no obligation to publish any notices on the Central Digital Platform.

PUBLIC CONTRACTS**RULE 14. *Competitive Tendering Procedures***

- 14.1 The Council may wish to engage with suppliers prior to commencing any Competitive Tendering Procedure in accordance with Rule 9.
- 14.2 All Public Contracts, including Concession Contracts, Light Touch Contracts and Utilities Contracts the value of which is above a Relevant Procurement Threshold must be procured by a Competitive Tendering Procedure using either:
- a) Open Procedure; or
 - b) Competitive Flexible Procedure.
- as described in more detail in Section 20 of the Procurement Act.
- 14.3 The Council is not required to use the above mentioned Competitive Tendering Procedures for a Public Contract as set out below:
- a) *Direct award* – where justified under Sections 41 or 43 of the Procurement Act; or
 - b) *Call Off Contract* - when awarding a Public Contract under a Framework as set out in Section 45 of the Procurement Act.
 - c) *Provider Selection Regime* – where the applicable procurement must be carried out under the Provider Selection Regime.

RULE 15. *Conditions of Participation*

- 15.1 The Council may set conditions of participation to perform the Contract under a Competitive Tendering Procedure, in accordance with Section 22 of the Procurement Act which relate to:
- a) legal and financial capacity; or
 - b) technical ability to perform the Public Contract
- 15.2 Based on criteria laid down by the Executive, the Chief Finance Officer will be responsible for evaluating the financial status of Tenderers and suppliers. The Chief Finance Officer is responsible for setting the criteria for evaluating the financial status of Tenderers and Suppliers which Officers will use.
- 15.3 Conditions of participation must be a proportionate means of ensuring the relevant capacity or ability, having regard to the nature, complexity and cost of the Public Contract.

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- 15.4 A supplier must meet the conditions of participation in order to be awarded the Public Contract.
- 15.5 Further details on the rules relating to conditions of participation are set out in Section 22 of the Procurement Act.

RULE 16. Award Criteria

- 16.1 In the case of a procurement process with an Estimated Value of £30,000 including VAT (£25,000 excluding VAT) or more the process for identifying the most advantageous Tender, including selection and award criteria, must be agreed in consultation with the appropriate Commercial Specialist and included in the Request for Quotation/Invitation to Tender and a copy retained on file.
- 16.2 The Procuring Officer must notify all Tenderers of the award methodology and evaluation criteria being used in the case of the Contract in question. If weightings are to be applied to the award criteria, then the Procuring Officer must ensure that these are also incorporated into the Request for Quotation/Invitation to Tender.

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- 16.3 A Public Contract may be awarded to a supplier that submits the most advantageous tender in a competitive tendering process which will be considered from the Council's point of view, which:
- a) satisfies its requirements; and
 - b) best satisfies the award criteria.
- 16.4 The Council will need to consider Section 23 of the Procurement Act in relation to setting award criteria for each competitive tendering process.
- 16.5 Award criteria for a Competitive Flexible Procedure may be refined in accordance with Section 24 of the Procurement Act and the Council must modify and republish or re-provide the Tender Notice and any associated documents affected by the refinements in accordance with Section 24(4) of the Procurement Act.

Health Care Services (Provider Selection Regime) Regulations 2023

- 16.6 The Council is required to follow one of the following provider selection processes in awarding contracts for health care services.
- a) *Direct award processes (A, B, and C)* – awarding contracts to providers when there is limited or no reason to seek to change from the existing provider; or to assess providers against one another, because:
 - (i) the existing provider is the only provider that can deliver the health care services direct award process A must be used,
 - (ii) patients have a choice of providers, and the number of providers is not restricted by the Council direct award process B must be used.
 - (iii) the existing provider is satisfying its existing contract, will likely satisfy the new contract to a sufficient standard, and the proposed contracting arrangements are not changing considerably direct award process C may be used.
 - b) *Most suitable provider process* – awarding a contract to providers without running a competitive process, because the Council can identify the most suitable provider.
 - c) *Competitive process* – running a competitive process to award a contract.

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16.7 When procuring under these regulations, the five key criteria as stated within those regulations must all be evaluated. These are:

- Quality and innovation
- Value
- Integration, collaboration, and service sustainability
- Improving access, reducing health inequalities, and facilitating choice; and
- Social value

RULE 17. *Open Procedure*

17.1 Prior to commencing an Open Procedure, the Council may wish to engage with suppliers prior to commencing any Competitive Tendering Procedure in accordance with Rule 9.

17.2 The Open Procedure is a single stage procedure.

17.3 Under the Open Procedure, Procuring Officers must ensure access to Invitations to Tender is available to all suppliers (other than those who are excluded) who respond to the Tender Notice and who meet the requirements stated in the tender documents. Where the opportunity has been advertised via the electronic tendering system the Invitation to Tenders and all supporting documents must be made available in the system for all interested parties to access subject to confidentiality agreement where applicable.

RULE 18. *Competitive Flexible Procedure*

18.1 Prior to commencing a Competitive Flexible Procedure, the Council may wish to engage with suppliers prior to commencing any Competitive Tendering Procedure in accordance with Rule 9.

18.2 The Competitive Flexible Procedure is any other Competitive Tendering Procedure, i.e. multi-staged process that the Council considers appropriate for the purpose of awarding a Public Contract.

18.3 The Council is afforded flexibility as to how to design a Competitive Flexible Procedure but details on how the procedure will be carried out must be set out in the Tender Notice and tender documents. However, when using the Competitive Flexible Procedure, the Council must consider the procurement objectives, such as those relating to time limits and transparency.

18.4 The Competitive Flexible Procedure may allow the Council to reserve the Public Contract to supported employment providers and public service mutual in certain circumstances. See Sections 32 – 33 Procurement Act.

18.5 Before allowing a supplier to participate in a Competitive Flexible Procedure the Council must determine whether the supplier is excluded or excludable in accordance with Section 27 of the Procurement Act. Where an excluded or excludable supplier is identified there must be consultation with CSU before excluding.

Part 4G Contract Procedure Rules**RULE 19. Frameworks**

- 19.1 Frameworks can be established either under the Open Procedure or the Competitive Flexible Procedure.
- 19.2 Frameworks are governed by Chapter 4 of the Procurement Act.
- 19.3 Frameworks must not be awarded for more than four years unless:
- a) It is a utilities Framework;
 - b) It is an Open Framework (see below);
 - c) It is a Light Touch Framework;
 - d) It is considered that due to the nature of the goods, services or works to be supplied that a longer term is required.
- The justifications for awarding for more than four years in any of the above scenarios must be detailed and approved within the Procurement Initiation Document, authorisation must also be sought from the Chief Finance Officer
- 19.4 Call Off Contracts may be awarded following a competitive selection process in accordance with Section 45(3) of the Procurement Act
- 19.5 Alternatively, Call Off Contracts may be awarded without competition, with prior approval from Commercial Specialist, (in accordance with Section 45(4)) of the Procurement Act to suppliers:
- a) in circumstances where only one supplier is party to the Framework; or
 - b) where the Framework sets out:
 - (i) the core terms of the public contract; and
 - (ii) an objective mechanism for supplier selection.
- 19.6 Call Off Contracts are to be awarded in accordance with the terms of the Framework and are not subject to the Competitive Tendering Procedures.

Open Frameworks

- 19.7 An Open Framework is a scheme of Frameworks that provides for the award of successive Frameworks on substantially the same terms.
- 19.8 Open Frameworks must provide:
- a) for the re-opening of a Framework at least once during—
 - (i) the period of three years beginning with the day of the award of the first framework in the scheme, and
 - (ii) each period of five years beginning with the day of the award of the second framework in the scheme;
 - b) for the expiry of one framework on the award of the next;
 - c) for the final framework to expire at the end of the period of eight years beginning with the day on which the first framework under the scheme is awarded.
- 19.9 The rules governing Frameworks are set out in Section 45-49 of the Procurement Act.

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- 19.10 Each Call Off Contract awarded under a Framework must be included on the Contracts Register within 30 days of award as per Rule 36.

RULE 20. *Dynamic Markets*

- 20.1 The Council may wish to establish arrangements (Dynamic Markets) for the purpose of awarding Public Contracts by reference to suppliers' participation in those arrangements which must remain open for new suppliers to join at any time.
- 20.2 The Open Procedure or direct award route cannot be used to award a Public Contract under a Dynamic Market
- 20.3 Dynamic Markets are not permitted for below threshold calls offs.
- 20.4 Procuring Officers must only establish Dynamic Markets with the prior written approval of a Senior Commercial Specialist and the Director of Corporate Resources and in accordance with the requirements of the Procurement Act and these Rules where appropriate.
- 20.5 Sections 34 – 40 of the Procurement Act sets out the rules relevant to Dynamic Markets.

RULE 21. *Direct Awards*

- 21.1 In limited circumstances, the Council may directly award a Public Contract to a supplier without conducting a Competitive Tendering Procedure or compliant Framework call off as more particularly described in Sections 41 – 44 of the Procurement Act and set out in Rule 21.4. This is classed as permitted Direct Awards.
- 21.2 If a Direct Award justification applies, the Council may award a Public Contract directly to a supplier that is not an excluded supplier. The Council may award a Contract to a supplier that is an excluded supplier if the Council considers that there is an overriding public interest in awarding the contract to that supplier.
- 21.3 When making a Direct Award, the Council may carry out a selection process or take other preliminary steps as it considers appropriate for the purpose of awarding a Direct Award Contract.
- 21.4 To be able to award a contract as a Direct Award the following conditions must be met:
- a) **Direct award to protect life** - the Minister of the Crown must consider it necessary in order to protect human, animal or plant life or health, or to protect public order or safety.
 - b) **Switching to direct award** – the Council can switch to awarding directly to a supplier that is not an excluded supplier if we have invited suppliers to submit tenders or request to participate in a competitive tendering procedure, and we have not received any suitable tenders or requests in response (although NB the Council must consider whether the supplier submitted an unsuitable tender or request); and considers that award under section 19 is not possible in the circumstances. A tender or request is not suitable if the Council considers that it would be disregarded in an assessment of tenders under section 19(3)(a) or (c); or it does not satisfy the Council's requirements or the award criteria when assessed by reference to the assessment methodology; or there is evidence of corruption or collusion between the suppliers or between suppliers and contracting authorities; or it materially breaches a procedural requirement in the tender notice (including in relation to the tender). A breach is material if ignoring it would put the tender at an unfair advantage.
 - c) **Production of a prototype, or supply of other novel goods or services** - for the purpose of testing the suitability of the goods or services, researching the viability of

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producing or supplying the goods or services at scale and developing them for that purpose, or other research, experiment, study or development.

- d) **Single suppliers** - due to a particular supplier having intellectual property rights or other exclusive rights, only that supplier can supply the goods, services or works required, and there are no reasonable alternatives to those goods, services or works. Due to an absence of competition for technical reasons, only a particular supplier can supply the goods, services or works required, and there are no reasonable alternatives to those goods, services or works.
 - e) **Additional or repeat goods, services or works** - a change in supplier would result in the Council receiving goods, services or works that are different from, or incompatible with, the existing goods, services or works, and the difference or incompatibility would result in disproportionate technical difficulties in operation or maintenance. The existing goods, services or works were supplied under a public contract that was awarded in accordance with a competitive tendering procedure within the period of five years ending with the day on which the transparency notice is published, and the tender notice or any tender document in respect of that earlier contract set out—
 - (i) the Councils intention to carry out a subsequent procurement of similar goods, services or works in reliance on this direct award justification, and any other information specified in regulations under section 95.
 - f) **Commodities** - the public contract concerns goods purchased on a commodity market.
 - g) **Advantageous terms on insolvency** - the award of the public contract to a particular supplier will ensure terms particularly advantageous to the Council due to the fact that a supplier, whether or not the one to whom the contract is to be awarded, is undergoing insolvency proceedings.
 - h) **Urgency** – Where the goods, services or works to be supplied under the public contract are strictly necessary for reasons of extreme and unavoidable urgency, and as a result the public contract cannot be awarded on the basis of a competitive tendering procedure.
 Urgency is unavoidable if it is not attributable to any act or omission of the Council and could not have been foreseen by the Council.
 - i) **User choice contracts** - that are of a kind specified in regulations under section 9 (light touch contracts), that are supplied for the benefit of a particular individual. The individual to whom the services are to be supplied or their carer has expressed a preference as to who should supply the services, or the nature of the services to be supplied is such that only one supplier is capable of providing them, and the Council considers that it is not in the best interests of the individual to award the contract under section 19.
- 21.5 Prior to directly awarding a Public Contract to a supplier the necessary approvals need to be sought by completing a Direct Award request form which will be approved by Appropriate Chief Officer in consultation with Senior Commercial Specialist and for Directs Awards under a) to h) approval must also be sought from the Corporate Procurement Board, with the exception of Directs Awards under b) switching, where the award is for a light touch contract.
- 21.6 Prior to directly awarding a Public Contract to a supplier a Transparency Notice must be published to inform the market of the proposed direct award and provide transparency on the rationale for the direct award (does not apply to user choice)
- 21.7 Where the value of the procurement is estimated below threshold but meets the criteria of 21.4 (a-i) a Direct Award request form may also be submitted, which will be approved by Appropriate Chief Officer in consultation with Senior Commercial Specialist.

Part 4G Contract Procedure Rules**RULE 22. *Tender Notices and Tender Documents***Tender Notice

22.1 The Council must publish a Tender Notice as follows:

22.1.1 *Open Procedure* – inviting suppliers to submit a tender; or

22.1.2 *Competitive Flexible Procedure*:

- (i) inviting suppliers to submit a request to participate in the procedure; or
- (ii) where no such invitation is made, inviting suppliers to submit their first, or only, tender as part of the procedure.

22.2 The Tender Notice must comply with the requirements of Section 21 of the Procurement Act.

Tender Documents

22.3 The Council is required to provide any tender documents in accordance with the Tender Notice.

22.4 Suppliers are not to be invited to submit Tenders as part of a Competitive Tendering Procedure unless the Tender Notice or the Tender Documents contain:

- a) information sufficient to allow suppliers to prepare a Tender; and
- b) details of the goods, services or works required.

22.5 In setting out its requirements, the Council must be satisfied that they are:

- a) sufficiently clear and specific; and
- b) do not breach the rules concerning technical specifications (set out in Section 56 of the Procurement Act).

GENERAL**RULE 23. *Electronic Tendering System***

23.1 All procurement processes equal to or greater than £30,000 including VAT (£25,000 excluding VAT) shall be handled via an Electronic Tendering System where possible. Only in exceptional cases may a procurement process be undertaken not using an Electronic Tendering System. Paper Tenders must be submitted to, addressed to and opened by the Chief Executive (or an officer authorised by the Chief Executive to undertake this task). Where the Estimated value is below £30,000 including VAT (£25,000 excluding VAT), the quotations may be returned directly to the Procuring Officer.

23.2 Where an Electronic Tendering System is not available and paper Tenders are to be received by the Chief Executive, the Procuring Officer must send to the Chief Executive a note of the subject and the closing date and time and (where appropriate) a list of those invited to Tender together with the Estimated Value before the closing date for receipt of Tenders.

Part 4G Contract Procedure Rules**RULE 24. *Central Digital Platform***

- 24.1 Under the Procurement Act the Council will be required to publish a variety of notices on the Central Digital Platform. This replaces the requirements under the Public Contracts Regulations 2015 to publish on the Find a Tender Service and Contracts Finder platforms. The Central Digital Platform should be accessible via the Councils Electronic Tendering System.

RULE 25. *Time Limits*

- 25.1 When setting time limits for Competitive Tendering Procedures, the Council must, where relevant, have regard to:
- a) the nature and complexity of the contract being awarded;
 - b) the need for site visits, physical inspections and other practical steps;
 - c) the need for sub-contracting;
 - d) the nature and complexity of any modification of the tender notice or
 - e) any associated tender documents;
 - f) the importance of avoiding unnecessary delay.
- 25.2 For below threshold procurements there is no set time limit, but all of the same considerations listed under 25.1 should be taken into account.
- 25.3 Section 54 of the Procurement Act sets out the minimum time limits to be set in different circumstances.

RULE 26. *Invitations to Tender*

- 26.1 Every Invitation to Tender must specify the latest day and hour and the place appointed for the receipt of Tenders and must state the effect of Rule 27.
- 26.2 Procuring Officers must give all Tenderers the same information about the procurement process and in particular information relating to the Tender process, specification, award criteria, award methodology and applicable terms and conditions of the Contract or Framework.
- 26.3 Procuring Officers must also give all Tenderers the same information relating to questions, answers and clarifications raised during the procurement process unless considered to be confidential or commercially sensitive.

RULE 27. *Receipt and Opening of Tenders*

- 27.1 Rules 27.2 – 27.6 apply only to Tenders where the Estimated Value is equal to or greater than the relevant Procurement Threshold and the Tender is not an E-Tender. Rule 27.7 applies to E-Tenders only.
- 27.2 On receipt of non-electronic Tenders, envelopes containing the Tenders must be date and time stamped by the Chief Executive and shall remain in his or her custody until they are opened.
- 27.3 The Chief Executive must keep a record of all non-electronic Tenders received.

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- 27.4 Tenders must be opened at one time in the presence of not less than two Officers one of whom is not involved in the procurement process and who is designated by the Chief Executive. Each Officer must initial each Tender once opened which must also be date stamped.
- 27.5 Particulars of all Tenders opened must be entered by the Chief Executive upon the record which must be signed by the Officers present at the opening, together with a note of all Irregular Tenders.
- 27.6 The Chief Executive must forthwith send a copy of the record to the appropriate Procuring Officer (with the Tenders) and must retain a copy him or her self.
- 27.7 E-Tenders must be opened in accordance with the requirements of the Electronic Tendering System used.

RULE 28. *Errors or Discrepancies in Tenders*

- 28.1 Tenderers are not allowed to alter their Tenders after opening save in accordance with this Rule or Rule 31.
- 28.2 Where it is suspected that there has been an error in a Tender and following the closing date for receipt of Tenders but before acceptance of any Tender discussions may take place with Tenderers in order to:
- a) ensure that the Tender is constructed correctly; or
 - b) ensure that the Tenderer has fully understood the specification; or
 - c) seek clarification from Tenderers of cost, quality and performance indicators.
- 28.3 Advice should be sought from the Commissioning Support Unit about whether to seek clarification from Tenderers before any discussions take place with Tenderers in accordance with this Rule. Such clarification will be considered on a case by case basis.
- 28.4 A written note of the discussions must be made to record the suspected error, date, time, detail of the discussion and any agreement reached.

RULE 29. *Specifications*

- 29.1 Specifications must set out a clear and comprehensive description of the requirements for a procurement process with regards to the goods, services or works required.
- 29.2 Public Contracts falling within the scope of the Procurement Act will need to adhere to Section 56 of the Procurement Act which sets out the rules concerning Specifications.
- 29.3 The Specification should not refer to design, a particular licensing model or a description of characteristics in circumstances where they could appropriately refer to performance or technical functions.
- 29.4 References to UK standards should not be made unless:
- a) The standard adopts internationally recognised equivalents; or
 - b) There is no internationally recognised standard.

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29.5 Unless the Council considers it necessary to make its requirements understood, references should not be made to a particular:

- a) Trademark, trade name, patent, design or type;
- b) Place of origin;
- c) Producer or supplier.

RULE 30. *Discussions and Post Tender Negotiations*

30.1 Advice should be sought from the CSU before any discussions take place with Tenderers in accordance with post tender negotiations.

RULE 31. *Supplier Exclusions and Debarment*

31.1 There may be a number of different circumstances where suppliers are not permitted to participate in a Covered Procurement, to have their Tender considered or be awarded a Public Contract.

31.2 “Excluded” and “excludable” suppliers are defined in Section 57 and 58 of the Procurement Act. After an assessment of the government's exclusion grounds, the council decides if a supplier is excluded or excludable.

31.3 An “excluded supplier” is a supplier (or an associated person) to which a mandatory exclusion ground applies; and

- a) the circumstances giving rise to the application of that exclusion ground are continuing or likely to occur again; or
- b) the supplier (or associated person) is on the debarment list by virtue of a mandatory exclusion ground.

31.4 An “excludable supplier” is a supplier (or associated person) to which a discretionary exclusion ground applies; and

- a) the circumstances giving rise to the application of that exclusion ground are continuing or likely to occur again; or
- b) the supplier (or associated person) is on the debarment list by virtue of a discretionary exclusion ground.

31.5 The mandatory and discretionary exclusion grounds are contained in Schedule 6 and 7 to the Procurement Act.

31.6 The way in which the exclusion grounds must be considered and applied in different procurement procedures is set out in Sections 26 and 27 of the Procurement Act. Sections 28 and 29 of the Procurement Act also set out excluding suppliers with references to a connected person, associated person or subcontractors and on a discretionary basis for national security reasons.

31.7 Where a supplier is a “excluded” or “excludable” supplier by virtue of an “associated person” being an “excluded” or “excludable” supplier, the Council must, before disregarding a Tender:

- i. Notify the supplier of its intention to disregard; and

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- ii. Give the supplier reasonable opportunity to replace the “associated person”.
- 31.8 “Associated person” is defined in Section 26(4) of the Procurement Act.
- 31.9 Prior to making a decision to exclude a supplier advice should be sought from a Commercial Specialist and if allowing a bid from a supplier under discretionary exclusion approval must be sought from the Director of Law and Governance and the Director of Corporate Resources.
- 31.10 Where the Council excludes a supplier (or associated person) it will need to act in accordance with Sections 58 & 59 of the Procurement Act.

Debarment

- 31.11 Suppliers may be entered onto a published debarment list as a result of past behaviour or circumstances that may mean it is not or may not be able to participate in Covered Procurement or be awarded Public Contracts. A minister of the crown decides if a supplier is placed on the debarment list.
- 31.12 The Council must check the debarment list in each procurement and where a supplier is on the debarment list in relation to a mandatory exclusion ground, the Council must not allow the supplier to bid in a Competitive Flexible Procedure or be awarded a Public Contract in any Competitive Tendering Procedure or by way of a direct award and must disregard any Tender or Quotation submitted by them save for the following exceptions:
- a) where a supplier is on the debarment list on national security grounds for a particular type of contract, as the debarment does not affect their eligibility to bid for other types of contracts; or
 - b) procurements by direct award where there is an overriding public interest in awarding the contract to that supplier. This includes cases where there is an extreme and unavoidable urgency.
- 31.13 We should not continue to work with a supplier who is on the debarment list, so we must check if the supplier is on the debarment list not only before tendering or during contract award but also as part of contract management. Follow guidance for early termination Rule 51.
- 31.14 The debarment provisions are set out in Sections 59 – 66 of the Procurement Act.

RULE 32. *Modifications to Competitive Tendering Procedures*

- 32.1 Section 31 of the Procurement Act permits making changes to the terms of a Covered Procurement as defined in Section 31(7).
- 32.2 Where a modification to a Competitive Tendering Procedure is made, the Council is required to revise and republish or re-provide the Tender Notice and any associated tender documents affected by the modifications or time limit revisions in accordance with Section 31(5) of the Procurement Act.
- 32.3 Advice must be sought from a [Commercial Specialist] prior to seeking to modify a procurement in accordance with Section 31 of the Procurement Act.

AWARD OF CONTRACT

RULE 33. *Acceptance of Tenders*

- 33.1 A Tender can only be accepted in accordance with the initial award methodology and evaluation criteria as set out in Rule 15.
- 33.2 Any evaluation sheets must be maintained on file in accordance with Rule 51.
- 33.3 Any offer or bid with an Estimated Value of below £30,000 including VAT (£25,000 excluding VAT) (where a Request for Quotation or an Invitation to Tender is not used) may only be accepted with the prior written approval of the appropriate Commercial Specialist.
- 33.4 If the Quotation/Tender to be accepted exceeds the budget which was agreed in accordance with Rule 5.9 the Procuring Officer must ensure that sufficient funds are available and approved by the appropriate budget holder, Appropriate Chief Officer or Chief Executive prior to accepting the Quotation/Tender.
- 33.5 If the Quotation/Tender to be accepted exceeds the threshold of the procurement process used, meaning that a different procurement process should have applied the Procuring Officer must seek approval from the Commercial Specialist and Corporate Procurement Board if the threshold that has been exceeded is the Procurement Threshold, prior to accepting and proceeding.
- 33.6 Where the Procuring Officer/Council considers a Quotation/Tender submitted to be abnormally low the Council shall require the Tenderer to explain in writing the price or costs proposed and may only reject the Tender where the explanation is unsatisfactory. Where a Public Contract falling within the scope of the Procurement Act is concerned, the Council shall consider an abnormally low Tender in accordance with Section 19 of the Procurement Act.
- 33.7 Where there is only one Quotation/Tender submitted, the Procuring Officer must be able to satisfy themselves that value for money is being achieved, and all risks have been considered before awarding the contract.
- 33.8 Subject to Rule 1, the Appropriate Chief Officer shall have the authority to accept a Tender but in any particular circumstance may decline to give approval and refer the decision to the Chief Executive to determine.

RULE 34. *Contract Award Notice*

- 34.1 The Procuring Officer must notify the successful Tenderer of the acceptance of their Quotation or Tender and for all procurement processes with an Estimated Value of £6,000 including VAT (£5,000 excluding VAT) or more this notification must be in writing.
- 34.2 In the case where the Estimated Value is £30,000 including VAT (£25,000 excluding VAT) or more the Procuring Officer must notify in writing all Tenderers who submitted a Quotation or Tender of the decision as soon as possible after the decision has been made.
- 34.3 Where a Contract with an Estimated Value of £30,000 including VAT (£25,000 excluding VAT) or more is awarded, the Council must publish a Contract Award Notice on the Central Digital Platform as required by the Procurement Act.

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- 34.4 In the case where the Estimated Value is equal to or greater than the relevant Procurement Threshold the following additional Rules shall apply:

Procurement Act*Contract Award Report*

- 34.5 Prior to notifying suppliers of the outcome of the Contract Award a Contract award Report must be completed and authorised by the Appropriate Chief Officer.
- 34.6 The Contract Award Report must be provided in accordance with the requirements set out in Section 98 of the Procurement Act.

Assessment Summary

- 34.7 Before publishing a Contract Award Notice in respect of a contract awarded under a Competitive Tendering Procedure, the Council must provide an Assessment Summary to each supplier that submitted an assessed Tender in accordance with Section 50 of the Procurement Act.
- 34.8 The Assessment Summary must be provided in accordance with the requirements set out in Regulation 31 of the Procurement Act.

Contract Award Notice

- 34.9 Prior to entering into a Contract, the Council must publish a Contract Award Notice on the Central Digital Platform as set out in Section 50 of the Procurement Act.
- 34.10 A Public Contract shall not be entered into before:
- a) The end of the mandatory standstill period; or
 - b) If later, the end of another standstill period provided for in the Contract Award Notice.
- 34.11 The requirement to publish a Contract Award Notice does not apply to Below Threshold Contracts, Dynamic Market establishments or direct award: user choice contracts.

Standstill Period

- 34.12 The mandatory standstill period is the period of eight working days beginning with the day on which a Contract Award Notice is published in respect of the Contract.
- 34.13 A standstill period does not apply in relation to Contracts that fall within Section 51(3) of the Procurement Act which includes (but is not limited to) Contracts, however a voluntary standstill should be used where possible:
- a) awarded under Section 41 by reference to paragraph 13 of Schedule 5 to the Procurement Act (direct award: extreme and unavoidable urgency);
 - b) awarded under Section 41 by reference to Section 42 of the Procurement Act (direct award to protect life etc);
 - c) awarded in accordance with a Framework;
 - d) awarded by reference to a Dynamic Market;
 - e) a Light Touch Contract.

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- 34.14 The Procuring Officer must notify the appropriate Commercial Specialist in writing of any Contract (including Framework Call Off Contracts) that has been awarded with an Estimated Value of £6,000 including VAT (£5,000 excluding VAT) or more.

Provider Selection Regime

- 34.15 In the case of procurements falling under the Provider Selection Regime the relevant notification to awards must be adhered to dependent on the route to market deemed most appropriate in accordance with the Provider Selection Regime.

RULE 35. *Procurement Termination Notice*

- 35.1 Where the Council does not award a Public Contract after the contract award decision has been made before the Public Contract is entered into, a Procurement Termination Notice would need to be published in the Central Digital Platform.
- 35.2 Section 55 of the Procurement Act sets out when the Procurement Termination Notice must be published and Regulation 37 sets out what information must be included within it.

RULE 36. *Contract Details Notice*

- 36.1 Following publication of a Contract Award Notice and observation of a standstill period (as applicable) a Contract Details Notice must be published in the Central Digital Platform to inform the market that the Public Contract has been entered into.
- 36.2 A Contract Details Notice must be published within 30 days of the Public Contract being entered into, except in relation to Light Touch Contracts where the timeframe is 120 days under Section 53 of the Procurement Act.
- 36.3 Section 87 of the Procurement Act requires publication of a Contract Details Notice as soon as reasonably practicable after entering into a notifiable Below Threshold Contract.
- 36.4 The obligation to publish a Contracts Details Notice does not apply to direct award: user choice contracts – see Schedule 5 paragraph 15 of the Procurement Act.
- 36.5 Regulations 32-35 set out the information to be included in a Contract Details Notice.
- 36.6 The Council must act in accordance with Section 52 of the Procurement Act in relation to key performance indicators (where applicable), as set out in Rule 38.

MANAGEMENT OF CONTRACTS**RULE 37. *Implied Contract Terms and Payments***

- 37.1 Public Contracts falling within the scope of the Procurement Act have various implied terms as set out in Section 67, 68, 78 and 79 of the Procurement Act.

| Section | Implied Term |
|---------|------------------------------------------------------------------------------------------------------------------------------|
| 67 | The Council must accept and process for payment any electronic invoice issued to the Council for payment under the contract. |

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| Section | Implied Term |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>The Council requires the following to be able to meet this implied term, so Contract Managers need to work with Suppliers to ensure:</p> <p>(a) supplier invoice is submitted in the required electronic form, and</p> <p>(b) supplier invoice is not disputed by the Council.</p> |
| 68 | <p>Any sum due to be paid under the public contract by the Council must be paid before the end of the period of 30 days beginning with—</p> <p>(a) the day on which an invoice is received by the Council in respect of the sum, or</p> <p>(b) if later, the day on which the payment falls due in accordance with the invoice.</p> <p>The term in subsection does not apply if the Council—</p> <p>(a) considers the invoice invalid, or</p> <p>(b) disputes the invoice.</p> <p>On receiving an invoice from a payee, the Council must notify the payee without undue delay if—</p> <p>(a) it considers the invoice invalid, or</p> <p>(b) it disputes the invoice.</p> |
| 78 | <p>If a termination ground applies, be terminated by the Council in accordance with this section.</p> <p>Each of the following circumstances is a termination ground—</p> <p>(a) the Council considers that the contract was awarded or modified in material breach of this Act or regulations made under it;</p> <p>(b) a supplier has, since the award of the contract, become an excluded supplier or excludable supplier (including by reference to an associated person);</p> <p>(c) a supplier (other than an associated person) to which the supplier is sub-contracting the performance of all or part of the public contract is an excluded or excludable supplier.</p> <p>Before terminating a contract the Council must</p> <p>(a) notify the supplier of its intention to terminate,</p> <p>(b) specify which termination ground applies and why the Council has decided to terminate the contract,</p> <p>(c) give the supplier reasonable opportunity to make representations about—</p> <p>(i) whether a termination ground applies, and</p> |

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| Section | Implied Term |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | (ii) the Council's decision to terminate. |
| 79 | <p>If terminating a contract in accordance with this section, based on the discretionary or mandatory exclusion grounds relating to national security.</p> <p>Relevant contracting authorities are defined in section 79(3) as any Council other than:</p> <p>(a). a Minister of the Crown or a government department.</p> <p>(b). the Corporate Officer of the House of Commons; or</p> <p>(c). the Corporate Officer of the House of Lords.</p> |

- 37.2 The Council will also need to publish information about payments under Public Contracts in accordance with Section 69 and 70 of the Procurement Act this is completed by the Finance Department.

RULE 38. *Assessment of Contract Performance*

- 38.1 Where the Council has set key performance indicators (KPI's) in accordance with Section 52(1) of the Procurement Act, the Contract Manager must in accordance with Section 71 of the Procurement Act it must at least once in every 12-month period during the life-cycle of the Contract and on termination of the Contract:
- a) assess performance against the KPI's; and
 - b) publish information specified in Regulations under Section 95 of the Procurement Act in relation to that assessment, known as a Contract Performance Notice; and
 - c) record information relating to particular breaches or failure to perform a Contract (except where the breach results in a Contract being terminated in full).
- 38.2 Within 30 days from the day on which Section 71(5) of the Procurement Act applies in relation to a particular breach or failure to perform, the Council must publish information in accordance with Section 71(5) of the Procurement Act.
- 38.3 The Council encourages the inclusion of KPIs in light touch contracts where appropriate, to support effective contract management and service delivery. However, there is no statutory requirement under the Procurement Act 2023 for these KPIs to be published.

RULE 39. *Sub-Contracting*

- 39.1 The Council may direct a supplier to enter into a legally binding sub-contracting arrangement with a sub-contractor in accordance with Section 72 of the Procurement Act.
- 39.2 The Council must comply with Section 73 of the Procurement Act which contains implied payment terms that are set out in Section 68 of the Procurement Act. Unless the Council disputes an invoice or considers it to be invalid, they must be paid within 30 days (i) on the

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day which the invoice is received; or (ii) if later, the day on which the invoices fall due. Any contractual terms which seeks to restrict or override this, will not have effect.

RULE 40. *Internal Annual Reporting*

- 40.1 The Director of Corporate Resources, in consultation with the Director of Law and Governance, shall at least once in each financial year submit a report to the Corporate Governance Committee in relation to:
- a) the operation of these Rules and proposed revisions to these Rules and/or changes required to accommodate the requirements of UK and EU Retained procurement law as may be necessary from time to time; and
 - b) providing an annual summary of the number of Contracts awarded using the Provider Selection Regime, in the year to which the summary relates where Direct Award Process A, Direct Award Process B, Direct Award Process C, the Most Suitable Provider Process or the Competitive Process was followed.

Contracts Register

- 40.2 All Contracts awarded, regardless of value, must be entered onto the Contracts Register within 30 days of the date of the award.

RULE 41. *Prevention of Corruption/Conflict of Interest*

- 41.1 The Employee Code of Conduct (Part 5b of the Constitution) applies to any procurement process.

Prevention of Corruption

- 41.2 The Contracts should have a suitable clause included which ensures the Council may terminate and recover losses from our Contract if the Supplier commits an offence under the Bribery Act 2010 or commits fraud.
- 41.3 The suppliers must comply with the Supplier Code of Conduct and any relevant policies.
- 41.4 The Council may exclude a supplier from participation in a procurement procedure where they have established that supplier is an excluded or excludable supplier as defined in Section 57 of the Procurement Act and Rule 31.

Conflicts of Interest

- 41.5 Officers are referred to the Employee Code of Conduct regarding conflicts of interest.
- 41.6 Additionally, the Council is under a duty to identify and mitigate conflicts of interest arising where a procurement falls within the scope of the Procurement Act as set out in Sections 81 - 83 of the Procurement Act.
- 41.7 The Council must prepare (and keep under review) a conflicts assessment before publishing a Tender Notice, Transparency Notice or Dynamic Market Notice in relation the procurement/establishment and this must be referenced in those notices (as applicable).
- 41.8 If the Council is aware of circumstances that it considers are likely to cause a reasonable person to believe there to be a conflict or potential conflict of interest, a conflicts assessment

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must also include details of any steps the Council has taken or will take to demonstrate that no such conflict or potential conflicts exists.

41.9 The Council must in accordance with Section 83(5) of the Procurement Act:

- a) keep any conflicts assessment under review;
- b) revise the assessment as necessary; and
- c) when publishing any relevant notice, confirm that a conflicts assessment has been prepared and revised in accordance with Section 83 of the Procurement Act.

41.10 Section 83(5) of the Procurement Act under Rule 42.08 does not apply where:

- a) The Council has given notice of a decision not to award a Contract under Section 55 of the Procurement Act;
- b) A Contract Termination Notice is published in relation to the procurement; or
- c) A Dynamic Market Notice is published in relation to the market ceasing to operate.

RULE 42. *Counter Terrorism and Security Act 2015*

42.1 Where appropriate, the Contract shall make appropriate provision for information sharing between the Contractor and the Council in line with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018, and/or such other measures as are appropriate, such as staff training, to support the Council in meeting its duty under Section 26 of the Counter-Terrorism and Security Act 2015 to have due regard to the need to prevent people from being drawn into terrorism

RULE 43. *Form of Contract*

43.1 A Contract shall be formed:

- a) by completion of a formal contract incorporating the Invitation to Tender or Request for Quotation, the Tender and the outcome of any subsequent negotiations and/or discussions; or
- b) by placing an order in accordance with Rule 47.

43.2 In determining the terms and conditions of Contract, the Procuring Officer must ensure that appropriate terms and conditions are incorporated in consultation with the Director of Law and Governance.

43.3 All Contracts must be in writing and where appropriate the Procuring Officer shall:

- a) ensure that the Contract includes a definition of the circumstances that will be considered to constitute a default on the terms of the Contract by the supplier. The Contract must provide for notice of default to be given to the supplier and for any resulting losses to be recovered from the supplier if the default is not rectified.
- b) decide whether it is necessary to require suppliers to provide a Performance Bond with a third party or a Parent Company Guarantee. The need for this will depend on an assessment of the risk associated with the contract or the supplier.

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- c) ensure that the contract provides for the supplier to have an insurance policy, which can be inspected during the contract period. The Chief Finance Officer shall be consulted on the insurance requirements.
 - d) consult the Chief Finance Officer on the appropriate VAT requirements.
- 43.4 The Procuring Officer shall comply with the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 requirements and shall include in the Contract appropriate provisions.
- 43.5 The Procuring Officer shall ensure the Contract includes a right to audit clause which requires the Contractor to keep full, true and accurate books of account and to preserve and permit the Council access to such records for at least such periods as the Council is itself subject audit or investigation in respect of the Contract.
- 43.6 The Procuring Officer shall ensure the Supplier Code of Conduct and all other relevant Council policies are included in the Contract.
- 43.7 Every contract must be signed (by electronic means or otherwise) by the Appropriate Chief Officer or an Officer designated with the appropriate financial authority as set out in the Scheme of Delegation, and in cases determined by the Director of Law and Governance or where otherwise required in law, shall be under the Common Seal of the County Council in a form prepared or approved by the Director of Law and Governance.

The scheme of delegation for Contract signing is defined in the table below.

| Estimated Value of the Contract (including Extensions) | Designated Officer authorised to sign the Contract |
|---------------------------------------------------------------|------------------------------------------------------------------------|
| £0 - £24,999 | Team Manager (Grade 12-14) |
| £25,000 - £175,000 | Head of Service (Grade 15-17) |
| £175,001 - £499,999 | Assistant Director (Grade 17-19) |
| £500,000 and above | Director (Grade 18 and above) |
| Contracts under Seal/by Deed (regardless of value) | Director of Relevant Department and; Director of Law and Governance |

In the case of ESPO:

- 43.8 Framework agreements and any agreements varying them must be signed (by electronic means or otherwise) by the Appropriate Chief Officer or an Officer designated with the appropriate authority as set out in the Scheme of Delegation, and in cases determined by the Director of Law and Governance or where otherwise required in law, shall be under the Common Seal of the County Council in a form prepared or approved by the Director of Law and Governance.
- 43.9 Every other Contract or order must be signed (by electronic means or otherwise) by the Appropriate Chief Officer or an Officer designated with the appropriate authority as set out in the Director of ESPO's Financial Scheme of Delegation, and in cases determined by the Director of Law and Governance or where otherwise required in law, shall be under the Common Seal of the County Council in a form prepared or approved by the Director of Law and Governance.

Part 4G Contract Procedure Rules**RULE 44. *Contract Management***

44.1 The Procuring Officer shall advise the Commissioning Support Unit who shall immediately upon completion of every procurement process;

- a) In respect of contracts having a value of less than £30,000 including VAT (£25,000 excluding VAT) and where the Electronic Tendering System has not been used, enter the Contract details in the Council's Contracts Register and set up an appropriate Contract purchase Agreement.

Contracts of whatever value handled via the Electronic Tendering System the Procuring Officer shall ensure that the details of the Contract are published in the Council's Contracts Register.

44.2 All Contracts shall be managed in accordance with the Procurement Act.

44.3 The Procuring Officer or Contract Manager/authorised officer responsible for the management of the Contract shall:

- a) Ensure the Contract management is carried out having regard to the procurement objectives set out in Section 12 of the Procurement Act (i) delivering value for money, (ii) maximizing public benefit (iii) sharing information so that suppliers can understand procurement policies and decisions, (iv) been seen to act with integrity.
- b) Ensure suppliers are treated the same unless a difference in treatment can be justified, and even then, all reasonable steps must be taken to avoid unfair advantage or disadvantage between suppliers.
- c) Obtain prior approval in accordance with Rule 45 and Rule 48 before proceeding to authorise (in writing) any modification/extension to the Contract;
- d) Ensure all contract documentation including details and copies of variations and modifications is uploaded to the Council's Electronic Tendering System;
- e) Ensure that a record is kept of all certificates and instructions issued under the Contract;
- f) Keep documents in support of each payment showing how the payment amount has been valued and maintain a record of all such payments including any professional fees;
- g) Prior to the Contract renewal notice period for a Contract, consult the relevant Commercial Specialist to review opportunities for contract modifications or amendments for favourable contract terms;
- h) When terminating any Contract and in particular for breach follow the requirements set out in Rule 50
- i) Resolve all contractual matters and contractual claims, and issue any final account and final certificate in accordance with the terms of the Contract, taking advice from the Director of Law and Governance.
- j) Ensure Key performance Indicators (KPIs) are reviewed and monitored as set out in Rule 38.
- k) Ensure Performance notices are published against the KPIs as set out in Rule 38.

RULE 45. *Contract Extensions*

45.1 A Contract may be extended before the expiry date where the Contract Extension is provided for in accordance with its original terms.

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- 45.2 Prior to any contract extension being agreed the Procuring Officer must ensure that sufficient additional budget provision, as required, has been approved by the budget holder.
- 45.3 Where the original Contract terms do not provide expressly for a Contract Extension, there will be limited circumstances under a modification (see Rule 49) whereby the above Threshold Contract can still be extended in line with the Procurement Act.
- 45.4 In all cases, a Contract Extension Form must be completed outlining the full reasons for the request for the Contract Extension.
- 45.5 The approved Contract Extension Form must be retained in the Electronic Tendering System under the relevant project.

The relevant approvals required for Contract Extensions is set out below:

| Type of Contract | Contract Extension Details | Approval Required |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 45 (a) Below Relevant Procurement Threshold | Extension allowed for within the original tender/contract | Approval needs authorisation from the Chief Officer in consultation with the Commercial Specialist. Where the value exceeds £30,000 including VAT (£25,000 excluding VAT), involvement required of the Supplier Relationship Manager to ensure value for money is attained. Not applicable to ESPO. |
| 45 (b) Below Relevant Procurement Threshold (where the original contract and the extension do not exceed the Relevant Procurement Threshold). | Extension not allowed for in the original contract | Appropriate Chief Officer, in consultation with the Commercial Specialist and Corporate Procurement Board Not applicable to ESPO. |
| 45 (c) Above Relevant Procurement Threshold and Convertible Contracts (where the extension takes the contract above Relevant Procurement Threshold) | | Follow modification Rule 48. |

Part 4G Contract Procedure Rules**RULE 46. *Orders for work, goods and services***

- 46.1 Orders for work, goods and services must only be placed in accordance with Instruction 8 of the Standard Financial Instructions. and No PO No Pay Policy.

STANDING LISTS**RULE 47. *Standing Lists***

- 47.1 Standing Lists must not be created or added to without the prior written approval of the Appropriate Chief Officer in consultation with the appropriate Commercial Specialist.
- 47.2 Procuring Officers must not use a Standing List where the Estimated Value of the Contracts to be awarded using the Standing List is estimated to exceed the relevant Procurement Threshold.
- 47.3 The Standing List must contain the names of all Persons who are approved and indicate the categories of contract and the values or amounts in respect of those categories for which those Persons are approved.
- 47.4 At least four weeks before a list is first compiled, the Procuring Officer must publish on a website or portal approved by the Director of Corporate Resources for the purpose of notifying the supply market a notice inviting applications by a specified date for inclusion in it.
- 47.5 Procuring Officers must renew all Standing Lists at intervals not exceeding four years. At least four weeks before each renewal, each Person whose name appears in the list must be notified by the Procuring Officer of the intention to review the list. If they wish to remain on the list they must re-apply for inclusion. Procuring Officers must ensure that notices inviting applications for inclusion in the list are published in the manner provided by Rule 27(d).
- 47.6 In cases where the use of a Standing List has been authorised the Procuring Officer must send Invitations to Tender to not less than four of the Persons from among those approved for a contract of the relevant category and amount or value. Where fewer than four Persons are approved for a contract of the relevant category and amount or value Invitations to Tender shall be sent to no fewer than three Persons. Where there are fewer than three Persons the procedure for Standing Lists must not be used unless the appropriate Commercial Specialist advises otherwise.
- 47.7 Standing Lists must be held within the Councils electronic tendering system and the contracts register.
- 47.8 The Procuring Officer in consultation with the Commercial Specialist shall determine the criteria for selecting Persons from the list.
- 47.9 In such circumstances as the Director of Corporate Resources shall determine, Procuring Officers shall provide such information as shall reasonably be necessary of the extent to which Standing Lists have been utilised.

CONTRACT AMENDMENTS

RULE 48. *Modifying a Contract*

48.1 Modifications to Contracts will need to be assessed on a case-by-case basis and appropriate advice should be sought from the CSU where necessary.

Contracts not falling within the Procurement Act

48.2 Any modification to a Contract, for example to deliver additional goods, services or works, including variations to the terms of payment or a variation to provide for an extension requires prior approval. The approval thresholds and required authorities are detailed in the table below. In the event of a contract Novation refer to Rule 50.

Table: 1 – Modifications to Below-Threshold Contracts not governed by the Procurement Act.

| Type of Contract | Relevant Procurement Threshold and Modification Criteria | Approval Required |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 48(a) Goods and Services | Contract Value including the modification is below the Relevant Procurement Threshold. Value of the modification is under £100,000 excluding VAT and the modification does not take the contract above the Relevant Procurement Threshold, keeping it below threshold. | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with Commercial Specialist <p>Not applicable to ESPO</p> |
| 48(b) Goods and Services | Contract Value including the modification is below the Relevant Procurement Threshold. Value of the modification is £100,000 excluding VAT or over and the modification does not take the contract above the Relevant Procurement Threshold, keeping it below threshold. | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with the Commercial Specialist, and • Corporate Procurement Board • Not applicable to ESPO |
| 48(c) Goods and Services | Initially below the Relevant Procurement Threshold, however the proposed modification, regardless of value will result in the new contract value exceeding the Relevant Procurement Threshold, turning it into a Convertible Contract. | Where the modification of the contract exceeds the threshold, turning it into a Convertible Contract, which is governed by the Procurement Act, the process set out in Table 2 must be followed. Modifications to Contracts governed by the Procurement Act. |

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| Type of Contract | Relevant Procurement Threshold and Modification Criteria | Approval Required |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 48(d) Light Touch | Contract Value including the modification is below Light Touch Contract Procurement Threshold. | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with the Commercial Specialist. • Not applicable to ESPO |
| 48(e) Works and Concessions | <p>Contract Value including the modification is below the Relevant Procurement Threshold.</p> <p>Value of the modification is 10%, or below, of the contract value and the modification does not take the contract above the Relevant Procurement Threshold, keeping it below threshold.</p> | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with the Commercial Specialist. • Not applicable to ESPO . |
| 48(f) Works and Concessions | <p>Contract Value including the modification is below the Relevant Procurement Threshold.</p> <p>Value of the modification is more than 10% of the contract value and the modification does not take the contract above the Relevant Procurement Threshold, keeping it below threshold.</p> | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with the Commercial Specialist, and • Corporate Procurement Board • Not applicable to ESPO |

48.3 Contracts not subject to the Procurement Act may only be extended by formal written variation where the modification to the Contract will achieve Best Value and is reasonable in all the relevant circumstances.

Contracts falling within the Procurement Act

48.4 Any modification to a Public Contract must comply with Section 74 of the Procurement Act.

48.5 There are limited circumstances where the Council may modify a Public Contract or a Convertible Contract, that as a result of the modification exceeds the relevant Procurement Thresholds, under the Procurement Act.

48.6 The table below outlines the approvals required for such modifications to a Public Contract or a Convertible Contract.

Table 2: Extensions and Modifications to Contracts governed by the Procurement Act

| Modification Type | Conditions for Modifications | Approval Required |
|--------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| 48(g) Schedule 8- Permitted | The modification is permitted if it is provided for in the | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with the Commercial Specialist. |

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| Modification Type | Conditions for Modifications | Approval Required |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Modifications-74(1)(a) of the Procurement Act. | Contract and is within allocated budget. | <ul style="list-style-type: none"> In the case of ESPO-approval by Contracts Panel. |
| 48(h) Schedule 8-Permitted Modifications-74(1)(a) of the Procurement Act. | <p>The modification is permitted as set out in Schedule 8 of the Procurement Act. This includes modifications are that are:</p> <ul style="list-style-type: none"> Urgent due to the protection of life. Caused by circumstances that could not reasonably have been foreseen and doesn't change the nature of the contract and does not increase the contract value by more than 50%. The materialisation of a known risk (in the tender) and does not increase the contract value by more than 50%. <p>https://www.legislation.gov.uk/ukpga/2023/54/schedule/8</p> | <ul style="list-style-type: none"> Appropriate Chief Officer, in consultation with the Commercial Specialist. In the case of ESPO-approval by Contracts Panel. <p>Where the Commercial Specialist does not support the modification, it is to be escalated to the Assistant Director for Finance.</p> <p>Prior to any modification being agreed which would result in an increase in the Estimated Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</p> |
| 48(i) Non-Substantial Modifications-74(1)(b) and 74(3) of the Procurement Act | <p>The modification is not a substantial modification as defined in Section 74(3) of the Procurement Act, if it does not:</p> <ul style="list-style-type: none"> increase or decrease the value of the contract by 10% or less for goods and services or 15% or less for works; or increase or decrease the term of the contract 10% or less of the maximum term provided for on award; or | <ul style="list-style-type: none"> Appropriate Chief Officer, in consultation with the Commercial Specialist. In the case of ESPO-approval by Contracts Panel. <p>Where the Commercial Specialist doesn't support the modification, it is to be escalated to the Assistant Director for Finance.</p> <p>Prior to any modification being agreed which would result in an increase in the Estimated Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</p> |

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| Modification Type | Conditions for Modifications | Approval Required |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> materially change the scope of the contract; or materially change the economic balance of the contract in favour of the supplier <p>https://www.legislation.gov.uk/ukpga/2023/54/section/74</p> | |
| <p>48(j)</p> <p>Below-threshold modification- 74(1)(c) and 74(4) of the Procurement Act</p> | <p>The modification is a below threshold modification to an above threshold contract or convertible contract, as defined in Section 74(4) of the Procurement Act, if it meets the following criteria:</p> <ul style="list-style-type: none"> It does not increase or decrease the value of the contract by more than 10% (for goods and services) or 15% (for works). The cumulative value of all below-threshold modifications does not exceed the relevant threshold for the contract type. The scope of the contract does not change materially. <p>https://www.legislation.gov.uk/ukpga/2023/54/section/74</p> | <ul style="list-style-type: none"> Appropriate Chief Officer, in consultation with the Commercial Specialist. In the case of ESPO-approval by Contracts Panel. <p>Where the Commercial Specialist doesn't support the modification, it is to be escalated to the Assistant Director for Finance.</p> <p>Prior to any modification being agreed which would result in an increase in the Estimated Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</p> |

Other modifications

48.7 Modifications that do not fall within the above categories are not permitted modifications in the Procurement Act, only in very exceptional circumstances will Table 3 be considered.

Table 3: Modification of Contracts not covered in the above categories

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| Modification Type | Modification criteria | Approval Required |
|--------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 48(k) Other Modifications (not explicitly covered) | Other modifications that are not explicitly covered by the above categories. | <ul style="list-style-type: none"> • Appropriate Chief Officer in consultation with Senior Commercial Specialist* and, • Corporate Procurement Board, and • Director of Corporate Resources, and • Director of Law and Governance <p>Involvement of Supplier Relationship Manager to ensure value for money is attained.</p> <ul style="list-style-type: none"> • In the case of ESPO, approval by ESPO's Leadership Team. |

Provider Selection Regime modifications:

Table 4: Modification of contracts under the Provider Selection Regime

| Modification Type | Modification criteria | Approval Required |
|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 48(l) Provider Selection Regime (49(d)) | <p>Modification of a Provider Selection Regime Contract is permitted if it does not:</p> <ul style="list-style-type: none"> • exceed £500,000 including VAT– shall be net cumulative of all modifications to the contract. • is 25% greater or lesser the original contract value. • does not alter the overall nature of the original contract. | <ul style="list-style-type: none"> • Appropriate Chief Officer, in consultation with the Commercial Specialist. <p>Where the Commercial Specialist doesn't support the modification, it is to be escalated to the Assistant Director for Finance.</p> <p>Prior to any modification being agreed which would result in an increase in the Estimated Value of the Contract the Procuring Officer must ensure that sufficient additional budget provision has been approved by the budget holder.</p> |

Contract Change Notice

48.8 Before modifying a public contract or a convertible contract (see section 74(1)), the Council must publish a contract change notice, this is for all modifications under Rule 48.

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- 48.9 Where the contract is over £5,000,0000 including VAT a copy of the modified contract must be published within 90 days of modifying.
- 48.10 A contract change notice is not required for modifications under Rule 48 (section 75(2) if:
- a) the modification increases or decreases the estimated value of the contract by —
 - (i) in the case of a contract for goods or services, 10% or less,
 - (ii) in the case of a contract for works, 15% or less, or
 - b) the modification increases or decreases the term of the contract by 10% or less of the maximum term provided for on award,
 - c) the Contract was awarded under the Light Touch Regime.
 - d) below-threshold contracts (unless they are convertible contracts)

Voluntary standstill period on modifications of Contracts

- 48.11 The Council may not modify a Public Contract or Convertible Contract before the end of any voluntary standstill period provided for in a Contract Change Notice.
- 48.12 A voluntary standstill period may not be less than eight working days beginning on the day on which the Contract Change Notice is published.

RULE 49. *Novation of Existing Contracts*

- 49.1 The novation of a Contract to a new supplier irrespective of value requires the prior written approval of the Director of Corporate Resources in consultation with the Director of Law and Governance. Consideration will also need to be given to the application of the Procurement Act Section 74
- 49.2 A Contract Change Notice must be published for all Novations apart from those Contracts awarded under the Light Touch Regime.

RULE 50. *Early Termination of Contracts*

- 50.1 Where a Contract is to be terminated early and there is no provision within the Contract for the termination, Officers shall seek advice from the Commissioning Support Unit and shall seek prior written approval from the Director of Law and Governance.
- 50.2 Where a Contract is to be terminated and there is provision for the termination within the Contract Officers shall seek advice from the Commissioning Support Unit, where a termination is for a material breach, under a provision in the Contract Officers shall seek advice from the Director of Law and Governance
- 50.3 The Council must publish a Contract Termination Notice in accordance with Section 80 of the Procurement Act through the Councils Electronic Tendering System on the Central Digital Platform.

MISCELLANEOUS PROVISIONS

Part 4G Contract Procedure Rules**RULE 51. *General Exemptions from Duties to Publish or Disclose Information***

- 51.1 The Council is not required to publish or disclose information under the Procurement Act if it is satisfied that withholding the information from publication or other disclosure is necessary for the purpose of safeguarding national security, or the information is sensitive commercial information and there is an overriding public interest in its being withheld from publication or other disclosure in line with the provisions of Section 94 of the Procurement Act.
- 51.2 If the Council chooses to withhold information under this section, the Council must publish or notify anyone to whom the information would otherwise be provided, CSU must be consulted, and the Director of Law and Governance must authorise any decision to withhold information from publication.

RULE 52. *Electronic Communications*

- 52.1 Procurement processes should usually be undertaken by electronic means provided that: -
- a) the requirements of these Rules are followed with only such modifications as may be necessary to allow for procurement by such means; and
 - b) any electronic tendering system has been approved by the Head of Procurement and Supply Chain Management and Director of Corporate Resources in consultation with the Director of Law and Governance.
- 52.2 Where a Covered Procurement applies, the Council will need to communicate with suppliers electronically and take all steps to ensure that supplier's participation in the procurement communicate electronically also in accordance with Section 96 of the Procurement Act.

RULE 53. *Information Relating to a Procurement and Record Keeping*

- 53.1 The Council must keep records of any communication between it and suppliers that is made for the purposes of, or in connection with a Covered Procurement as required under Section 97 of the Procurement Act. The records and any communication must be stored in the Councils Electronic Tendering System.
- 53.2 Where a procurement falls within the scope of the Procurement Act, the Council will need to keep appropriate records that are sufficient to explain a material decision made in accordance with Section 98 of the Procurement Act. A material decision form must be completed and stored within the Councils Electronic Tendering System, in the case of ESPO the material decision record is referred to as procurement control record.

RULE 54. *Document Retention*

- 54.1 All Contract records must be retained for at least six years and, any under seal for at least twelve years from expiry of the Contract. Contracts may be kept for longer periods should this be appropriate – for example: works contracts with a longer liability.
- 54.2 Where the Contract is externally funded any contingent liabilities and/or grant conditions must be taken account of by the length of the retention period.
- 54.3 Document retention of appropriate timeframes is important in case they are required for any Court proceedings.

Part 4G Contract Procedure Rules**RULE 55. *Supervision of Contracts by Third Parties***

- 55.1 The Procuring Officer shall ensure that it is a condition of any Contract between the Council and any Person (not being an Officer of the Council) who is involved in a procurement process or the management of a Contract on behalf of the Council that in relation to that Contract he must comply with the requirements of these Rules and other reasonable requirements of the Council.
- 55.2 Such Person must:
- a) at any time during the carrying out of the Contract produce to the Appropriate Chief Officer or his representative, Commercial Specialist or Council Auditor on request all records maintained in relation to the Contract; and
 - b) on completion of the Contract transmit all records to the Appropriate Chief Officer, Commercial Specialist.

RULE 56. *Nominated Sub-Contractors and Suppliers*

- 56.1 Where a sub-contractor or supplier is to be nominated by the Council to a main contractor, either by tendering or by other means the provisions of these Rules shall have effect. They must comply with the Procurement Act.
- 56.2 In the scenario where the council has tendered for a Sub Contractor, the terms of an Invitation to Tender under Rule 26 must require an undertaking by the Tenderer that, if selected, they will be willing to enter into a Contract with the main contractor on terms which indemnify the main contractor against their own obligations under the main Contract in relation to the work, goods, services included in the sub-contract.
- 56.3 Subcontractors either nominated by the Council or the main contractor must be checked to ensure they are not on the debarment list before entering into a contract as set out in Rule 31.

EXCEPTIONS**RULE 57. *Exceptions to the Rules***

- 57.1 There are limited circumstances whereby Exceptions to these Rules may be permitted. An Exception includes situations where it is proposed to procure goods, services or works that are not in compliance with other provisions within these Rules.
- 57.2 Approval of all Exception requests is required prior to procuring the relevant goods, services or works and must be made by completion of an Exception Form.
- 57.3 When considering whether to request an Exception, relevant Procuring Officers should have regard to the following matters before putting forward a request/form for an exception: -
- a) That any deviation from the requirements of procurement law and/or these Rules is justified by the likely impact of a failure to approve an exception.
 - b) That the proposed procurement mechanism is appropriate and will still ensure that the Council obtains good value for money.
 - c) That the approval of the exception does not conflict with organisational objectives.

Part 4G Contract Procedure Rules

- d) That, where appropriate, relevant advice (including legal or expert advice) has been obtained.
- e) That procurement risks have been identified and mitigated.
- f) That plans are in place to bring the Council into a state of compliance at the earliest available opportunity.
- g) The Exception Form is an online form (link) and includes the requirements to provide:
 - (i) the background/context to the situation including value.
 - (ii) the full reasons for the request.
 - (iii) the Rule an Exception is sought in respect of.
 - (iv) the justification for needing an Exception.
 - (v) the proposal for ensuring an Exception is not required again in the future.

The approvals required for Exceptions are as follows:

| Estimated Value of Contract (excluding VAT) | Approval Required from |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 57 (a) £5,000 – £99,999 | <ul style="list-style-type: none"> • Appropriate Chief Officer in consultation with Commercial Specialist* and • Corporate Procurement Board. <p>Involvement of Supplier Relationship Manager to ensure value for money is attained.</p> <p>In the case of ESPO Corporate Procurement Board is replaced by Contracts Panel.</p> |
| 57 (b) For Goods/Services: £100,000 – up to Relevant Procurement Threshold For Works and Light Touch Contracts: £100,000 - up to £499,999 | <ul style="list-style-type: none"> • Appropriate Chief Officer in consultation with Commercial Specialist*. • Corporate Procurement Board. • Assistant Director for Finance. <p>Involvement of Supplier Relationship Manager to ensure value for money is attained.</p> <p>In the case of ESPO Assistant Director for Finance is replaced by Commercial Financial Controller and Procurement Board is replaced by Contracts Panel.</p> |
| 57 (c) For Works and Light Touch Contracts: £500,000 - up to Relevant Procurement Threshold | <ul style="list-style-type: none"> • Appropriate Chief Officer in consultation with Senior Commercial Specialist* • Corporate Procurement Board. • Director of Corporate Resources. |

Part 4G Contract Procedure Rules

| Estimated Value of Contract (excluding VAT) | Approval Required from |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Involvement of Supplier Relationship Manager to ensure value for money is attained. |
| <p>57 (d)</p> <p>Relevant Procurement Threshold and above</p> | <ul style="list-style-type: none"> • Appropriate Chief Officer in consultation with Senior Commercial Specialist* • Corporate Procurement Board. • Director of Corporate Resources. • Director of Law and Governance. <p>Involvement of Supplier Relationship Manager to ensure value for money is attained.</p> <p>A lesson learnt, mitigations and action plan must be completed by the department and submitted with the request for Exception. Further clarification in the form of a panel review by the Director of Corporate Resources and Director of Law and Governance may be necessary.</p> <p>Director of Corporate Resources and Director of Law and Governance may in consultation with the relevant Lead Member and Lead Member Resources determine that the request requires further consideration and or approval by the Cabinet.</p> <p>The requesting department would be responsible for ensuring Cabinet approval is sought where necessary.</p> <p>In the case of ESPO, approval must be sought from ESPO Management Committee where it is satisfied that an Exception is justified on its merits. In an urgent case the Chief Officer in consultation with the Chairman or Deputy Chairman of the ESPO Management Committee (save where this is not practicable) may direct that an Exception be made subject to this being reported to the next meeting of the ESPO Management Committee.</p> |

*Commercial Specialist or Senior Commercial Specialist may at times escalate to Head of Procurement and Supply Chain Management.

[end of Contract Procedure Rules]



CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

CHANGES TO THE COUNCIL'S MODERN SLAVERY STATEMENT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND DIRECTOR OF LAW AND GOVERNANCE

Purpose of the Report

1. The purpose of this report is to present the revised Modern Slavery and Human Trafficking Statement for the Committee's approval.

Background

2. The Modern Slavery Act 2015 places a requirement on commercial organisations (with a global turnover above £36m and which carry out business in any part of the UK) to prepare and publish an annual statement setting out the steps they have taken, during that financial year, to ensure that slavery and human trafficking are not taking place anywhere in their supply chains and in any part of their own business.
3. Whilst the Council is excluded from this requirement as it is not a commercial organisation, ethically it is felt that in promoting the Council's stance on serious and organised crime, such a statement should be published on a voluntary basis.
4. Leicestershire County Council is committed to understanding the risks presented by modern slavery and to ensuring that there are no slavery or victims of human trafficking working within the Council, the companies it commissions services from, or its supply chain.
5. The Commissioning Support Unit of the Corporate Resources Department developed the "Modern Slavery and Human Trafficking Statement" originally with input from Leicester, Leicestershire and Rutland Modern Slavery Action Group (LLRMSAG). The Statement details the Council's approach to tackling modern slavery and human trafficking and includes the information as required in Section 54 of the Modern Slavery Act.

Proposals regarding the Modern Slavery Statement

6. In line with best practice, the Council has carefully reviewed all the latest guidance and advice including Procurement Policy Note (PPN) 009, which replaced Procurement Policy Note 02/23 for procurements commencing on or after February 2025 and has rewritten its Modern Slavery and Human Trafficking Statement to ensure full alignment with these standards. The guidance in PPN009 supports all central government departments, their executive agencies, and non-departmental public bodies in identifying and managing risks in both new procurement activity and existing contracts.
7. The main changes to the statement include:
 - Alignment with the Procurement Act 2023.
 - Updated risk assessment criteria, reflecting current global risks in key sectors.
 - Enhanced due diligence for high risk contracts.

Future reporting arrangements

8. The Modern Slavery Statement will undergo an annual review by the Head of Procurement and Supply Chain Management to ensure its continued relevance. It will only be resubmitted to the Corporate Governance Committee if significant legislative or procedural changes necessitate substantial revisions.

Equality Implications

9. Having an appropriate modern slavery statement is not only compatible with equality objectives but actively supports them by safeguarding vulnerable individuals and promoting fair treatment across all council operations and supply chains.

Human Rights Implications

10. There are no negative human rights implications identified; rather, the process strengthens the Council's role as a protector and promoter of human rights.

Recommendation

11. The Committee is recommended to approve the revised Modern Slavery and Human Trafficking statement.

Background Papers

The Constitution of Leicestershire County Council

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1187&MId=7661&Ver=4&Info=1>

Circulation under the Local Issues Alert Procedure

None

Appendices

Proposed Modern Slavery and Human Trafficking Statement for 2026.

Officers to Contact

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Modern Slavery and Human Trafficking Statement 2026

Introduction

Modern slavery is often a hidden crime involving one person denying another person their freedom. It includes slavery, servitude, forced and compulsory labour and human trafficking. To tackle these crimes, the Modern Slavery Act 2015 (the “Modern Slavery Act”) was introduced. The Modern Slavery Act consolidates and clarifies modern slavery offences; toughens penalties and prosecution; and introduces greater support and protection for victims.

This statement sets out Leicestershire County Council’s main actions to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business or in its supply chains.

This statement relates to actions and activities during the year 1st January 2025 to 31st December 2025 and it is intended to fulfil the requirements of Section 54(1) & 54(4) of the Modern Slavery Act 2015.

This statement covers the activities of Leicestershire County Council. The Council manages a wide range of services which are delivered both directly by the Council and through external organisations. The gross annual turnover of the Council is approx. £1.2 billion. The Council’s annual procurement spend is significant, covering sectors such as social care, construction, transport, and facilities management.

The Council also co-owns ESPO (Eastern Shires Purchasing Organisation) along with five other local authorities. A major part of ESPO’s business is the provision of compliant public sector frameworks, through which public bodies spend approximately £2.4 billion annually. Despite its scale, ethical procurement remains the touchstone of ESPO’S procurement operations. ESPO’s position on modern slavery can be read on its website¹.

What is Modern Slavery?

Modern slavery is not defined as a single term within the Modern Slavery Act, but the legislation criminalises two main categories of activities: -

¹ <https://www.espo.org/Modern-Slavery-Statement>

- (1) Slavery², servitude³ and forced labour⁴ and .
- (2) Human Trafficking⁵.

The Modern Slavery Act also covers other forms of exploitative behaviours⁶. A person does not need to regard themselves as a victim of modern slavery in order for the provisions of the Modern Slavery Act to be engaged.

In determining whether a person has been held in slavery or servitude or required to perform forced or compulsory labour, the Court may have regard to all the circumstances of the case, (including, whether the victim is a child; his/her family relationships; and any mental or physical illness).

Whilst the Modern Slavery Act is now the main anti-slavery legislation in the United Kingdom, it sits within a broader framework of UK domestic legislation⁷ and International Conventions⁸. The Council expects to comply with all anti-slavery provisions from time to time in force in UK law.

The Council's Values

The Council regards modern slavery, in all its forms, as morally repugnant and utterly incompatible with its core values. The practices prohibited by the Modern Slavery Act stand in direct opposition to the Council's unwavering commitment to human rights, dignity, fairness, inclusion, and its resolute stance against fraud and corruption.

As a public body, the Council is bound by legal obligations to prevent and address modern slavery. Beyond legal compliance, the Council recognises its unique position within its local community, due to the scale of its operations. This confers a particular responsibility on the Council to provide leadership in challenging such practices wherever they may arise.

Accordingly, the Council adopts a zero tolerance approach to all forms of modern slavery—not only within its own operations, but also throughout its supply chains and commercial relationships.

Where instances of modern slavery are identified, the Council is committed to taking robust and appropriate action, including full cooperation with law enforcement authorities, including the police and the Gangmasters and Labour Abuse Authority

² Slavery involves being in the legal ownership of another (*which is known as chattel slavery*)

³ Servitude means an obligation to provide one's services which is imposed by use of coercion. The concept of servitude includes the obligation on the part of the "serf" to live in another's property and the impossibility of changing his / her condition. See *Connors v R* [2013] EWCA Crim 324

⁴ Forced labour involves direct compulsion to undertake work.

⁵ Trafficking involves arranging or facilitating the travel of another person with a view to the victim being exploited.

⁶ Sexual exploitation, the unlawful removal of organs, securing services by threats or deception, securing services from children or vulnerable persons.

⁷ The Human Rights Act 1998, Gangmasters (Licensing) Act 2004 and The Procurement Act 2023

⁸ The 1926 Slavery Convention, and The Universal Declaration of Human Rights 1948 and the European Convention on Human Rights

(GLAA) as well as other relevant bodies including the Independent Anti-slavery Commissioner.

Countries of operation

Leicestershire County Council primarily operates within the United Kingdom. However, from time to time, the Council may have commercial interests located outside of the United Kingdom including pension investments and beneficial interests in companies trading abroad. This statement is intended to explain the Council's approach to modern slavery irrespective of where assets are held and regardless of where any commercial operations take place.

However, the Leicestershire County Council LGPS Pension Fund has its own funding strategy statement which covers responsible investment which in turn adopts the LGPS Central Responsible Investment and Engagement Framework (which specifically addresses the issue of Modern Slavery)

Steps taken in the last financial year:

The Council works with local safeguarding boards to share best practice and to enable effective communication between relevant bodies, including law enforcement, local authorities, health care bodies and local groups.

The Council recognises that due to the nature of its business it procures from a number of sectors that are considered to be at high risk of slavery or human trafficking, these include but are not limited to clothing, construction, catering, cleaning, health and social care and hospitality.

- The Council has taken steps to adhere to the Procurement Act 2023 which came into force on 24 February 2025 (including providing detailed training thereon). Schedule 6 of the Procurement Act 2023 makes the commission of modern slavery offences a mandatory exclusion ground. Officers dealing with procurements on behalf of the Council expect to be vigilant for behaviours which would lead to exclusion.
- The Council has reviewed tools such as the Anti-slavery Risk Tiering Tool (ARTT) to assess supply chain risks.
- The Council has reviewed suppliers' own modern slavery statements and prevention policies, especially for those with turnover above £36m.
- The Council has included modern slavery questions in supplier selection and tender documentation.
- The Council has considered appropriateness to monitor supplier practices during contract management, using tools like the Modern Slavery Assessment Tool (MSAT) for high-risk suppliers.
- The Council has ensured that the modern slavery requirements are embedded in the Councils Supplier Code of Conduct appropriately.

- The Council has encouraged suppliers and subcontractors to report concerns via the council's Whistleblowing Policy.
- The Council has shared updates and guidance from government sources (e.g., Cabinet Office PPN09 updates).
- The Council has reported no incidences of slavery or trafficking during the last financial year.

Policy and Approach

The Council has the following policies in place to support its commitment to identifying and preventing slavery and human trafficking in its operations:

• Whistleblowing Policy and Procedure

The Council encourages all its workers, customers and other business partners to report any concerns related to the direct activities, or the supply chains, of the organisation. This includes any circumstances that may give rise to an enhanced risk of slavery or human trafficking.

The Council's Whistleblowing Policy and Procedure⁹ is designed to make it easy for workers to make disclosures, without fear of retaliation.

Similarly the Council has a Supplier's Whistleblowing Procedure¹⁰ to enable suppliers to raise any concerns they may have.

• Employee Code of Conduct

The Council's Code of Conduct¹¹ makes clear to employees the actions and behaviour expected of them when representing the Council.

The Council strives to maintain the highest standards of employee conduct and ethical behaviour. Any breaches are investigated and action taken as necessary. The Code also covers the policies on Declaration of Personal Interests, and on the receipt of Gifts and Hospitality

• Expectations of Suppliers

The Council, in conjunction with ESPO, has implemented a Supplier Code of Conduct to help ensure that suppliers of both organisations adhere to the highest standards of ethics. Suppliers are required to demonstrate that they provide safe working conditions where necessary, treat workers with dignity and respect, and act ethically and within the law in their use of labour. The Council is committed to better understand our supply

⁹ <https://www.leicestershire.gov.uk/jobs-and-volunteering/staff-policies/whistleblowing-policy>

¹⁰

https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2016/3/2/supplier_whistleblowing_policyv5_dm_.pdf

¹¹ <https://www.leicestershire.gov.uk/jobs-and-volunteering/staff-policies/employee-code-of-conduct>

chains and working towards greater transparency and responsibility towards people working in them and works with suppliers to ensure they meet the required standards. However, serious violations of these expectations will lead to the termination of the business relationship.

The standard arrangements for doing business with the Council are set out on the Council's website¹². The Standard Terms and Conditions for the Supply of Goods and/or Services excluding ICT procurements and Works/Construction procurements published thereon contain requirements mandating compliance with anti-slavery guidance¹³.

Suppliers struggling to identify their Modern Slavery risks can use the Government tool MSAT (Modern Slavery Assessment Tool). The tool uses several questions to assess supplier risk and gives tailor made recommendations. The MSAT can all be accessed via the following link: <https://supplierregistration.cabinetoffice.gov.uk/msat>.

• **Recruitment**

The Council's recruitment processes are transparent and reviewed. They include robust procedures for vetting new employees, which ensures they are able to confirm their identities and qualifications, and they are paid directly into an appropriate, personal bank account. To comply with the Asylum, Immigration and Nationality Act 2006, all prospective employees are asked to supply evidence of their eligibility to work in the UK. References are also requested and followed up.

• **Agency Workers**

The Council recruits its employees via its in-house recruitment function, East Midlands Shared Services. Where agency workers are required, these are ordered in accordance with the terms of a framework agreement developed and managed by ESPO. A comprehensive procurement process was applied to select the providers available through the framework during which the practices of these agencies were verified.

• **Pay**

The Council use a job evaluation scheme, thereby ensuring that all employees are paid fairly and equitably. All new and changed jobs are evaluated by a panel of trained evaluators. As a minimum. The Council expects its suppliers to comply with all Minimum Wage Legislation which is applicable.

• **Training**

Modern slavery awareness is embedded within procurement training for staff involved in commissioning and contract management.

¹² <https://www.leicestershire.gov.uk/about-the-council/council-spending/doing-business-with-the-council>

¹³ PPN/009 – Tackling modern Slavery in government supply chains.

Due Diligence

The Council assesses modern slavery risks in procurement by considering six key factors:

Industry Type: Sectors such as agriculture, clothing, construction, catering, cleaning, health and social care, hospitality, leisure, and manufacturing are higher risk.

Nature of Workforce: Risks increase with reliance on low-paid, low-skilled, or vulnerable workers, including temporary, seasonal, or agency staff, and those in physically demanding or isolated roles.

Supplier Location: Some countries present higher risks. Reviewing the Global Slavery Index for national risk estimates, suppliers from high-risk countries may be present in UK supply chains.

Supplier Context: Risks are higher where there are weak labour laws, cheap labour, vulnerable workers, poor grievance mechanisms, lack of accountability, discrimination, conflict, or high poverty and unemployment.

Type of Commodity: Certain products and countries are more likely to involve child or forced labour. For example, polysilicon from China and rubber gloves from Malaysia. In the UK, garments, electronics, fish, textiles, and timber are considered to present the highest risk slavery risks.

Business/Supply Chain Models: Large or complex supply chains, reliance on agency or subcontracted workers, use of labour recruiters, and purchasing focused solely on profit margins all increased risk.

The Council will assess the procurement and identify the risk rating, using high, medium or low.

Risk level actions are assigned as follows:

Low Risk: Suppliers self-declare exclusion grounds do not apply; Council checks debarment list; exclusion grounds reviewed at procurement start and before contract award.

Medium Risk: Same as low risk, plus assessment of supplier compliance with Section 54 of the Modern Slavery Act via the Procurement Specific Questionnaire.

High Risk: Same as medium risk, plus modern slavery-specific questions included in the contract specification or evaluation, whichever is appropriate and proportionate to the contract.

For procurements below threshold, proportionate questions about modern slavery risks may be included if relevant to the contract.

Contract Conditions

Suppliers are expected to comply with the Council's Supplier Code of Conduct.

Contract Management & Reporting

Contract Managers maintain where appropriate an up-to-date risk register for each contract, identifying any risks of slavery or human trafficking. Where risks are found, suppliers may be asked to complete the Modern Slavery Assessment Tool and work together on improvements.

Regular reviews with suppliers will assess quality, performance, and discuss any risks or concerns.

If poor performance is identified, action plans or sanctions may be implemented, including possible termination of the contract.

Supplier KPIs will be reviewed individually, based on identified risks.

Partnerships

Leicestershire County Council works across Leicester, Leicestershire and Rutland to share experiences and risks and maintain an effective multi-agency response to reduce and respond to modern slavery related offences.

Training

The Council recognises that certain employees within the organisation should be required to complete awareness training in relation to modern slavery and human trafficking. The Council has published an awareness-raising document which is available to all employees and covers the following:

- The basic principles of the Modern Slavery Act 2015;
- How to identify and prevent slavery and human trafficking;
- What employees can do to flag up potential slavery or human trafficking issues to the relevant parties within the organisation; and
- What external help is available (e.g. the Modern Slavery Helpline).

Training is available for all Council staff via the Council's internal Learning Hub. This includes Modern Slavery Awareness hosted by Leicestershire Police and Modern Slavery First Responders which provides guidance on how to spot the signs of Modern Slavery and what to do when you come across a potential victim of Modern Slavery.

The Learning and Development Team (LD Team) of the County Council have been engaged to discuss the inclusion of Modern-Day Slavery in all training delivered around safeguarding.

Reporting and whistleblowing

The Council's Whistleblowing Policy and Procedure <https://www.leicestershire.gov.uk/jobs-and-volunteering/staff-policies/whistleblowing-policy> is designed to make it easy for workers to make disclosures, without fear of retaliation. Similarly the Council has a Supplier's Whistleblowing Procedure https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2016/3/2/supplier_whistleblowing_policyv5_dm.pdf to enable suppliers to raise any concerns they may have.

Modern Slavery Helpline on 08000 121 700 or [online](#).

In an emergency where there is immediate danger, call 999.

Contact information.

Commissioning Support

Commissioning.support@leics.gov.uk

Continuous Improvement

Leicestershire County Council is committed to embedding social value and eradicating modern slavery and human trafficking in all our business activities and supply chains.

Over the next 12 months, we will strengthen our approach by:

- Collaborating with suppliers, staff, customers, and stakeholders to share best practice and drive improvements.
- Using contract management to identify and manage risk areas throughout the lifecycle of each contract.
- Further developing our Social Value Model criteria to ensure ethical standards are upheld.

This statement will be reviewed and updated annually to reflect progress and new developments.

Signed by a senior member – Post and name and date



CORPORATE GOVERNANCE COMMITTEE – 23 JANUARY 2026

WHISTLEBLOWING REPORT

REPORT OF THE DIRECTOR OF LAW AND GOVERNANCE AND DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this report is to provide the Committee with a summary of the concerns raised under the Council's Whistleblowing Policy during the calendar year 2025 and the Council's response to the issues, including any organisational learning, along with some updates to the current Whistleblowing Policy.

Policy Framework and Previous Decisions

2. The Council's Constitution contains a Code of Conduct for Employees which defines the responsibilities, standards and behaviour required of the Council's employees (including agency workers). It is made clear that employees are required to comply with this Code when carrying out their duties as an employee or representative of the Council. As well as covering obligations in relation to interests, bribery, fraud and corruption the Code highlights the Council's Whistleblowing Policy and encourages employees to act in the public interest and to raise concerns if they have suspicions of wrongdoing.
3. The Council's Whistleblowing Policy and procedure (which was last reviewed and amended in August 2024) is attached as Appendix A. There is a separate policy for whistleblowing for suppliers, which is outside of the scope of this report and in addition each maintained school has its own whistleblowing process.

Background

4. Whistleblowing is the making of a protected disclosure under provisions in the Employment Rights Act 1996 and is reflected in the Council's Whistleblowing Policy. This provides legal protection to employees against detriment, unfair dismissal or victimisation if they make a disclosure in the public interest. To qualify, the disclosure must also fall within one of the following prescribed grounds:
 - a. A criminal offence
 - b. Breach of any legal obligation

- c. Miscarriages of justice
 - d. Danger to health and safety
 - e. Damage to the environment
 - f. The deliberate concealing of information about any of the above.
5. The Council's Whistleblowing Policy makes it clear that the Council is committed to creating a safe, open and transparent workplace culture, where employees are encouraged to raise concerns at the earliest opportunity recognising that employees are often the first to realise that there may be something wrong within an organisation. This is an important part of the Council's risk management systems. The commitment to supporting an employee who makes a referral is also emphasised. The Director of Law and Governance and the Director of Corporate Resources are designated as officers to whom referrals are to be made, if it has not been practical for the issue to be raised through usual line management procedures.
 6. The CIPFA Code of Practice – Managing the Risk of Fraud and Corruption includes an expectation that there is an annual review of the effectiveness of the organisation's whistleblowing arrangements, with the findings reported to the relevant committee. The Policy was last reviewed for effectiveness in August 2024 and various minor amendments were made.
 7. The current Policy is considered to be clear, accessible and fit for purpose, encouraging early internal reporting and providing multiple routes for reporting, including seeking external advice. There are a number of necessary minor updates as follows:

A) Page 3 Fraud: ECCTA “failure to prevent” offence (effective 1 Sept 2025)

Added in a reference to the new offence under the Economic Crime and Corporate Transparency Act 2023 to (a) recognise fraud-related protected disclosures and (b) reference the Council's fraud prevention procedures and how whistleblowing intelligence is integrated.

B) Page 4 –Clarity on Co-worker detriment

Under “Our commitment to you” the following paragraph has been added at the end to strengthen the non-retaliation message: “No employee, agency worker, contractor or volunteer shall suffer detriment for making a protected disclosure. Detriment by co-workers (including harassment or intimidation) will be treated as misconduct; the Council may be vicariously liable where co-worker detriment occurs. Non-disclosure agreements do not prevent protected disclosures under PID.”

C) Page 5 Updated Officer contact details at Step 2.

D) Page 5 under Step 3 - more detail on regulator specific routes for safeguarding/health & social care provided as a quick reference

E) Page 5 Prescribed persons list & sanctions updated

The GOV.UK list was updated on 26 Nov 2025 following the amendment of the Public Interest Disclosure (Prescribed Persons) Order to add sanctions functions (Business & Trade, Transport Secretaries and HM Treasury). The link has been updated so staff can see the current bodies.

F) Page 6 new section on Data protection & privacy notice

A specific privacy notice has been included for whistleblowing case handling (lawful basis, confidentiality, information sharing, retention periods, data subject rights) as the ICO guidance highlights the need for confidential handling, possible disclosure to the organisation concerned, and limited feedback to reporters.

The policy will continue to be kept under review as part of the annual reporting cycle to this Committee.

Promotion of the Policy

8. The Policy is promoted regularly via the intranet and the Managers' Digest approximately twice a year and by posters around the building and at outlying council offices, using 170 notice boards across County Council buildings. Managers of staff without access to the intranet are encouraged to pass on information about the policy via the usual channels, including team meetings and one to one meetings. The existence of the Policy and its objectives are covered in the mandatory e- learning Corporate Induction module as well as the mandatory Fraud Awareness e-learning (and manual equivalents) and is also promoted as part of the general fraud awareness programme.
9. There is information on the intranet (on pages relating to whistleblowing, support with hate crimes and fraud) including links to the Policy, telephone numbers of relevant officers and information on seeking advice from the whistleblowing charity 'Protect'. In February 2025 the Managers' Digest included a whistleblowing reminder, with links to the policy and guidance on how to report. The Council's International Fraud Awareness Week communications in November 2025, which included an Intranet article, IT bulletin and a series of posts on Viva Engage, also contained reminders to staff on how to report fraud. Intranet pages linked to the Whistleblowing policy have also been updated in June, August and November 2025.

Summary of referrals

10. During the last year, two referrals have been made that have been processed under the Council's Whistleblowing Policy or have been sent to the designated officers raising issues that could fit within the criteria of a protected disclosure. A summary of the disclosures made, and service area, is provided below. It should be noted that a number of other issues were raised nominally under the Whistleblowing Policy but it was more appropriate for them to have been referred directly to managers under HR procedures. Other referrals made to the County Council in error were signposted to other organisations.

Table 1: Summary of Disclosures

| Ref | Nature of concern | Source | Service area |
|-------|----------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------|
| 01/25 | Allegations re financial irregularities | Staff member | ESPO |
| 02/25 | Allegations regarding systematic taking of food from the Food Court without payment, facilitated by a member of Food Court staff | Staff member | Corporate Resources |

11. A summary of the responses to the disclosures referred to above is provided below:

Table 2: Summary of Responses to the Disclosures

| Ref | Outcome |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01/25 | Full internal audit investigation undertaken and no evidence of financial impropriety found. Case closed. |
| 02/25 | Fact finding investigation by service area and challenge to staff, who denied any impropriety. Nothing conclusive found to suggest theft, including reviewing CCTV footage. Responsibilities reaffirmed with staff – no other action taken. |

12. Whilst all referrals are taken seriously, the response will differ on a case-by-case basis depending on the nature of the concern and is assessed by applying the procedures set out in the Policy. Where appropriate, learning points are identified from any issues raised to mitigate risk of similar issues recurring. In any case in which fraud is suggested, consideration is given to whether a referral to the police is appropriate applying the Council's anti-fraud policies. It is also worth noting that employees do not have to use the Whistleblowing Policy to raise concerns and are able to resolve matters using other routes if they wish to do so, for example, through discussion with their line manager.

Resource Implications

13. There are no specific financial implications arising from this report but encouraging staff to raise concerns will help ensure the Council delivers safe, lawful and value for money services. The existence and application of the Council's Whistleblowing Policy and procedure is consistent with the Council's overall fiduciary duty to exercise proper custodianship of the Council's funds and assets. It is also consistent with the Council's duties as a 'Best Value' Authority to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness under section 3 of the Local Government Act 1999.

Legal Implications

14. The Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998) affords certain protection to employees from being subjected to detriment or dismissal on the basis of whistleblowing if they reasonably believe that they are acting in the public interest and they reasonably believe that the disclosure tends to show past, present or likely future wrongdoing falling into prescribed categories.
15. There is no legal requirement to have a Whistleblowing Policy in place, but it is accepted good practice for the Council, as an employer, to create an open, transparent and safe working environment where workers feel able to 'speak up'. The current whistleblowing arrangements confirm the employee's statutory rights and aims to create an organisational culture where employees feel safe to raise a concern in the knowledge that they will not be subject to detriment for doing so.

Recommendations

16. The Committee is recommended to note the contents of this report and the proposed annual reporting cycle to the Committee on the effectiveness of the policy.

Background Papers

None

Circulation under the Local Issues Alert Procedure

None

Equality Implications

17. Section 149 of the Equality Act 2010 requires the Council to have regard to the need to:
 - eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
 - advance equality of opportunity between people who share a protected characteristic and those who do not;
 - foster good relations between people who share a protected characteristic and those who do not.

By having in place an effective system for whistleblowing, individuals can raise concerns that may be relevant to the council's equality duties.

Human Right Implications

18. There are no human rights implications arising from the recommendations in this report.

Crime and Disorder

19. Section 17 of the Crime and Disorder Act 1998 requires the Council, when it exercises its functions, to have regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. The promotion of a Whistleblowing Policy provides a conduit to bring any allegation of wrongdoing to the attention of the Council for investigation and if appropriate to the attention of the police.

List of Appendices

Appendix A – Whistleblowing Policy and Procedure

Officers to contact

Fiona McMillan, Interim Director of Law and Governance

Tel: 0116 305 2024

Email: fiona.mcmillan@leics.gov.uk

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,

Tel: 0116 305 7668

E-mail Declan.Keegan@leics.gov.uk

A

Whistleblowing Policy and Procedure

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Purpose

This policy aims to enable and encourage staff to raise concerns within Leicestershire County Council. It recognises a worker's legal rights to make a protected disclosure to certain prescribed persons or bodies under the Public Interest Disclosure Act 1998 and any subsequent legislation, as incorporated into the Employment Rights Act 1996.

Leicestershire County Council is committed to creating a safe, open and transparent workplace culture, where employees are encouraged to raise concerns at the earliest opportunity. Leicestershire County Council recognises that employees are often the first to realise that there may be something seriously wrong within an organisation. This policy is intended to cover concerns that fall outside the scope of other existing Council procedures (e.g., complaints procedures, safeguarding reporting and employment policies and procedures).

If something is troubling you, which you think we should know about or look into, please use this policy and the procedures below. If, however, you wish to make a complaint about your employment or how you have been treated, please use existing employment (HR) policies and procedures (e.g., grievance policy, which you can obtain from your manager or the intranet).

Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance once other relevant employment procedures have been exhausted.

You should only consider raising concerns through Whistleblowing arrangements if:

- You have genuine reasons why you cannot use the above policies and procedures; **or**
- You have reason to believe that these policies are failing or are not being properly applied; **and** in any case;
- There is a public interest aspect.

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Scope

This policy applies to all those who work for Leicestershire County Council, whether full time or part-time, self-employed, employed through an agency or as a volunteer.

If you are unsure whether to use this policy or you want confidential advice at any stage, you may contact the independent whistleblowing charity Protect on 020 3117 2520 or by completing the contact form on their website.

Further detail on this is available at www.protect-advice.org.uk.

This service is available to all employees of the Council (excluding schools) and allows you the opportunity to speak freely about your concerns, discuss all related issues and receive practical, constructive advice.

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Introduction

Sometimes you may have concerns about what is happening at work. In most cases these concerns can be dealt with through the usual line management arrangements and are easily resolved. We strongly encourage you to raise concerns with your manager but if that is not possible or if your concern feels more serious because it may relate to illegal, improper or unethical conduct and could threaten service users, colleagues, public or the Council itself then you may wish to use the whistleblowing procedures as an alternative.

The Council is committed to running the organisation in the best way possible and to do so we need your help. Experience shows that employees are often the first to realise that there may be something seriously wrong or often have worries or suspicions and could, by reporting their concerns help put things right and stop potential wrongdoing.

We have introduced this policy to reassure you that it is safe and acceptable to speak up without fear of reprisal and to enable you to raise any concerns you may have at an early stage, and in the right way.

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What is Whistleblowing?

Whistleblowing is the formal raising of concerns that are in the public interest. A whistleblower is generally a term used for a person who works for an organisation and raises a concern about a danger or illegality that has a public interest aspect to it, usually because it threatens others (service users, colleagues, public).

Examples of concerns that may be in the public interest (this list is not exhaustive):

2



Positivity



Trust and respect



Flexibility



Openness and transparency

- Criminal offences (Fraud, Corruption, Bribery etc.);
- Failure to comply with legal obligations (such as professional or regulatory requirements);
- Actions which endanger the health or safety of any individual;
- Actions which may cause damage to the environment;
- Bribery, facilitating tax evasion or financial fraud or mismanagement;
- Breach of our internal policies and procedures including our Code of Conduct; and
- Actions which are intended to conceal any of the above.

This policy provides you with a framework for raising concerns, which you believe are in the public interest. If you are uncertain whether something is within the scope of this policy you can seek advice from the Director of Law and Governance or Director of Corporate Resources whose contact details are on page 5 below.

Disclosures relating to fraud (false accounting, fraudulent trading, abuse of position etc.) are welcome and protected where they meet Public Interest Disclosure Act 1998 (PIDA) criteria. The Council maintains fraud-prevention procedures and will use whistleblowing intelligence to strengthen controls, having regard to Home Office guidance on the Economic Crime and Corporate Transparency Act 2023 and the new 'failure to prevent fraud' offence (in force 1 September 2025).

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Public Interest Disclosure Act (PIDA)

The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest and provides that employers must not victimise any worker who blows the whistle in one of the ways set out in the legislation. This policy complies with PIDA.

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Our Commitment to You

Your safety

We recognise that you may be worried about formally raising a concern for a number of reasons:

- Fear of reprisal or victimisation (e.g. loss of job);
- Too much to lose (reputation, damage to career etc.);
- Feelings of disloyalty;
- Worries about who may be involved;
- Concerns that there is no proof, only suspicions;
- Fear of repercussions if there is no evidence or you are proved wrong.

The Corporate Management Team, Chief Executive and Trade Unions are committed to this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any reprisal such as harassment, victimisation or bullying. Provided

you are acting in good faith, it does not matter if you are mistaken or if there is an innocent explanation for your concerns.

If you do experience problems, we will treat any reprisals as a disciplinary matter.

Your confidence

We would like to assure you that if you raise a concern:

- 'Openly' - we will protect you from reprisal;
- 'Confidentially' - we will protect you from reprisal and will not disclose your identity, without your consent, unless required by law.

As mentioned we will endeavour to protect your identity wherever possible; however, you must understand that there may be circumstances where this is not feasible. For example, if you are an essential witness and further investigation would be prevented without revealing your identity or the concern could only have come from one service. Should this situation arise, we will discuss directly with you, whether and how the matter can best proceed.

If you raise a concern 'anonymously', we will **not** be able to protect your position and you should not assume we can provide the assurances we offer in the same way, if you report a concern in this manner and your identity later becomes known. You should be aware that proper investigation may be more difficult or impossible if we cannot obtain further information from you. It is also more difficult to establish whether any allegations are credible.

If you are already the subject of disciplinary procedures or redundancy procedures for other reasons, whistleblowing will not halt these procedures - but every effort will be made by the investigating officer(s) to ensure that the issues are not inter-related or connected in any way.

Trade union representatives can support you through the whistleblowing procedure. Trade union representatives also play an important role in ensuring all staff are aware of this policy and procedure and their responsibilities and they are consulted on the review, monitoring and improvement of the policy and procedure where required.

No employee, agency worker, contractor or volunteer shall suffer detriment for making a protected disclosure. Detriment by co-workers (including harassment or intimidation) will be treated as misconduct; the Council may be vicariously liable where co-worker detriment occurs. Non-disclosure agreements do not prevent protected disclosures under PID.

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How to Raise a Concern

We hope that the assurances above allow you to raise your concern internally and openly with us. If you want to raise the matter in confidence, please say so at the outset so that appropriate arrangements can be made. You may also choose not to identify yourself at any stage, to anyone, but we do not encourage anonymous reporting as the concerns are more difficult to investigate. If you wish to remain anonymous, you can send an email to whistleblowing@leics.gov.uk.

We trust that you will:

- Raise concerns at an early stage (i.e. when you have reasonable suspicion);
- **Not** wait and investigate yourself or wait to prove that your concern is well founded.

If you are unsure about raising a concern at any stage, you can get independent advice from Protect (details above).

Step one

The seriousness of the issue may influence who you decide to raise it with, but we hope that in the first instance, you raise it with your immediate line manager. In most cases this is likely to be the most effective and appropriate route to address any concerns that you may have identified. If this is not practical (for whatever reason), please raise the concern with another senior officer (Head of Service) or Director (Chief Officer).

This may be done verbally or in writing and we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern, including background and history giving names, dates and places where possible. If you have any personal interest in the matter, we do ask that you tell us at this stage.

Step two

If you feel unable to raise the matter with any of the above (for whatever reason) please raise the concern with either of the following designated officers:

- Fiona McMillan, Interim Director of Law and Governance and Monitoring Officer: Telephone (0116) 305 2024 or email fiona.mcmillan@leics.gov.uk
- Declan Keegan, Director of Corporate Resources: Telephone (0116) 305 6199 or email declan.keegan@leics.gov.uk

These people have been given special responsibility in dealing with whistleblowing concerns. If these individuals are unable to speak with you immediately, contact the secretariat on (0116) 305 6001 or (0116) 305 7372 who will arrange an appointment for you.

Step three

The aim of this policy is to provide an internal mechanism for reporting, investigating and remedying any wrongdoing in the workplace. In most cases you should not find it necessary to alert anyone externally, but if the steps above have been followed and you still have concerns, or you feel that the matter is so serious that you cannot discuss it with any of the above, you can properly report a concern to an outside body. In fact, we would rather you raised a matter with the appropriate regulator - such as the Care Quality Commission, Ofsted, your professional regulator - than not at all. There is a list of bodies to whom you can make a referral if you wish to do so:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies>

[Protect](#) (details above) will be able to advise you on such an option if you wish.

You may also find it helpful to consider other relevant Council policies including, for example, the Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy which are

available on the County Council's website see link <https://www.leicestershire.gov.uk/about-the-council/council-spending/fraud>.

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How We Will Handle the Matter

Once you have told us of your concern, we will assess it and consider what further action may be needed. Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take - these will be made confidentially. We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you. If we think your concern falls more properly within our existing complaint or employment policies and procedures, we will let you know.

Our further response will depend on the nature of the concern and may be:

- Advice only;
- Resolved by agreed action without the need for investigation;
- Investigated internally;
- Investigated externally;
- Referred to the relevant safeguarding team;
- Referred to the Police;
- Referred to the internal or external auditor;
- The subject of an independent inquiry.

Whenever possible, we will give you feedback on the outcome of any investigation. Please note, however, that we may not be able to tell you about the precise actions we take where this would infringe a duty of confidence we owe to another person. While we cannot guarantee that we will respond to all matters in the way that you might wish, we will strive to handle the matter fairly and properly. By using this policy, you will help us to achieve this.

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Privacy Notice for Whistleblowing

We process personal data in whistleblowing cases to assess and investigate concerns and take appropriate action. Our lawful basis is performance of our public task and compliance with legal obligations. We treat information confidentially and will not disclose identities without lawful authority; however, to look into concerns properly, we may need to disclose limited information to those involved. We will minimise data, restrict access, and retain case records for 6 years. You can exercise your data protection rights subject to legal constraints on disclosure. See our corporate privacy notice and ICO guidance.

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Responsible Officer

The Monitoring Officer (Director of Law and Governance) has overall responsibility for the maintenance and operation of this Whistleblowing Policy. This officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger employee confidentiality) and will report as necessary to the Corporate Governance Committee.

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Managers Receiving the Whistleblowing Concern

Guidance on what managers should do if they receive a concern is contained in [Appendix A](#). If the whistleblowing concern has elements of suspected fraudulent activity (or other financial irregularity), managers are required under Financial Procedure Rules to notify the Director of Corporate Resources. This can be done via the Head of Internal Audit

Appendix A – Procedure for Managers Receiving a Concern

These procedures should be used in conjunction with the Whistleblowing Policy.

1. Managers receiving the whistleblowing concern

It is important that managers listen carefully to the concern being raised and avoid pre-judging the issue. If unable to do this, the employee should be encouraged to raise the concern with someone more senior or a designated officer.

2. Establish the details of the concern

Managers should complete the [whistleblowing checklist](#).

In all cases, managers must send a copy of the checklist to the Director of Law and Governance so that a central record may be maintained.

3. What happens next?

Step 1 - Explain to the employee what will happen next

- Now that we have listened to and recorded your concern, we will assess it and consider what further action may be needed;
- Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take – but you will not be involved in this process;
- We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you;
- If we think your concern falls more properly within our existing complaint or employment policies and procedures, we will let you know;
- We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you.

Step 2 - Record the concern and agree next steps

In all cases, managers must send a copy of the checklist to the Director of Law and Governance so that a central record may be maintained.

Before any further action is taken there should be a discussion between:

- Manager of the person making the referral (or alternative officer if the matter was not raised with the manager or it is not appropriate in the particular case)
- Director of Law and Governance (or nominee)
- Head of People Services (or nominee)
- Head of Internal Audit (or nominee)

The purpose of the discussion is to determine the next steps including:

- How the referral is to be progressed;
- Who is to lead on any investigation that may be required;
- Any immediate actions that may be required;
- Estimated timescales for completion; and

- Reporting arrangements including any requirement to report to the police (or other external agency) and /or confidentially to members

Where possible it is expected that this discussion will take place within 5 working days of the referral being made.

The group referred to above will consider the information in the context of what they know about the particular area or activity and the information the employee provides. The first issue to be decided is whether the concern is best dealt with under the Whistleblowing Policy or some other existing policy/procedures. When considering this, the following advice will help:

- Whistleblowing presupposes there is an outside agency (regulator, media or police) which would have a legitimate interest to investigate the underlying public interest concern;
- A 'whistleblower' is best viewed as a witness who is putting the organisation on notice of the risk, rather than as complainant seeking to dictate to the organisation how it responds;
- Whistleblowing is an aspect of good citizenship in that the employee is speaking up for and on behalf of people who are at risk but are unusually unaware of it and so is unable to do anything to protect themselves;
- Whistleblowing is about serious matters of public concern (examples are given in the policy); it is not about whether the whistleblower agrees with the approach or ethos of the service. Thus, a complaint that the service is not sufficiently helpful or is not engaging with the community effectively is not whistleblowing concern.

Concerns or allegations which fall within the scope of specific existing procedures (HR, Safeguarding, etc.) will normally be referred for consideration under those procedures.

PIDA explained:

- Step 1 - PIDA readily provides protection when an employee reasonably suspects there is wrongdoing and makes an internal disclosure;
- Step 2 - Disclosures to prescribed regulators / external are protected where the employee reasonably believes that the information and allegation in it are substantially true;
- Steps 3 & 4 - Wider disclosures (to MP or Media) are only protected where there is a justifiable cause for going wider and where the disclosure is reasonable.

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