

Meeting of: Audit & Accounts Committee

Date: 18th February 2026

Time: 6.30pm

Venue: Council Chamber, The Business Centre, Futures Park, Bacup, OL13 0BB

The meeting will also be live streamed at the following link:

<https://www.youtube.com/channel/UCrLsMDOP7AYxik5pNP0gTIA/streams>

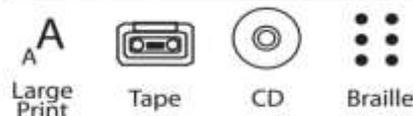
Supported by: Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423

Email: glendaashton@rossendalebc.gov.uk

ITEM		Lead Member/Contact Officer
A.	BUSINESS MATTERS	
A1.	Apologies for Absence	
A2.	Minutes of the last meeting To approve and sign as a correct record the Minutes of the meeting held on 3 rd December 2025	
A3.	Urgent Items of Business To note any items which the Chair has agreed to add to the agenda on the grounds of urgency.	
A4.	Declarations of Interest <i>Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.</i> Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item.	Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk
B.	COMMUNITY ENGAGEMENT	
B1.	Public Question Time Members of the public can register their question by contacting the Committee Officer. Groups with similar questions are advised to appoint and register a spokesperson. This is an opportunity to ask a question about	Glenda Ashton, Committee and Member Services Officer 01706 252423 glendaashton@rossendalebc.gov.uk

The agenda and reports are also available for inspection on the Council's website <https://www.rossendale.gov.uk/>. Other formats are available on request. Tel 01706 217777 or contact Rosendale Borough Council, Futures Park, Bacup, OL13 0BB

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ITEM		Lead Member/Contact Officer
	<p>a matter which the Council may be able to assist with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon one clear working day prior to the meeting by emailing democracy@rossendalebc.gov.uk Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group.</p> <p>(Question time normally lasts up to 30 minutes).</p>	<p>Please register an agenda related public question by emailing glendaashton@rossendalebc.gov.uk no later than 12noon on Tuesday 17th February 2026</p>
C.	<p>Chair's Update To receive communications from the Chair</p>	Councillor Driver
D.	ORDINARY BUSINESS	
D1.	Corporate Risk Register Update Quarter 3 2025/26	Chris Warren Director of Resources/s151 Officer chriswarren@rossendalebc.gov.uk
D2.	Review of Treasury Management Policy and Procedures 2026/27	Chris Warren Director of Resources/s151 Officer chriswarren@rossendalebc.gov.uk
D3.	Internal Audit Progress Report December 2025 – January 2026	Mark Baskerville Lancashire County Council Auditors mark.baskerville@lancashire.gov.uk
D4.	Audit Strategy and Completion Report – 2024/25	Katie Kingston Forvis Mazars Auditors katie.kingston@mazars.co.uk
E.	<p>EXCLUSION OF PUBLIC AND PRESS To consider passing the appropriate resolution under Section 100 (A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following item of business since it involves the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A of the Act.</p>	
E1.	Standards Complaints update (verbal)	Councillor Driver
E2.	Whistleblowing update (verbal)	Councillor Driver



Rob Huntington
Chief Executive

Date Published: 10th February 2026

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

DATE OF MEETING: 3rd December 2025

PRESENT: Councillor Driver (Chair)
Councillors D Ashworth (sub), Bauld (sub), Holland (sub), Looker (sub), Norton and Procter

IN ATTENDANCE: Chris Warren, Director of Resources (s151 Officer), RBC
Kimberly Haworth, Head of Financial Services, RBC
Andy Dalecki, LCC Internal Auditors
Mark Baskerville, LCC Internal Auditors
Katie Kingston, Forvis Mazars External Auditors
Glenda Ashton, Committee Officer, RBC

ALSO PRESENT: Councillor Walmsley

1. APOLOGIES FOR ABSENCE

- 1.1 Apologies were received from Councillors Kenyon, Payne, M Smith, Woods, and Simon McManus, Co-opted Member.

2. MINUTES OF THE MEETING HELD ON 24TH SEPTEMBER 2025

RESOLVED:

The minutes of the meeting held on 24th September 2025 were agreed as a correct record.

3. URGENT ITEMS OF BUSINESS

- 3.1 There were no urgent items of business.

4. DECLARATIONS OF INTEREST

- 4.1 There were no declarations of interest.

5. PUBLIC QUESTION TIME

- 5.1 There were no public questions.

6. CHAIR'S UPDATE

- 6.1 The refreshed Debt Management Policies were reviewed by the Overview & Scrutiny Committee on 10th November. They would be listed for approval at February Cabinet.

7. CORPORATE RISK REGISTER UPDATE QUARTER 2 2025/26

- 7.1 The Director of Resources outlined the report which asked the Committee to note the Council's Corporate Risk Register, risk consequence, mitigation action and residual level of risk.
- 7.2 The following comments were made and clarifications provided:
- Rossendale Leisure Trust (RLT) were working to a slight deficit but were generally working within budget. This was an improvement on previous years.
 - A strategic leisure review was underway with initial findings being presented to Cabinet and RLT Board members on 11th December.

- The positive improvements made by RLT and progression of the leisure review were noted. The Trust had worked hard to recruit new leisure members which was welcomed.
- A new Environmental Health Officer had been recruited which would alleviate pressures on the team.
- A financial pressure had been included in this year's outturn forecast to enable the cemeteries team to draw off as necessary. Next year's budget would have provision in to ensure appropriate team sizes to deal with cemeteries and trees.
- Actions from the cemeteries investigation were being progressed.
- A long-term opportunity may be achievable in relation to rent/rates but this would not be before the end of the decade.
- A number of Tick-Tock videos had been posted to engage younger residents. The innovative approach to engage different audiences was welcomed.

RESOLVED:

1. The Committee noted the Council's Corporate Risk Register for Quarter 2 2025/26.
2. Members noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

Councillor Norton joined the meeting

8. INTERNAL AUDIT PLAN 2025/26 PROGRESS REPORT

- 8.1 The Audit Manager, Lancashire County Council, outlined the report which asked the Committee to consider the Internal Audit report on progress to deliver the 2025/26 audit plan.
- 8.2 The following clarification was provided:
 - Issues raised following the 'IT: Payment Card Industry Data Security Standards' audit had been dealt with immediately. The Director of Resources was comfortable the risk had been managed at an appropriate level.

RESOLVED:

1. The Committee considered the Internal Audit report on progress to deliver the 2025/26 audit plan.

9. DRAFT AUDITOR'S REPORT 2024/25

- 9.1 The Audit Manager, Forvis Mazars, outlined the report which asked the Committee to consider the draft Auditor's Report for 2024/25.
- 9.2 The following comments were made and clarifications provided:
 - There was good cooperation and regular meetings between auditors and officers.
 - There were realistic opportunities for RLT to repay their debt with the Council once their assets were sustainable.
 - It was not unusual for quarterly Financial Monitoring reports to be taken straight to Cabinet. An initial review by the Overview and Scrutiny Committee was not necessary.
 - Following the leisure review, governance arrangements with RLT would be drawn up and recommendations worked on.
 - Disclaimed audit opinions were a national issue.
 - The process of building back assurance without full audits taking place was complicated.

- The framework to build back assurance was for the auditing profession to design and deliver. The Council’s role was to work with the auditors to provide information as quickly as possible.
- The Government had issued backstop dates to address the backlog of local audits. A proof in total approach had been proposed by the relevant stakeholders to enable unqualified opinions instead of transaction testing.
- The completion of 7 years of full audit work would have a huge resource drain for officers and auditors.
- Officers were thanked for their cooperation and work with the auditors.

RESOLVED:

1. The Committee considered and noted the External Auditor’s Draft Report for 2024/25.

10. EXCLUSION OF PUBLIC AND PRESS

RESOLVED:

That the public and press be excluded from the following items of business under Section 100(A)(4) of the Local Government Act 1972 since the items involved the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A to the Local Government Act 1972.

11. STANDARDS COMPLAINTS UPDATE (VERBAL)

- 11.1 An update was provided in relation to Standards Complaints.

RESOLVED:

- That the update was noted.

12. WHISTLEBLOWING UPDATE (VERBAL)

- 12.1 An update was provided in relation to Whistleblowing.

RESOLVED:

- That the update was noted.

The meeting concluded at 7.10pm

Signed (Chair)

Date

Report Title:	Corporate Risk Register Update Quarter 3 2025/26 (October – December)		
Report to:	Audit and Accounts Committee	Date:	18 th February 2026
Report of:	Head of Finance	Cabinet Portfolio:	Resources
Cabinet Lead Member:	Councillor Walmsley	Wards Affected:	All
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<input type="checkbox"/> General Exception	<input type="checkbox"/> Special Urgency
Integrated Impact Assessment:	Required:	No	Attached: No
Contact Officer:	Kimberly Haworth	Telephone:	01706 212467
Email:	kimberlyhaworth@rossendalebc.gov.uk		

Valley Plan Priorities	Thriving Local Economy: This involves securing new inward investment, creating a sustainable economy, matching local skills with future job opportunities, and supporting town centres as unique destinations.	<input type="checkbox"/>
	High Quality Environment: This includes having a "clean and green" local environment, reducing the borough's carbon footprint, improving waste and recycling rates, and delivering new homes with a good mix of housing tenures.	<input type="checkbox"/>
	Healthy & Proud Communities: This priority focuses on improving the health and physical/mental wellbeing of residents, reducing health inequalities, ensuring access to better leisure facilities and health services, and fostering a sense of pride in the community.	<input type="checkbox"/>
	Effective & Efficient Council: The aim is to provide good quality and responsive services, embrace new technology, be a financially sustainable council with a commercial outlook, and ensure sound governance.	<input checked="" type="checkbox"/>

1. PURPOSE OF THE REPORT AND EXECUTIVE SUMMARY

- 1.1 The Quarter 3 (Q3) Corporate Risks Register Update is reporting for months October, November and December 2025 and reflects risk at a point in time.
- 1.2 The report includes updates on the Council's 10 Corporate Risks, including current risk ratings, mitigation activity, and any emerging issues identified through the quarterly review process.
- 1.3 Overall, the Council's performance is strong. However, ongoing financial pressures, including those relating to wider economic conditions and service demand, continue to require close monitoring.
- 1.4 At the end of Quarter 3, the Corporate Risk Register indicates; 2 low risks, 7 medium risks and 1 high risk.
- 1.5 No risks are considered unmanageable, and mitigation actions continue to be actively monitored by the Corporate Management Team

2. RECOMMENDATIONS

- 2.1 That the Audit and Accounts Committee note the Council's Corporate Risk Register as detailed in this report.

2.2 That members note the risk consequence, mitigation action and level of risk as detailed in Appendix 1

3. BACKGROUND AND REASON FOR THE DECISION

3.1 The Council's approach to managing risk is set out within its Risk Management Strategy, which was last updated in March 2016.

3.2 The Strategy establishes the Council's risk monitoring and reporting framework. The Council has identified ten Corporate Risks, which are reviewed quarterly through the performance management framework.

3.3 Corporate Risks are monitored using a RAG-rated dashboard and are reported to both the Overview and Scrutiny Committee and the Audit and Accounts Committee.

3.4 Where a potential issue is identified through the monitoring process, the responsible officer is required to review the risk and identify appropriate mitigation actions to manage or reduce the level of risk.

3.5 The Councils Corporate Risks are categorised at the end of Q3 as follows:

	Quarter 3 2025/26
Low	2
Medium	7
High	1

3.6 The Corporate Risk Register is a dynamic document that reflects risks at a specific point in time. Quarterly reporting ensures that Members are kept informed of the Council's current risk profile and the effectiveness of mitigation actions.

3.7 The appendices provide detail to enable the Committee to review and scrutinise the implications of each corporate risk

3.8 Consideration of this report by the Audit and Accounts Committee supports transparency, effective scrutiny, and sound corporate governance

4. RISK

4.1 The Council's Corporate Risk Register continues to be monitored regularly by the Corporate Management Team to ensure emerging risks are identified promptly and existing risks are effectively managed.

4.2 Regular reporting provides assurance that risks are being managed in line with the Council's Risk Management Strategy and supports informed decision-making.

5. SECTION 151 OFFICER COMMENTS (FINANCE)

5.1 Financial implications and risks arising are identified within this report and within the individual risks detailed in Appendix 1.

5.2 The ongoing review of corporate risks supports the Council's financial resilience and medium-term financial planning.

6. MONITORING OFFICER COMMENTS (LEGAL)

6.1 There are no immediate legal considerations attached to the recommendations within this report.

7. INTEGRATED IMPACT ASSESSMENT IMPLICATIONS

7.1 An Integrated Impact Assessment is not required for this report. The report is for information and assurance purposes only and does not propose any new policies, strategies, or service changes.

7.2 The monitoring and reporting of the Corporate Risk Register supports effective governance and risk management arrangements across the Council. There are no direct equality, environmental, health, or socio-economic impacts arising from the recommendations within this report.

8. POLICY/STRATEGY FRAMEWORK IMPLICATIONS

8.1 Effective risk management is a key element of good governance. The Council is committed to continuously improving how it identifies, manages, and mitigates risk.

8.2 Robust and transparent scrutiny, alongside timely corrective action, supports the Council in maintaining strong governance and delivering its strategic priorities.

9. LOCAL GOVERNMENT REORGANISATION IMPLICATIONS

9.1 There are no direct Local Government Reorganisation implications arising from this report.

10. BACKGROUND PAPERS

10.1 Corporate Risk Register Q3 2026/26 – Appendix 1

Risk	Responsible Officer	Status	Comments
Risk 1 – Sustainability of the Medium-Term Financial Strategy Responsible	Chris Warren	Ongoing	
Risk 2 – Major Disaster affecting the Delivery of Council Services	Clare Law	Ongoing	
Risk 3 – Incident resulting in Death or Serious Injury or HSE Investigation	Clare Law	Ongoing	
Risk 4 – Changes to Government policy on the delivery of the Council's services	Rob Huntington	Ongoing	
Risk 5 – Sustainable Workforce	Clare Law	Ongoing	
Risk 6 – Insufficient data and cyber security	Andrew Buckle	Ongoing	
Risk 7 – Poor communications and public relations	Clare Law	Ongoing	
Risk 8 – Non – Delivery of Corporate Programmes	Rob Huntington	Ongoing	
Risk 9 – Financial Sustainability of Council Owned Leisure Assets	Chris Warren	Ongoing	
Risk 10 – Waste Transfer Station	Andy Taylor	NEW	

Risk 1 – Sustainability of the Medium Term Financial Strategy

Responsible Officer - Chris Warren

Description

The Council's latest Medium Term Financial Strategy update indicates an underlying funding gap of c£574k in 2025/26, increasing each year thereafter to £934k in 2028/29. The Council must take appropriate action in order to balance its annual expenditure against its available annual income and other revenue resources. The Council has a legal obligation to publish an annual balanced budget; this means its budget expenditure must equal its available income and any available reserves. Council reserves are limited and equate to only circa 4 years given the anticipated funding gap. Therefore, additional income must be identified or annual costs reduced in future years. The current cost of living crisis may also add to the pressure on the Medium Term Financial Strategy through pay award, utility costs, contract inflation and Council Tax/NNDR collection rates.

Risk Consequence

If the Council is not able to prepare a balanced budget there would be legal ramifications, but would ultimately impact on the level of services the Council is able to deliver to Rossendale residents and would result in major reputational damage.

Mitigation

The Medium-Term Financial Strategy does not indicate a significant narrowing of the gap in the next four years. New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the council will need to be challenged to become more effective.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
2	5	10	AMBER

The income and savings groups have drawn up a long list of savings and income proposals which are being worked through to assign responsibility and action for delivery. Some of the savings have already been delivered through efforts to effectively manage utilities. Some items will need formal approval for delivery. The Council is forecasting an underspend in excess of £500k at the end of Q2 lessening the pressure on reserves and following on from the underspend reported at the year ended 31st March 25 at which point the Council held usable reserves in the sum of c£17m with an annual revenue budget of c£11.5m. The provisional settlement was relatively positive for the Council and at the time of writing the budget consultation and approval processes are in progress. On the assumption that there is no significant movement in the financial settlement the Council has sufficient resources to deliver its core service objectives throughout the currency of the medium-term financial strategy. Monitoring of the revenue and capital budgets of the Council and appropriate check challenge and action off the back of this monitoring remains a key control to minimise the risk of failure. This risk should remain on the Council's corporate risk register through Local Government Reorganisation.

Q3 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
2	5	10	AMBER

Risk 2 – Major Disaster affecting the Delivery of Council Services

Responsible Officer - Clare Law

Description

The Council has statutory duties under the Civil Contingencies Act (2004) and to carry out emergency planning and business continuity management activities to minimise the impact of a civil emergency or business interruption on people living, working and visiting the borough.

Risk Consequence

Failure to have robust contingency plans in place could result in the failure to deliver Council services, such as, the collection of residential and trade waste, burial services and payment of suppliers and benefits.

Mitigation

A robust Council Emergency and Business Continuity Plan is in place. Service continuity plans are updated and tested regularly through a quarterly Emergency Planning meeting. The plans are embedded with the Corporate Management Team as critical working documents to support the continued delivery of essential council services. All managers have a copy of the overall plan and their service plan and keep them under review. The Council is a member of Lancashire County Council Local Resilience Forum. Officers attend meetings and undertake regular training exercises. The council plans are available on the Resilience Direct website. Mutual aid agreements are in place with all Local Authorities across Lancashire.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
2	4	8	AMBER

Q3 Update

The Local Emergency Response Plan is in the process of being reviewed and updated. The internal Emergency Planning Team meets quarterly, with the last meeting held in October 2025. The Business Continuity exercise was postponed due to competing priorities, including Local Government re-organisation. Officers continue to attend relevant Local Resilience Forum meetings to remain up to date with current arrangements, contribute to the development of plans and take part in exercises to test LRF plans. Work is ongoing with Local Authorities across Lancashire to assess and respond to the impact of Local Government Reorganisation.

Flooding is a key emergency planning risk for RBC and Officers have been involved in several work streams on flood prevention and response:

Discussions are ongoing with LCC and the Environment Agency, to plan to respond to a blockage or restriction in the flow of Limey Water in Rawtenstall town centre. The main concern at the time was a potential building collapse and RBC are planning to commission a structural survey to assess the current risks from the property concerned. During Q3, part of the culvert over Limey Water and in Rawtenstall Cemetery collapsed and a sink hole opened up. Whilst no blockage of the river occurred there was a significant risk of further collapse and work has been undertaken to plan and commission urgent repair works. These will commence during Q4 and will reduce the flood risk in this area.

Grant funding for community groups to acquire emergency communication systems has been withdrawn. However, RBC has now purchased an Emergency Radio Aerial Link (ERAL) radio and base unit. This will enable communication to be maintained across Lancashire in the event of a failure of the mobile and internet network or a power outage. Officer take part in monthly testing of the ERAL network across Lancashire.

Q3 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
3	4	12	AMBER

Risk 3 – Incident resulting in Death or Serious Injury or HSE Investigation

Responsible Officer - Clare Law

Description

Under the Health and Safety at Work Act (1974), the Council has a duty of care towards the health, safety and wellbeing of its employees and others who may be affected by our work. In the event of a RIDDOR reportable accident, there is a risk of a Health and Safety Executive investigation and potential for a civil claim for damages.

Risk Consequence

Failure to comply with current legislation and demonstrate compliance may result in harm to staff and others, financial loss and enforcement action.

Mitigation

The Council has health and safety policies and procedures including a Health and Safety Incident Reporting Procedure in place along with a safe working culture. Actions need to be completed to address and implement a consistent approach across the Council in order to secure compliance.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	3	5	15	AMBER

Q3 Update

Work on the inspection of memorials has continued during Q3, with all high-risk memorials across the four RBC cemeteries being inspected and made safe. Further work will be undertaken to inspect all remaining memorials in RBC cemeteries and in the nine closed churchyards which RBC maintain. A completion date in Q4 has been agreed with the Health and Safety Executive (HSE). Completion of this work will complete the actions required by the HSE as a result of their investigation into the accident that occurred in Rawtenstall Cemetery in Q2.

The Senior Leadership Team undertook IOSH Leading Safely Training in Q3, with all Officers making commitments to improve health and safety management within their areas of control.

The action plan from the serious accident which occurred in Q4 2024/25 continues to be progressed and is monitored by the Joint Consultative Committee (JCC). The JCC approved the review of policies on Legionella Management, Asbestos Management within Buildings and First Aid. The new Drugs and Alcohol Policy was presented to the JCC for further consultation. Feedback was received from the Union and has been incorporated into the policy, which will be presented to JCC for approval in Q4. Joint workplace inspections with Unison have continued.

Accidents and incidents continue to be monitored and investigated, with lessons learned shared via JCC and the Operations Health and Safety Committee, to try to prevent recurrence and improve standards of health and safety.

Q3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	4	5	20	RED

Risk 4 – Changes to Government policy on the delivery of the Council’s services

Responsible Officer - Rob Huntington

Description

As a statutory body, the Council is subject to changes in policy and legislation proposed or implemented by central government that could affect how services are delivered to residents and businesses. This includes potential changes arising from local government reorganisation, which may impact the Council’s structure, responsibilities, and service delivery models.

Risk Consequence

There is a risk that the Council may fail to respond effectively and prepare for policy changes or structural reforms, including local government reorganisation, leading to disruption in service delivery, loss of local influence, or resource pressures.

Mitigation

The Council is an active member of the Local Government Association and District Councils Network, which provide updates on government policy and consultations. The Council also subscribes to daily briefings from the Local Government Information Unit (LGIU), including government news and policy analysis. The Chief Executive and Leader of the Council meet regularly with the borough’s MPs to raise local priorities and discuss emerging national issues. The Corporate Management Team continually monitors and assesses government positions on funding distribution, policy developments, and potential local government reorganisation proposals to ensure timely preparation and response.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
1	2	2	GREEN

The Council’s Policy, Performance, and Communications Officer receives regular policy bulletins and legislative updates from government departments and undertakes a weekly horizon scanning exercise. Updates are shared with the Senior Leadership Team and cascaded to relevant officers. ‘Horizon Scanning and Policy’ is a standing agenda item at the Corporate Management Team’s weekly meeting, facilitating ongoing discussions on recent announcements, funding opportunities, and other government updates to determine any required actions. Staff also attend webinars, and the Chief Executive regularly participates in the North West Chief Executives and Lancashire Chief Executives meetings, both with representation from the Local Government Association.

During Q3, five Local Government Reorganisation (LGR) proposals were submitted to Central Government for consideration. Officers continued to represent Rossendale through Lancashire-wide LGR working groups, including the Chief Executives Group and the HR and Workforce, Finance, Legal, Communications and Data workstreams. Participation in these groups will continue to ensure Rossendale’s interests are represented and that the Council remains fully engaged throughout the reorganisation process.

Q3 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
1	2	2	GREEN

Risk 5 – Sustainable Workforce

Responsible Officer - Clare Law

Description

There is a requirement to have a sustainable workforce to deliver the Council services to residents and customers.

Risk Consequence

Failure to have a fully resourced, trained staff could result in the failure to deliver statutory and non-statutory service in a safe and professional manner to residents and customers.

Mitigation

The Council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework and Service Area Business Continuity Plans in place to mitigate any staffing challenges such as loss of staff due to the impact of an epidemic or pandemic. HR will work with managers to develop workforce succession planning. The Council provides an attractive benefit package including final pension scheme, flexible working, generous annual leave, a purchase leave scheme, free onsite parking, family friendly policies, discounted gym memberships and a cycle scheme to attract and retain staff.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	2	3	6	AMBER

Sickness absence at Q3 stands at 6.81 days per employee, projecting to approximately 9 days annually if current trends continue. This represents an improvement from Q3 2024 (9.04 days).

Q3 turnover was 3 employees, significantly below the quarterly average of 7. Exit interviews identified varied reasons for departure including travel time, career opportunity at other local authorities and performance issues during the probationary period. No systemic organisational concerns requiring intervention were identified.

Recruitment and retention challenges persist in critical service areas, particularly Environmental Health and Operations vehicle maintenance unit (workshop). To mitigate these difficulties, alternative opportunities have been explored and put in place which includes joint working with another local authority and recruiting part qualified professional officer to develop experience and enhance retention.

Q3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	4	3	12	AMBER

Risk 6 – Insufficient data and cyber security

Responsible Officer - Andrew Buckle

Description

Cyber security presents one of the most challenging areas for both the public and private sectors. With the proliferation and severity of attacks constantly increasing this represents a major threat.

Risk Consequence

Cyber-attack resulting in a complete loss of all systems coupled with malware being spread across the entire network. Data breach resulting in information loss causing reputational damage and resulting in a financial penalty due to non-compliance with statutory requirements such as General Data Protection Regulation, Payment Card Industry Data Security.

Mitigation

To protect against a data breach the Council, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. The Council's Data Centres hold the following accreditations: ISO27001:2013 and the Payment Card Industry Data Security. The Council adopts a Risk Insight approach to determine the threat Landscape and more importantly its evolution. The Council has received notification of meeting the Public Services Network which means the Councils' infrastructure met all the security requirements to allow connection to the Public Services Network. A cyber security training is to be provided for all staff.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	3	5	15	AMBER

Quarter 3 Update

As part of our Defence in Depth security approach and increased risk in supply chain and third-party vendors. The following work has been conducted:

- Full Audit of one of Rossendale's Data Centres was carried out in Dec 25. The Audit covered: Physical Infrastructure, Redundancy & Resilience, Security, Documentation, Compliance, Monitoring & Reporting.
- Preparation for the Q4 – Q1 26-27 PSN security audit has commenced.

Q3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	3	5	15	AMBER

Risk 7 – Poor communications and public relations

Responsible Officer – Clare Law

Description

Effective communication and public relations are vital for informing, maintaining, and strengthening relationships with our stakeholders, supporting the successful delivery of the Valley Plan 2025–2029, and ensuring effective and efficient Council services.

Risk Consequence

Failure to proactively communicate, respond to emerging issues, or inadequate or inappropriate communications could significantly damage the Council’s reputation at a local, regional, or national level. Reputational damage can negatively impact staff morale, public trust, and weaken relationships with stakeholders, ultimately affecting the successful delivery of our Valley Plan 2025-2029 and services.

Mitigation

The Council has a range of digital, traditional, and internal communication methods to ensure effective outreach and engagement with stakeholders. The Council’s Communications Team supports officers in delivering timely, consistent messaging that aligns with and reinforces the objectives of the Valley Plan 2025–2029. For high-profile or potentially controversial issues, an established escalation and sign-off process is followed to ensure communications are reviewed, authorised, and aligned with corporate priorities and reputational risk management.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
4	2	8	AMBER

In partnership with Viva PR, the Council continues to deliver external communications via its website, social media channels, and media releases. During Q3, 16 positive press releases were issued, helping to promote Council services, initiatives, and achievements.

The Council’s Facebook following has now reached 10,276, increasing by 276 in the quarter. Reputational risk on social media has seen a slight dip in Q3, with positive sentiment 25% (down from 28%) negative sentiment 30% and neutral sentiment remaining the highest 45%. The continued use and updating of FAQ documents for potentially contentious announcements is helping to manage misinformation and reduce negative responses. Proactive messaging was released, including updates on Rawtenstall Market move, Haslingden Deardengate and approval of the waste transfer station to protect services and jobs.

Q3 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
3	2	6	AMBER

Risk 9 – Financial Sustainability of Council Owned Leisure Assets

Responsible Officer – Chris Warren

Description

National lockdowns due to Covid-19 resulted in Council owned leisure facilities closing for extended periods. During closure no income was received and outside of lockdown periods, income was significantly reduced. The cost of living crisis will have a significant negative impact on utility and salary costs for the Trust. This has impacted the financial sustainability of the Trust.

Risk Consequence

If the Council owned leisure assets are to be sustained in the longer term, the operators of the facilities have little recourse to additional funding to survive other than through the Council. This financial impact was managed in 2021/22 through additional government grants and Council support, however the real impact is likely to be felt in 2022/23, 2023/24 and continues in 2024/25.

Mitigation

A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact have been implemented. Senior Council officers are attending the Trust Board to ensure we work together to minimise costs and an intensive monitoring process is in place. Funding through a Covid-19 specific Sport England Fund has been received though this is limited in its amount and did not cover retrospective losses. Constant monitoring of future business plans and work in partnership to maximise income and reduce costs continues.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
2	5	10	AMBER

A well-known sector consultancy firm is nearing the end of a review of the sufficiency, operations and governance arrangements for the Council owned leisure assets and the Trust. Some preliminary preliminary findings from the review have been used to make provisions in the draft 2026/27 budget for investment in the Trust. The Trust forecast remains at a position which will deliver an outturn which will be close to budget. Monitoring and control remain critical to mitigating this risk. Alongside appropriate multi-party decision making and actions arising from the finalised review which is likely to be in the first half of the 2026/27 year.

Q3 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
2	5	10	AMBER

Risk 10 – Waste Transfer Station

Responsible Officer – Andy Taylor

Description

Following LCC's decision not to enter into a contract with Whinney Hill for the disposal of Residual Waste and Central Government's decision on the introduction of Domestic Food Waste Collections our current Waste Transfer Station no longer meets legislative requirements and as such needs replacing.

Risk Consequence

Failure to have an operational Waste Transfer Station at April 2026 will result in additional costs for running residual waste and food waste directly to Farrington.

Mitigation

The Council has a single source collaborative plan review document which will be updated and actioned on a monthly basis. A permanent resource requirement is being assessed for the Economic Development team and will feed into the budget setting process for 2025-26. On the assumption that this is accepted, recruitment of permanent, qualified staff will support delivery.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	4	3	12	AMBER

Full Council approval has been granted for the project, Caulmert have been appointed to RIBA Stage 5 and we are currently awaiting tender documents from Barnfield. It has been agreed to award the build contract to Barnfield subject to them being able to deliver the contract under budget. The site clearance element of the project has been awarded to Barnfield and this will commence week beginning 3rd Feb to comply with planning conditions. A full build timescale will be submitted by Barnfield as part of the tender process

Q3 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	3	1	3	GREEN

Report Title:	Review of the 2026/27 Treasury Management Policy and Procedures		
Report to:	Audit and Accounts Committee	Date:	18 th February 2026
Report of:	Director of Resources	Cabinet Portfolio:	Resources
Cabinet Lead Member:	Councillor Walmsley	Wards Affected:	All
Key Decision:	<input type="checkbox"/>	Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/> Special Urgency <input type="checkbox"/>
Integrated Impact Assessment:	Required:	No	Attached: No
Contact Officer:	Chris Warren	Telephone:	
Email:	chriswarren@rossendalebc.gov.uk		

Valley Plan Priorities	Thriving Local Economy: This involves securing new inward investment, creating a sustainable economy, matching local skills with future job opportunities, and supporting town centres as unique destinations.	<input type="checkbox"/>
	High Quality Environment: This includes having a "clean and green" local environment, reducing the borough's carbon footprint, improving waste and recycling rates, and delivering new homes with a good mix of housing tenures.	<input type="checkbox"/>
	Healthy & Proud Communities: This priority focuses on improving the health and physical/mental wellbeing of residents, reducing health inequalities, ensuring access to better leisure facilities and health services, and fostering a sense of pride in the community.	<input type="checkbox"/>
	Effective & Efficient Council: The aim is to provide good quality and responsive services, embrace new technology, be a financially sustainable council with a commercial outlook, and ensure sound governance.	<input checked="" type="checkbox"/>

1. PURPOSE OF THE REPORT AND EXECUTIVE SUMMARY

- 1.1 The Treasury Management Strategy (TMS), Annual Investment Strategy (AIS) and Treasury Management Policy & Practices (TMPs) for 2026/27 set out how the Council will manage borrowing, investments, cash flows and associated financial risks in compliance with the CIPFA Treasury Management Code and Prudential Code (2021).
- 1.2 The documents are presented annually and require approval by Full Council, following scrutiny by Cabinet and the Audit & Accounts Committee.
- 1.3 This report brings the policies and procedures forward to the Committee and highlights the salient points for review.

2. RECOMMENDATION

- 2.1 That the Audit and Accounts Committee review the 2026/27 treasury management policy and procedures and make any necessary recommendations to Council.

3. BACKGROUND AND REASON FOR THE DECISION

- 3.1 The Council's Strategy and Practices are reviewed and updated each year and are fully aligned with the revised CIPFA Codes (2021) and relevant statutory guidance. It is best practice for the Audit & Accounts Committee's to:

- Review treasury management policies and procedures.
 - Provide assurance on governance, risk management and internal control.
- 3.2 The Strategy as drafted represents a prudent approach to treasury management in a period of continued economic and interest rate uncertainty.
- 3.3 In the 2026/27 policy minor amendments have been made to the Treasury Management Policy and Practices for 2026/27, primarily to:
- Reflect updated Treasury Management Strategy content.
 - Clarify arrangements relating to related parties and subsidiaries.
- 3.4 The Council continues to adopt MUFG Asset Services pro forma documentation, ensuring consistency with best practice.
- 3.5 The Council does have a small level of borrowing and remains in an under borrowed position, using internal cash balances to defer external borrowing where prudent. This approach reflects expectations that longer term interest rates may fall over the medium term, albeit with uncertainty. The policy dictates that borrowing decisions will remain pragmatic and responsive to market conditions, with no borrowing undertaken purely for investment return and no borrowing in advance of need without a clear value for money case.
- 3.6 The borrowing limits, which are control and monitoring tools, stated in the policy for 2026/27 are:
- Operational Boundary: £18m
 - Authorised Limit: £20m
- The Council currently has borrowings of c.£3m and with the forecast spending plans will remain within these tolerances.
- 3.7 The Capital Financing Requirement (CFR) increases in 2026/27 by £12.0m, reflecting approved capital schemes including:
- Town centre regeneration projects.
 - Rawtenstall Gyatory.
 - Waste Transfer Station.
- 3.8 The Minimum Revenue Provision (MRP) policy continues to apply the asset life (annuity) method, ensuring debt repayment aligns with asset use. No changes are proposed to the MRP approach.
- 3.9 Where the Council has Surplus Cash it makes investments which are limited to low risk, highly creditworthy counterparties by the use of:
- UK Government instruments.
 - Local authorities.
 - Highly rated banks and money market funds.
- 3.10 There are no material changes to investment risk appetite from 2025/26.
- 3.11 The Council complies with enhanced quarterly treasury reporting requirements with treasury activity being reported through the annual strategy and policy, with mid-year and quarterly updates and an annual outturn report

- 3.12 Internal controls are supported by clear segregation of duties, documented dealing and authorisation procedures, regular reconciliation and audit trails, with internal audit providing independent assurance over treasury management arrangements.
- 3.13 The Council maintains a formal training framework for officers and members involved in treasury management. Training needs are reviewed regularly and recorded.
- 3.14 Member training took place in July 2025, further sessions will be arranged as required.
- 3.15 The training framework supports compliance with the strengthened knowledge and skills requirements of the CIPFA Code.
- 3.16 In summary The Treasury Management Strategy and Practices for 2026/27 are robust, compliant and proportionate, with risk management arrangements that are comprehensive and well embedded. The Council's governance, reporting and internal control arrangements remain strong.

4. RISK

4.1 The Council's treasury management activity continues to prioritise:

- i) Security of capital
- ii) Liquidity
- iii) Yield, only after the above are satisfied

4.2 Key risks identified and managed include:

- Credit and counterparty failure.
- Liquidity risk arising from reduced cash balances.
- Compliance risk with statutory and professional requirements.
- Interest rate volatility.

Risk controls include:

- The definition of strict counterparty credit criteria for organisations that the Council may wish to transact with.
- Use of credit ratings supplemented by market indicators to assess the organisations that the Council may transact with, in line with the above point.
- Defined borrowing and investment limits through Prudential Indicators to minimise the financial risk in its treasury activity.
- Regular monitoring and reporting, including quarterly treasury updates.

5. SECTION 151 OFFICER COMMENTS (FINANCE)

5.1 All financial implications are included within the body of the report.

6. MONITORING OFFICER COMMENTS (LEGAL)

6.1 There are no direct legal implications arising from the recommendations in this report. The Council has complied with its statutory obligations arising from the Local Government Act, the Local Government Finance Act and all relevant CIPFA codes and guidance.

7. INTEGRATED IMPACT ASSESSMENT IMPLICATIONS

7.1 None.

8. POLICY/STRATEGY FRAMEWORK IMPLICATIONS

8.1 The Treasury Management Policy and Practices.

9. LOCAL GOVERNMENT REORGANISATION IMPLICATIONS

9.1 None.

10. BACKGROUND PAPERS

10.1 Treasury Management Practices 2026/27 (Appendix A).



ROSSENDALE
BOROUGH
COUNCIL



Appendix A

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement
and Annual Investment Strategy
2026/27



Effective and Efficient Council

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1. Key considerations

1. **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMS/AIS reports and the risk management framework**

CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code required all investments and investment income to be attributed to one of the following three purposes: -

Treasury management

Arising 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. 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.

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".

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.

The revised Treasury Management Code requires an authority to implement the following: -

2. **Adopt a 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;
3. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
4. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
5. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
6. **Reporting to members is to be done quarterly**. Specifically, the Director of Resources (s.151) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The s.151 officer is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as

part of the Authority's integrated revenue, capital and balance sheet monitoring;

7. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

The Authority's Capital Strategy or Annual Investment Strategy should include: -

1. The Authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the Authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the Authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent, expert advice and scrutiny arrangements, noting that while business cases may provide some of this material, the information they contain should be periodically re-evaluated to inform the Authority's overall strategy;
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

As this TMS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the two year time horizon of this report, (or a longer time horizon if that is felt appropriate).

1.1 Background

The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority'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 Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

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

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy

requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

Members are currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) -
The first, and most important report is forward looking and covers: -
 - the capital plans, (including prudential indicators)
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
 - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an Annual Investment Strategy, (the parameters on how investments are to be managed)

- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, members will receive quarterly update reports.

- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Cabinet.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June, September, December and March) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Cabinet. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

1.3 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.4 Training

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

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.”

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

Member training took place during 2025/26, further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed and actioned.

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

1.5 The Authority uses treasury management consultants, MUFG Treasury Services Limited as its external treasury management advisors.

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

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority 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.

2. THE CAPITAL PRUDENTIAL INDICATORS 2026/27 – 2027/28

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

2.1 Capital Expenditure and Financing

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

Table 1

Capital Expenditure	2026/27 £'000	2027/28 £'000	Total Expenditure £'000
Operations & Communities	10,271	680	10,951
Corporate Services & Buildings	3,420	265	3,685
Housing	2,021	1,000	3,021
Regeneration	12,786	1,737	14,523
Climate change	1,679	-	1,679
Total	30,177	3,682	33,859

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2

Financing of Capital Expenditure	2026/27 £'000	2027/28 £'000	Total Expenditure £'000
Capital Receipts	3,123	-	3,123
Capital Grants	14,135	2,737	16,872
Capital Reserves	-	-	0
Earmarked Reserves	215	-	215
Total in-year resources	17,473	2,737	20,210
Net Financing need for year	12,704	945	13,649

2.2 The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR 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 Authority's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

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

The CFR includes any other long-term liabilities (for example, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes already include a borrowing facility provided by the lease financier and so the Authority is not required to separately borrow for these schemes.

Members are asked to approve the CFR projections below:

Table 3

Capital Financing Requirement (CFR)	2026/27 Estimate £'000	2027/28 Estimate £'000
Opening CFR	18,344	30,346
Movement in CFR	12,002	7
Closing CFR	30,346	30,353
Movement in CFR is represented by		
Net Financing need for year	12,704	945
Less MRP repayments	- 702	- 938
Movement in CFR	12,002	7

The movement in CFR in 2026/27 is £12,002k, which includes the following projects:

- Rossendale Town Centres (CRP)
- Rawtenstall Gyratory (CRP)
- Building of Waste Transfer Station

Table 4

External Borrowing Requirement	2026/27 Estimate £'000	2027/28 Estimate £'000
Service Spend	9,581	945
Housing	450	-
Regeneration	2,673	-
Closing CFR	12,704	945

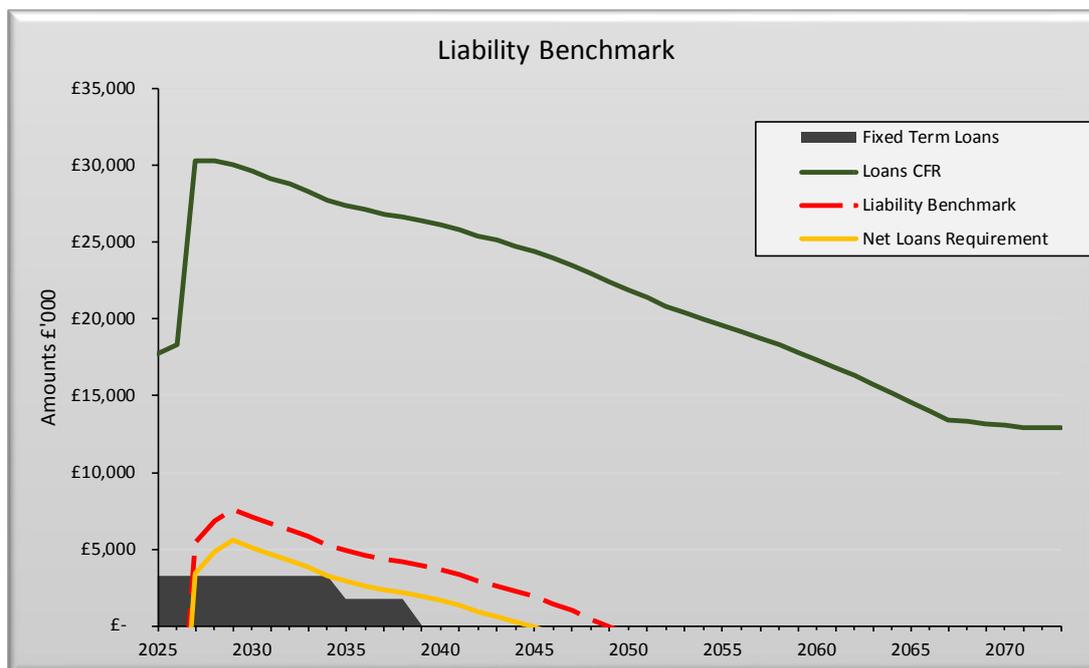
2.3 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Table 5



2.4 Core Funds and Expected Investment Balances

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

Table 6

Year End Resources	2026/27 Estimate £000	2027/28 Estimate £000
General Fund Balance	1,000	1,000
Earmarked Reserves	13,941	11,710
Capital Receipts	1,600	-
Government Grants Unapplied	250	100
Net to/(-)from reserves	(2,231)	(1,115)
Total Reserves	14,560	11,695
(Under)/Over Borrowing (see 3.1)	(14,920)	(14,774)
Expected Resources	(360)	(3,079)
Cash Balances	9,000	6,400
Working Capital*	8,640	3,321

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

2.5 Minimum Revenue Provision (MRP) Policy Statement

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 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 MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

Members are recommended to approve the following MRP Statement:

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life method (annuity)** – MRP will be based on the estimated life of the assets;

Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28, or in the year after the asset becomes operational.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment.

For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Cumulative VRP overpayments made to date are £657k (made in 2018/19).

3. BORROWING

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

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31/03/25 and for the position as at 31/12/2025 are shown below for both borrowing and investments.

Table 7

Treasury Portfolio	31/03/2025 Actual £000	31/12/2025 Current Portfolio £000
External Borrowing:		
Public Works Loan Board Loan 1	1,840	1,748
Public Works Loan Board Loan 2	1,450	1,400
Total External Borrowing	3,290	3,148
Treasury Investments:		
Nat West	1,817	1,241
Handelsbanken	-	-
Lloyds	2,000	2,000
LCC Call Account	2,000	2,000
DMO	6,000	20,000
Total Treasury Investments	11,817	25,241
Net Borrowing / (Lending)	(8,527)	(22,093)

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

Table 8

Borrowing Position	2026/27 Estimate £000	2027/28 Estimate £000
Debt at 1st April	3,006	15,426
New Debt	12,704	945
Debt Repayments	(284)	(792)
Debt at 31st March	15,426	15,579
PWLB Loan 1	1,472	1,288
PWLB Loan 2	1,250	1,150
Estimated New Debt	12,704	13,141
Capital Financing Requirement (CFR)	30,346	30,353
Under / (over) Borrowing	14,920	14,774

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following financial year. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Resources reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

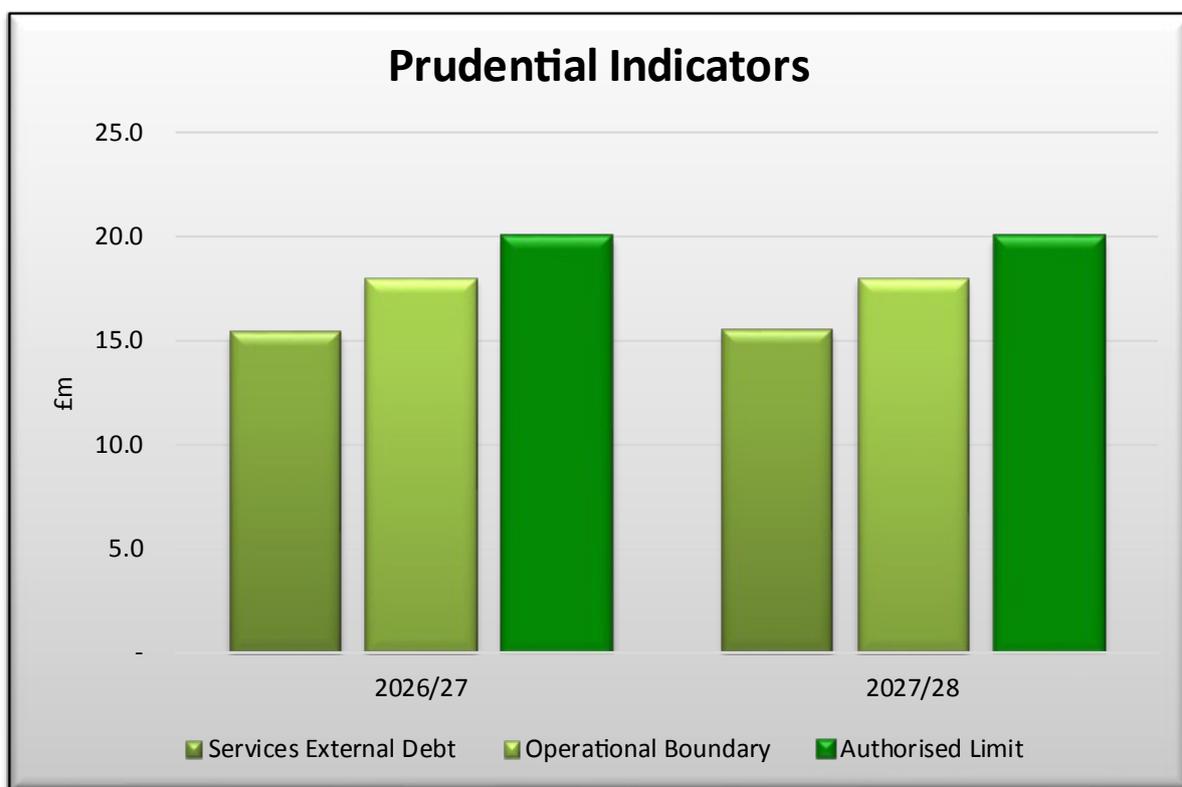
3.2 Treasury Indicators: Limits to Borrowing Activity

- **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.
- Members are asked to approve the following Operational boundary of £18m

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

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- Members are asked to approve the following authorised limit of £20m
- In graphical terms the relationship between the total CFR, the current external borrowing and the suggested authorised limits and operational boundaries can be shown below. The prudent level of future potential borrowing is clearly visible as the gap between the forecast CFR and the current and future estimated borrowing levels.

Table 11



3.3 Prospects for Interest Rates

4. Members have appointed MUFG Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG provided the following forecasts on 11 August 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

5.

MUFG Corporate Markets Interest Rate View 11/08/2025													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

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

- Our last interest rate forecast update was undertaken six months ago, in February 2025. Throughout the intervening period we have successfully forecast a gradual reduction in Bank Rate, although we were not overly persuaded that a cut in August was the correct policy, given even the Bank of England anticipates CPI inflation hitting 4% in the autumn. As it happened, 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 that future rate cuts would be undertaken “gradually and carefully”.

- What we also know after last week’s release of the Bank of England’s Quarterly Monetary Policy Report is that annual UK GDP is expected to be in the region of 1.2% for Q3 2025, rising to 1.7% by Q3 2028. The Bank anticipates wage growth to moderate to a sustainable 3.75% and CPI inflation to return to 2% in around 18 months’ time.
- With the August rate cut now done, we are comfortable revising our previous forecast for a November rate cut, instead pushing that back to February 2026, on the basis that CPI inflation should have peaked by then and will be on a slow downwards trajectory back to 2% by 2027. Further gradual reductions in Bank Rate to 3.25% are then anticipated but, and it is a big BUT, only if inflation and employment data are supportive of such cuts.
- For threats to that central scenario abound. What if wage increases remain stubbornly high and in the region of 5% even as the economy stutters towards a position of flatlining or tepid growth? There are several sectors of the domestic economy, including social care provision, where staff shortages remain - even as unemployment ticks higher (currently 4.7%). And what about the hikes in general taxation likely to arise from the November (date still to be confirmed) Budget? There is an estimated £15bn - £25bn second “black hole” to fill, so will there be further borrowing announced by the Chancellor to add to taxation funding? 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 decision in September (currently 85% prospect of a rate cut) and the ongoing tariff policies emanating from the White House. And, of course, how will the ongoing conflicts in the Middle East and between Russia and Ukraine influence matters?
- Moreover, it looks likely that the Bank of England will reduce the pace of its Quantitative Tightening from an annual £100bn (October 2024 to September 2025) to a range between £60bn and £75bn from October 2025 (Market Participants Survey, August 2025). If that policy move also sees a shift in the gilts being sold to having shorter durations, this should prove supportive of the gilt market generally.
- 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. But for the 10-, 25- and 50-years part of the curve, the aforementioned factors may all have a role to play in whether we end up above, close to or below our new forecasts. As it is, we have lifted our starting points and finishing points within the medium to longer dated forecasts. Clients will be aware from presentations at our Strategic Issues webinars that net annual gilt issuance of c£180bn is around a four-fold increase compared to recent annual issuance, and with pension fund and insurance company investment favouring shorter durations, it has been left to transient foreign investors and hedge funds to fill the investor vacuum. Whilst this backdrop prevails, we see no obvious reason why medium to longer gilt yields will not remain at elevated levels, even allowing for a gradual reduction in inflation over the course of the forecast. Consequently, our forecasts at Q3 2028 are 20 basis points higher than previously projected for the 10 years and 50 basis points higher for 25 to 50 years.
- Our revised PWLB rate forecasts below 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 the Budget.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

- The MUFG Corporate Markets forecast for average earnings are averages i.e., rates offered by individual entities may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB borrowing	Current borrowing rates as at 11/08/2025 p.m. %	Target borrowing rate now (end of Q2 2027) %	Target borrowing rate previous (end of Q2 2027) %
5 years	4.78	4.20	4.20
10 years	5.36	4.70	4.50
25 years	6.10	5.40	5.00
50 years	5.87	5.20	4.70

Borrowing advice: Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our 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)	3.90	4.10
2026/27	3.60	3.60
2027/28	3.30	3.50
2028/29	3.50	3.50
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad-hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if further rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Director of Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

Any decisions will be reported to the Cabinet at the next available opportunity.

3.5 Policy on Borrowing in Advance of Need

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

3.6 Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling is to be undertaken, it will be reported to the Cabinet, at the earliest meeting following its action.

3.7 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local/Community Municipal Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

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

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

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

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

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use.
5. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

6. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

7. **Transaction limits** are set for each type of investment in 4.2.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

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

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

The Director of Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Full Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which members may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by MUFNG Corporate Markets, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Authority will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AAA

and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

- i. Short Term – F1
 - ii. Long Term – A
- Banks 2 – The Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this cash balances will be minimised in both monetary size and time invested.

- Bank subsidiary and treasury operation - The Authority will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Money Market Funds (MMFs) using only those with AAA long-term rating backed up with lowest volatility rating Money Market Funds (MMFs)
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Housing associations
- Rossendale Leisure Trust
- Other related parties (where a charge can be placed on land or equity to preserve the Councils right to resources)

Use of additional information other than credit ratings. Additional requirements under the Code require the Authority to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Authority's counterparty list are as follows (these will cover both specified and non-specified investments): -

Table 12

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government	n/a	n/a	£ Unlimited 5 years
UK Treasury Bills	n/a	n/a	£1m in Total for 6 months
UK Local Authorities	n/a	n/a	£8m each for periods of up to 1 year
Investment Rated A- Money Market Funds (Note 5) Registered Providers (Note 6) Any other organisation (Note 7)	£5m each for 6 months	£5m each for 6 months	n/a
	£2m per Fund up to 6 months		
	£2m in total for 1 year		
	£1.5m for maximum of 10 years		

Notes to Table 12: -

1. Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

2. Banks unsecured: Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See

below for arrangements relating to operational bank accounts.

3. Banks secured: Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

4. Government: Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a crisis.

5. Pooled Funds: These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. There is no sector limit applying to Money Market Funds although the Council will take care to diversify its liquid investments over a variety of providers to minimise risk.

6. Registered providers: These are longer term loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by Homes England and are likely to receive government support if needed.

7. Other organisations: This is subject to an external credit assessment, specific advice from the Council's treasury management adviser and full Council approval.

Operational bank accounts: The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will be up to a maximum of £8m, or 50% of the resources available at the time of investing, whichever is the larger.

The proposed criteria for specified and non-specified investments are referenced in Section 5.4 below.

Creditworthiness

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities has access to this information via its MUFG Corporate Markets-provided Passport portal.

4.3 Limits

Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups and sectors.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

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

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2027.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 11 August 2025 and are as follows: -

Table 13

Average earnings in each year	Now %	Previously %
2025/26 (residual)	3.90	4.10
2026/27	3.60	3.60
2027/28	3.30	3.50
2028/29	3.50	3.50
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

Caution must be exercised in respect of all interest rate forecasts.

For its cashflow generated balances, the Authority will seek to utilise its SIBA instant access and notice accounts, Money Market Funds and short-dated overnight deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

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

Members are asked to approve the following treasury indicator and limit: -

Table 14

Upper limit for principal sums invested for longer than 365 days		
	2026/27	2027/28
Principal sums invested for longer than 365 days	£1.5m	£1.5m



4.5 Investment Performance / Risk Benchmarking

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

- Security – The Authority’s maximum security risk benchmark for the current portfolio. The exposure to credit risk is monitored by measuring the average credit rating of its investment portfolio with a target rating of A-.
- Liquidity – in respect of this area the Authority seeks to manage its cashflow so as not to go overdrawn.
- Yield – for returns on investments is the Sterling Overnight Index Average (SONIA). Actual investment returns are monitored against budget.

4.6 End of Year Investment Report

At the end of the financial year, the Authority will report on its investment activity as part of its financial monitoring process.

5 APPENDICES

1. Prudential and treasury indicators
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the section 151 officer

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2026/27 – 2027/28

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

5.1.1 Capital Expenditure

Table 15

Capital Expenditure	2026/27 £'000	2027/28 £'000	Total Expenditure £'000
Operations & Communities	10,271	680	10,951
Corporate Services & Buildings	3,420	265	3,685
Housing	2,021	1,000	3,021
Regeneration	12,786	1,737	14,523
Climate change	1,679	-	1,679
Total	30,177	3,682	33,859

5.1.2 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. Members are asked to approve the following indicators: -

Ratio of Financing Costs to Net Revenue Stream

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

Table 16

Ratio of financing costs to Net Revenue Stream	2026/27 Estimate £'000	2027/28 Estimate £'000
Financing Costs	792	1,703
Proportion of net revenue stream	5.33%	11.91%

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.3 Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Members are asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2026/27			
	Lower	Upper	
Under 12 months	0%	30%	
12 months to 2 years	0%	40%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	60%	
10 years to 20 years	0%	100%	
20 years to 30 years	0%	100%	
30 years to 40 years	0%	100%	
40 years to 50 years	0%	100%	
Maturity structure of variable interest rate borrowing 2026/27			
	Lower	Upper	
Under 12 months	0%	0%	
12 months to 2 years	0%	0%	
2 years to 5 years	0%	0%	
5 years to 10 years	0%	0%	
10 years to 20 years	0%	0%	
20 years to 30 years	0%	0%	
30 years to 40 years	0%	0%	
40 years to 50 years	0%	0%	

5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2025-2028

MUFG Corporate Markets Interest Rate View 11/08/2025													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

5.3 ECONOMIC BACKGROUND (to 13 November 2025)

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).

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

Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was 0.1% q/q.

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

As per the recent publication of the November Budget, the public finances position looks 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.

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

A looser Labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September. The rate for the private sector slipped from 4.3% to 4.2%.

CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%. Services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

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 4.8% in mid-April following wider global bond market volatility stemming from the “Liberation Day” tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

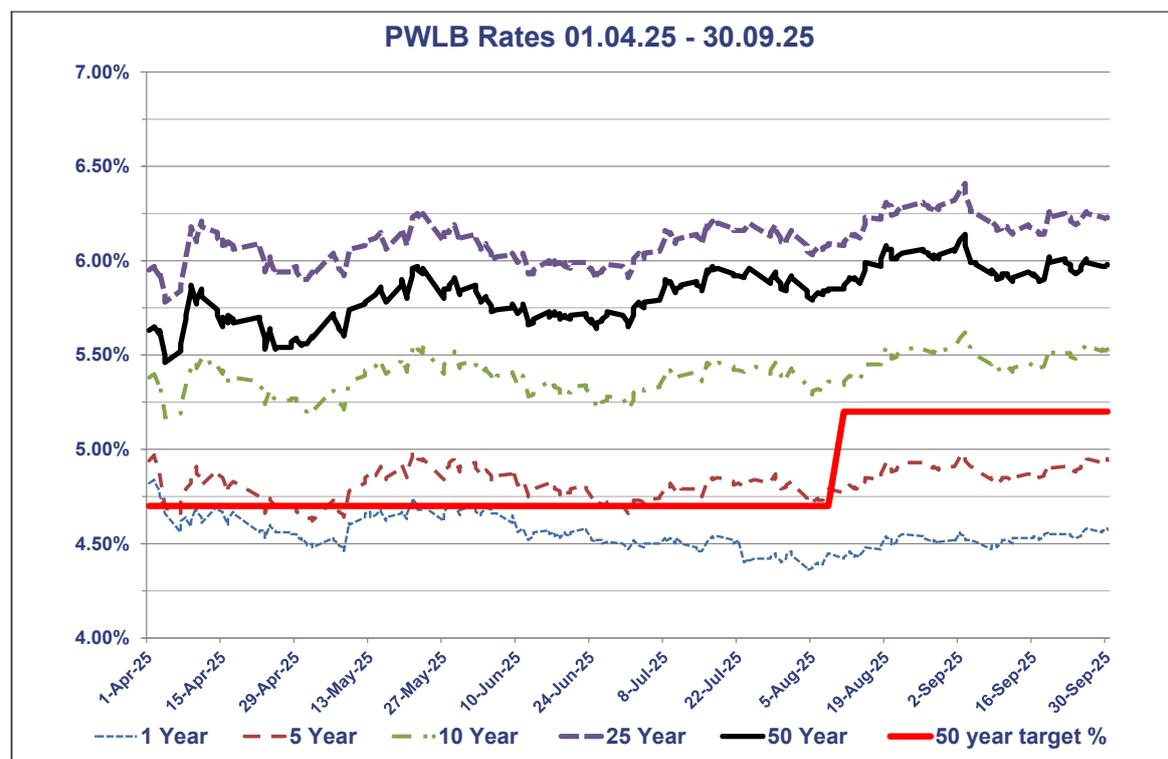
More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves’ future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK’s fragile fiscal position. In an era of high debt, high 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 by early November yields had fallen back again to a little over 4.40%.

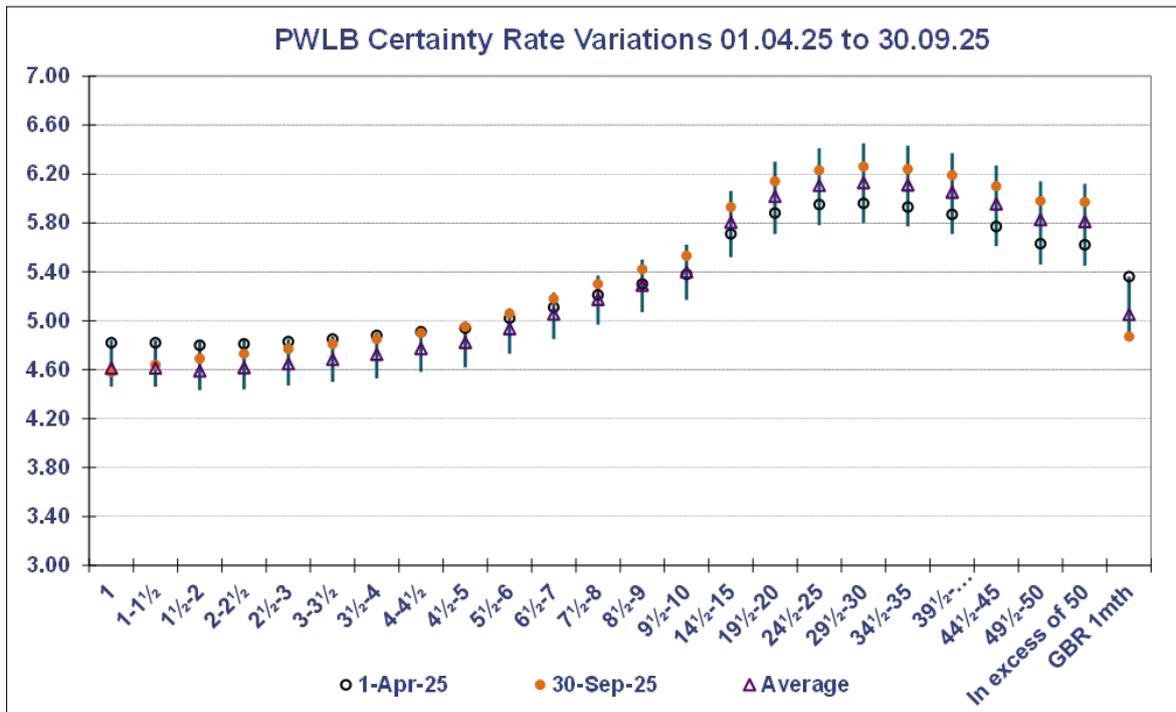
The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. 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 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900.

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

- There were five Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. 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 is imminent. With GDP for Q3 disappointing, and the September CPI number staying at 3.8%, the market is split over whether the next rate cut will be in December or February.

PWLB RATES 01.04.25 - 30.09.25





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
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	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, updated by the 2021 Prudential Code, and this forms the structure of the Authority's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for local authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the Guidance requires this Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 24/02/2010 and will apply its principles to all investment activity. In accordance with the Code, the Director of Resources has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are for the Authority to set an Annual Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Authority will use. These are high security, and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is:

Strategy guidelines – The main strategy guidelines are contained in the body of the Treasury Management Strategy Statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months once the remaining period to maturity falls to under 12 months.

These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with: -

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- Supranational Bonds of less than one year's duration.
- A Local Authority, Housing Association, Parish Council or Community Council.
- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating by a credit rating agency for example, Standard and Poor's, Moody's and/or Fitch rating agencies.
- A body that is considered of a high credit quality (such as a bank or building society). This category covers bodies with a minimum Short-Term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

In accordance with the Code, the Authority has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies. These criteria are set out in 4.2 above.

Non-specified investments – are any other type of investment (i.e., not defined as specified above). These are set out in 4.2 above.

NOTE 1. Officers will seek further advice on the appropriateness and associated risks with investments in these categories.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Authority receives credit rating information (changes, rating watches and rating outlooks) from MUFG Corporate Markets as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Resources, and if required new counterparties which meet the criteria will be added to the list.

5.5 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating (as at 13.11.25)

AAA

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

AA+

- Canada
- U.S.A.

AA

- Abu Dhabi (UAE)
- Finland
- Qatar

AA-

- U.K.

A+

- Belgium
- France

5.6 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Cabinet

- approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Accounts Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the Capital Strategy is prudent, sustainable, affordable in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Authority
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
 - *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
 - *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

The Deputy S151 Officer (being the Head of Financial Services)

In the absence of the S151 Officer, the Deputy S151 Officer will take over the responsibilities noted above.

The Finance Officer (Exchequer Services)

- Transfer of funds between the Council's approved call and notice accounts.

Authorised Signatories

The following posts have been designated as those authorised to act as bank signatories for the Council:

- Director of Resources (S151 Officer)
- Head of Financial Services (Deputy S151 Officer)
- Finance Officer (Exchequer)
- Principal Accountant
- Accountant (x2)
- Accounts Technician

**Treasury Management Policy and
Practices
2026/27**

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The Treasury Management Policy Statement

The treasury management policy statement

This council defines its treasury management activities as:

1. The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. 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, and any financial instruments entered into to manage these risks.
3. This council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Clauses to be formally adopted

1. This Council will create and maintain, as the cornerstones for effective treasury management:
 - a Treasury Management Policy Statement (TMS), stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 - investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the CIPFA Treasury Management Code (the Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.

3. This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Director of Resources, and for the execution and administration of treasury management decisions to the Director of Resources, who will act in accordance with the organisation's policy statement and TMPs
4. This organisation nominates the Director of Resources to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

TMP 1 RISK MANAGEMENT

The responsible officer (in the case of Rossendale Borough Council, The Director of Resources) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1. Credit and Counterparty Risk Management

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

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

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

1.1. Policy on the use of credit risk analysis techniques

- 1.1.1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- 1.1.2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
- 1.1.3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
- 1.1.4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by MUFG Asset Services "Treasury Solutions Credit Policy Guide December 2015" for a full explanation.

- 1.1.5. Credit ratings for individual counterparties can change at any time. The Director of Resources is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
- 1.1.6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
- The quality financial press
 - Market data
 - Information on government support for banks and
 - The credit ratings of that government support
- 1.1.7. Maximum maturity periods and amounts to be placed in different types of investment instrument are shown below. At present the maximum investment period for Specified Investments is less than 365 days.
- 1.1.8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government	n/a	n/a	£ Unlimited 5 years
UK Treasury Bills	n/a	n/a	£1m in Total for 6 months
UK Local Authorities	n/a	n/a	£8m each for periods of up to 1 year
Investment Rated A-	£5m each for 6 months	£5m each for 6 months	£8m each for overnight / call deposits
Money Market Funds (Note 5)			n/a
Registered Providers (Note 6)			
Any other organisation (Note 7)			

Notes

1. *Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.*
2. *Banks unsecured: Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.*
3. *Banks secured: Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.*
4. *Government: Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a crisis.*
5. *Pooled Funds: These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. There is no sector limit applying to Money Market Funds although the Council will take care to diversify its liquid investments over a variety of providers to minimise risk.*
6. *Registered providers: These are longer term loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by the Homes and Communities Agency and are likely to receive government support if needed.*
7. *Other organisation: This is subject to an external credit assessment, specific advice from the Council's treasury management adviser and full Council approval.*
 - *Operational bank accounts: The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will be upto a maximum of £5m, or 50% of the resources available at the time of investing, whichever is the larger.*

- Country limits – normally, a minimum sovereign rating of AAA is required for an institution to be placed on our approved lending list. However, UK banks will be considered regardless of the UK's sovereign rating at the time of investment.

1.1.9. Investments will not be made with counterparties that do not have a credit rating in their own right, other than in the case of Non-specified Investments where the counterparty is one of the Council's related parties and where a charge can be placed on land or equity in order to preserve the Council's rights to its resources.

1.1.10. The definition of 'high credit quality' in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1.

1.1.11. Should the Council ever begin to use **external fund manager(s)** they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however, it is understood that fund manager(s) may use a subset of the counterparty list so derived.

1.2 Liquidity Risk Management

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

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Finance Officers shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. The use of alternative call accounts and short-term notice accounts (under 90 days) shall be used in order to achieve this aim.

1.2.2. Details of:

a. Standby facilities

At the end of each financial day the balance in the Council's current account is automatically transferred to/from the Special Business Investment Account (SIBA) to maximise the interest available on the Council's operational bank accounts. In practice the current account and the SIBA account are now operated as one account. Individual daily debit balances on the current account are not treated as an overdraft.

The Council also maintain one or more on-call, and notice accounts up to 90 days with other banks. These accounts are used for reserve cash balances which may be required without notice. Such instant access is possible, but would lead to some loss of interest commensurate with the notice period waived.

- b. Bank overdraft arrangements
Previous overdraft facilities have now ceased due to the sweeping action described above and following the bank imposing an arrangement fee for overdrafts on the SIBA account.
- c. Short-term borrowing facilities
The Council accesses temporary loans through approved brokers on the London money market. The approved operational borrowing limit for short term debt in 2026/27 is £28.7m.
- d. Insurance/guarantee facilities
There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.3 Interest Rate Risk Management

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

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

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

1.3.1 Policies concerning the use of instruments for interest rate management.

- a. forward dealing
Consideration will be given to dealing from forward periods dependent upon market conditions.
- b. callable deposits (England and Wales only)
The Council may use callable deposits as part as of its Annual Investment Strategy (AIS), which now forms part of the Annual Treasury Management Strategy Statement. The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

1.4 Exchange Rate Risk Management

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

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

1.5 Refinancing Risk Management

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

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

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

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

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

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

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

Rescheduling will be reported to the Cabinet at the meeting immediately following its action.

1.5.2. Projected Capital Investment Requirements

In 2026/27 the decision has been made to produce only a two-year capital expenditure plan due to the Local Government Reorganisation, anticipated to be in place from April 2028. The capital plan will be used to prepare a two-year revenue budget for all forms of financing charges. In addition, the responsible officer will draw up a capital strategy report which will give a longer-term view.

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

1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three-year period.

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

1.6 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

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

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

1.6.1. References to Relevant Statutes and Regulations –

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council, and as amended during the period of the Treasury Management Strategy Statement (TMS). These include but are not limited to:

- Local Government Finance Act 1988 Section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 Section 32 for billing authorities and Section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No. 2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 (13.11.03)
- S.I. 2003 No. 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary (10.12.03), as amended, including by S.I. 2015 No. 341, S.I. 2021 No. 611, S.I. 2022 No. 1232, S.I. 2023 No. 241, S.I. 2024 No. 478 and S.I. 2025 No. 422, and subsequent amendments.
- S.I. 2004 No. 533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 (8.3.04)
- S.I. 2004 No. 534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 (8.3.04)
- S.I. 2004 No. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 No. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 No. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 No. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 No. 321 Local Authorities (Capital Finance and Accounting)

- (Amendment) (England) Regulations 2009
- S.I. 2009 No. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 No. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 No. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 No. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 No. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 No. 234 Accounts and Audit Regulations 2015, as amended, including by the Accounts and Audit (Amendment) Regulations issued between 2016 and 2024, and subsequent amendments.

Guidance and codes of practice

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities 2021
- CIPFA Local Authority Capital Accounting (latest edition)
- CIPFA Standard of Professional Practice on Ethics – based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (2018).
- The Good Governance Standard for Public Services 2004
- Delivering Good Governance in Local Government: Framework (CIPFA / SOLACE), as updated.
- CIPFA LAAP (Local Authority Accounting Panel) Bulletins and guidance, as issued and updated.
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (based on IFRS), as adopted for the relevant financial year.
- Public Works Loan Board (PWLB) circulars and guidance on lending policy, as issued.
- The UK Money Markets Code (formerly known as The London Code of Conduct / Non-Investment Products Code (NIPS) for principals and broking firms in the wholesale markets.
- Relevant provisions of the Financial Conduct Authority (FCA) Handbook, including market conduct and investment rules.
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

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

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

Investing: Local Government Act 2003, Section 12

Borrowing: Local Government Act 2003, Section 1

In addition, the Council will make available, on request, the following the scheme of delegation for treasury management activities set out in the Treasury Management Strategy, which specifies:

- which officers carry out these duties
- which officers are the authorised signatories

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has

been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors. Lending can also be made to one of the Council's related parties or subsidiaries.

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

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

1.6.4 Monitoring Officer

It is the duty of the monitoring officer to ensure that the treasury management activities of the Council are lawful.

1.6.5. Director of Resources

The Director of Resources is the s.151 Officer. The duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

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

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

The Council will therefore:-

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

1.7.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorized persons.

- Loan procedures are defined in the Financial Regulations section of the Council's Constitution.

Procedures

- The electronic banking procedures include internet access to the Council's bank accounts for both downloading statements and entering one-off same-day transactions. The electronic authorisation of transactions through chip and pin cards and passwords follows the same pattern of required signatories as paper transactions do (i.e. one signature up to £5,000 and two signatures for transactions over £5,000).
- Autopay online is the system used by the Council for the transfer of payment and collection files to the BACs processing centre. BACs collection and payment files are generated by the payroll, creditors, benefits and revenues software systems and transferred through a secure internet portal by the authorised signatories. Files must be generated, approved and sent by two different people.
- Full details of operational procedures are maintained by the Finance Officer (Exchequer Services).

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained by the Finance Officer (Exchequer Services). A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Director of Resources for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Director of Resources for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- All loans raised, and repayments made, go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The NatWest Bankline system can only be accessed by a password and online payments require chip and pin authorisation from one or more of the bank signatories (two for payments over £5,000).
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.

- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Finance Officer (Exchequer Services). This is used to check the amount paid to lenders.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the General Fund.

1.7.2. Emergency and Contingency Planning Arrangements Disaster Recovery Plan.

The Council's main Business Continuity Plan includes a detailed section covering the essential financial systems and procedures, including banking, payments and revenue collection. All members of the treasury management team are familiar with this plan and new members will be briefed on it. The plan is reviewed and updated at regular intervals with both paper and electronic copies being available.

All computer files are backed up on the server to enable files to be accessed from remote sites.

1.7.3. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal which covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £5m for any one event with an excess of £5k for any one event.

Professional Indemnity Insurance

The Council also has an 'Officials Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event with an excess of £5k for any one event.

1.8 Market Risk Management

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

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

1.8.1. Details of Approved Procedures and Limits for Controlling Exposure to Investments whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which now forms part of the Annual Treasury Management Strategy Statement).

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

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

- a. monthly reviews carried out by the Director of Resources and Head of Financial Services, reported as part of the regular financial monitoring reports to Cabinet.
- b. weekly review reports from our treasury management consultants detailing current markets, forecasts and model portfolio returns.
- c. annual review of performance and strategy with our treasury management consultants.
- d. comparative reviews with neighbouring authorities.

2.1.2 Reviews with our treasury management consultants

The Director of Resources meets with our consultants every 12 months to review the performance of the investment and debt portfolios. Ad-hoc reviews are conducted by arrangement as outlined at 2.3.4.

2.1.3 Annual Review after the end of the financial year

In addition to the regular financial monitoring reports to Cabinet, the end of March out-turn report includes an annual treasury management report which reviews the performance of the debt and investment portfolios. This report contains the following:

- a. total debt and investments at the beginning and close of the financial year and average interest rates
- b. borrowing strategy for the year compared to actual strategy
- c. investment strategy for the year compared to actual strategy
- d. explanations for variance between original strategies and actual
- e. debt rescheduling done in the year
- f. actual borrowing and investment rates available through the year
- g. comparison of return on investments to the investment benchmark
- h. compliance with Prudential and Treasury Indicators

2.1.4 Comparative reviews

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

- CIPFA Treasury Management statistics published each year for the last complete financial year
- Neighbouring Lancashire authorities
- MUFG Asset Services model portfolio

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment

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

MUFG Asset Services model portfolio

- *Weighted average rate of return*
- *Weighted average maturity*

Performance may also be measured against other local authority funds with similar benchmarks and parameters managed by other fund managers.

2.3 Policy concerning methods for testing Value for Money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a five-year basis. The process for awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

2.3.3 Money-broking services

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

2.3.4 Consultants'/advisers' services

This Council's policy is not to appoint full-time professional treasury management consultants (MUFG Asset Services advise on an ad hoc basis, alongside automated updates).

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

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

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The following records will be retained:-

- Daily and monthly cash balance forecasts
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund manager(s)
- Fund manager(s) valuation statements (if applicable)

3.1.2 Processes to be pursued

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

3.1.3 Issues to be addressed

3.1.3.1. In respect of every treasury management decision made the Council will:

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

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

- a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

3.1.3.3 In respect of investment decisions, the Council will:

- a) consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
- c) in the case of investments outside the banking sector the Council will consider the appropriate level of asset security, such as Land Registry charges, local Land Charges, or holding asset deeds.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- borrowing
- lending
- debt repayment and rescheduling
- consideration, approval and use of new financial instruments and treasury management techniques
- managing the underlying risk associated with the Council's capital financing and surplus funds activities
- managing cash flow
- banking activities
- the use of external fund managers (other than Pension Fund)
- leasing

4.2 Approved Instruments for Investments

Refer to the Treasury Management Strategy.

4.3 Approved Techniques

- Forward dealing
- The use of structured products such as callable deposits

4.4 Approved Methods and Sources of Raising Capital Finance

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

On Balance Sheet	Fixed	Variable
PWLB	●	●
Market (long term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing	●	●
Deferred Purchase	●	●

Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

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

4.6 Borrowing Limits

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

TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy
- approval of capital strategy and capital programme
- approval of annual revenue budget

(ii) Cabinet

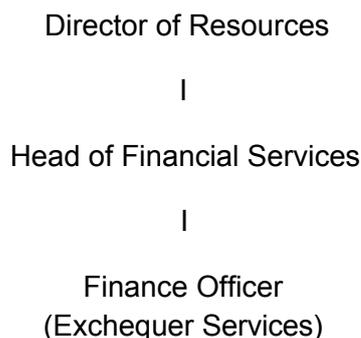
- recommendation of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and recommendations
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment
- reviewing the treasury management policy and procedures

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

5.3 Treasury Management Organisation Chart



5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Director of Resources (this post is also the S151 officer). This officer will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff, principally the Head of Financial Services, to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the bank signatories as approved in the Treasury Management Strategy Appendix 5.6.
- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Head of Financial Services (Deputy S151 officer)

The responsibilities of this post will be: -

- a) duties as delegated by the responsible officer in accordance with 5.4.1 (j)
- b) execution of transactions in accordance with good governance arrangements and adequate segregation – (second signatory)
- c) oversight and review of forecast cash balances to inform treasury management decision making.

5.4.3. Finance Officer (Exchequer Services)

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers
- d) monitoring performance on a day-to-day basis
- e) submitting management information reports to the responsible officer
- f) identifying and recommending opportunities for improved practices

5.4.4. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly to Full Council and Cabinet on treasury policy, activity and performance.

5.4.5. The Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

5.4.6. Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Head of Financial Services is also the deputy S151 Officer. The Head of Financial Services will also ensure that cover is available for the Finance Officer (Exchequer Services) and other treasury management officers as necessary.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements

and management information arrangements and the implications properly considered and evaluated.

5.6 Dealing Limits

The following posts are authorised to deal:

- The Director of Resources, who delegates authority to the Head of Finance where necessary, limited to investments and loans of £5m per transaction. Amounts in excess of this limit should be deposited into instant access accounts.

5.7 Policy on Brokers' Services

It is this Council's policy to rotate business between brokers.

5.8 Policy on Taping of Conversations

It is not this Council's policy to tape brokers conversations.

5.9 Direct Dealing Practices

The Council will consider dealing directly with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged by this method. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.10 Settlement Transmission Procedures

A formal letter signed by an agreed bank signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made through BACs or CHAPs to be completed by the appropriate bank deadlines in place that day.

5.11 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.12 Arrangements Concerning the Management of Third-Party Funds.

The Council does not currently manage any third-party funds. Trust funds are now held and administered by the Community Foundation for Lancashire.

5.13 Council Cheque and Bank Signatories

The posts delegated with cheque and bank signatory authority are listed below:

- Director of Resources (S151)
- Head of Financial Services (Deputy S151)
- Principal Accountant
- Accountant
- Finance Officer (Exchequer Services)

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - a. review of the organisation's approved clauses, treasury management policy statement and practices
 - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
 - c. capital strategy to give a longer-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning
- b) Regular review by Cabinet within the Financial Monitoring Reports incorporating Mid-Year Review
- c) Annual review report after the end of the year within the out-turn Financial Monitoring Report.

6.2 Annual Treasury Management Strategy Statement (TMS)

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then to the full Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) prudential and treasury indicators
 - b) current treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy
 - i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
 - l) the MRP/VRP strategy

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

6.3 The Annual Investment Strategy

Included within the Treasury Management Strategy Statement is the report on the Annual Investment Strategy which sets out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c) Which specified and non-specified instruments the Council will use
- d) Whether they will be used by the in-house team, external managers or both (if applicable)
- e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies the Council will use
- g) How the Council will deal with changes in ratings, rating watches and rating outlooks
- h) Limits for individual counterparties and group limits
- i) Country limits
- j) Levels of cash balances
- k) Interest rate outlook
- l) Budget for investment earnings
- m) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Policy Statement

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

6.5 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council.

6.6 Regular and midyear review

The Council will review its treasury management activities and strategy on at least a six-monthly basis, though in practice as part of regular financial monitoring to Cabinet. This review will consider the following:

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

6.7 Management Information Reports, including a year-end performance report

Management information reports will be prepared for each Cabinet meeting, the final report going to the first available Cabinet after the year-end. These reports will contain the following information: -

- a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and practices and explanation of variances.
- d) any non-compliance with Prudential limits or other treasury management limits.

6.8 Publication of Treasury Management Reports

Treasury Management information reports will be prepared for each Cabinet meeting and these are available as part of the agenda documents on the Council's website at www.rossendale.gov.uk .

The Annual Treasury Management Strategy Statement and the Treasury Management Practices are reviewed at the Full Council meeting each February and are again available as part of the agenda documents on the Council's website at www.rossendale.gov.uk.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code') 2021 edition, together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Director of Resources will prepare at least a two-year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Director of Resources will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the ledgers
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values (if applicable)

7.4 Quarterly Budget Monitoring Report

Quarterly Budget Monitoring reports are produced for the Director of Resources with these reports being reviewed by Cabinet. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within the Cabinet report.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

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

The responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 - Liquidity risk management, and for the purpose of identifying future borrowing needs.

8.2 Bank Statements Procedures

The Council receives daily bank statements via a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by the Finance Team.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

Our policy is to pay all creditors as per the agreed terms of trading.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Head of Finance is responsible for monitoring the levels of debtors and creditors.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will, without unreasonable delay, be passed to the Exchequer Team to deposit in the Council's banking accounts. Cash and cheques banked the previous day will be taken into account in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Director of Resources.

TMP 9 Money Laundering & Proceeds of Crime

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 (and associated Orders and amendments, including those enacted in 2024 and 2025) established the main offences relating to money laundering. In summary, these are:

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

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

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

9.2 The Terrorism Act 2000, as amended by subsequent legislation (including the Terrorism Act 2006, Counter-Terrorism and Security Act 2015, and related provisions)

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

9.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, and subsequent amendments

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering, Terrorist Financing and Transfer of Funds regulations 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes.

Accordingly, this Council will do the following: -

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

9.5 Procedures for Establishing Identity / Authenticity of Lenders

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

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk.

All transactions will be carried out by BACS or CHAPs for making deposits or repaying loans.

TMP 10 Training and Qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

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

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

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided in-house or by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The People and Policy department will maintain records on all staff and the training they receive.

10.3 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section in order to gain firsthand experience of treasury management operations.

10.4 Statement of Professional Practice (SOPP)

1. Where the Director of Resources is a member of CIPFA, there is a professional need for the Director to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. All staff involved in treasury management activities must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to members.

10.7 Members charged with governance

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

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

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

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

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

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

11.1.1 Banking Services

- a) Name of supplier of service is the NatWest Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is:

Chatham Customer Service Centre,
Western Avenue, Waterside Court,
Chatham Maritime,
Chatham,
Kent,
ME4 4RT

Tel: 0151 802 9354 (Business Banking) or
0870 240 3355 (Branch Banking)
- d) Contract commenced 1992
- e) Cost of service is variable depending on a schedule of tariffs set annually applied to volumes of transactions
- f) Payments are due monthly and quarterly

11.1.2 Money-Broking Services

The Council may use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

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

The performance of consultants will be reviewed annually by the Director of Resources to check whether performance has met expectations.

- a) Name of supplier of service is MUFG Corporate Markets. Their address is Central Square, 29 Wellington Street, Leeds, LS1 4DL
- b) Regulatory status: investment adviser authorised by the FCA
- c) Cost of service in 2025/26 was £8,800.
- d) Payments are due bi-annually in April and October

11.1.4 Procedures and Frequency for Tendering Services

As per the Council's contract procedure rules.

TMP 12 Corporate Governance

12.1.1 List of documents to be made available for public inspection

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -
 - Treasury Management Strategy Statement
 - including the Annual Investment Strategy
 - Treasury Management Policy Statement
 - Minimum Revenue Provision Policy Statement
 - Treasury Management monitoring reports produced as part of the Council's regular financial monitoring reports to Cabinet.
 - Annual Statement of Accounts
 - Annual Revenue Budget and MTFS
 - Capital Strategy and 5 Year Capital Programme
 - Minutes of Council / Cabinet / committee meetings
 - Third party expenditure via quarterly corporate spend analysis published on the website to comply with the coalition government's transparency agenda.

IMP Investment Management Practices for Investments that are not part of Treasury Management activity

This Council recognises that investments taken for non-treasury management purposes require careful investment management. Such investments include loans supporting service outcomes, investments in subsidiaries, or investment property portfolios.

The Council's annual treasury management strategy, Capital Strategy, Investment Strategy and similar documents will cover all the organisation's investments, and will set out, where relevant, specific policies and arrangements for non-treasury investments.

This schedule will include a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and contingent liabilities and the Authority's risk exposure. It will be recognised that the risk appetite for these activities may differ from that for treasury management and this is contained within the Council's approved Capital Strategy.

CIPFA recommends separate Investment Management Practices (IMPs) for non-treasury activities and acknowledges reference to TMPs 1, 2, 5, 6, and 10 for the management of **Risk, Performance, Governance, Reporting** and **Training**, respectively.

Information suggested for non-treasury investments:

1.1 Risk management

The cross-sectoral guidance recognises the categories of investments as follows:

- For treasury management purposes
- For service delivery purposes
- For commercial purposes, including non-financial assets held primarily for financial return, such as commercial properties.

Organisations are required to establish investment management practices for their non-treasury management investments, similar to their treasury management practices. The IMP recommends a schedule for each such investment portfolio, setting out the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications.

The basic principle is that the TM Code covers all investments, and the organisation should ensure that it has due diligence, investment management and risk management arrangements in place and monitored actively for its service and commercial investment portfolios, as well as for its treasury management investments.

Rossendale Borough Council

Internal Audit Service

Progress Report:

2025/26 Audit Plan Delivery

December 2025 – January 2026



1 Introduction

- 1.1 This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from Internal Audit on progress with delivery of the 2025/26 audit plan agreed at the July 2025 Committee meeting.

2 Summary of progress

- 2.1 The table below reports progress with delivery of the 17 audits on the audit plan. We issued three final and two draft audit reports, are actively progressing six audits and have scheduled five audits for Quarter 4, including the four annual financial systems audits. We have agreed to defer the audit of the Rossendale Leisure Trust to 2026/27, when we will look at how the outcomes of the current review are being addressed.
- 2.2 We gave reasonable assurance over our audit of the Council's data management arrangements. We reported robust governance roles, secure technical controls, particularly within Revenues and Benefits, while noting gaps in policy coverage, inconsistent Data Protection Impact Assessment usage, and varying levels of training compliance. Access controls and data security were generally sound across all services, though improvements are needed in updating data governance policies, strengthening Legal Services' data handling through the planned system replacement, and re-establishing annual data management assurance activities.
- 2.3 Salford Technical Audit Service delivers the council's IT audits, and have issued a draft report on their audit of outsourced data centre physical security and environmental controls. The audit focussed on logical, physical and environmental security of sites hosting elements of the network infrastructure.
- 2.4 We are currently developing the Annual Internal Audit Plan 2026/27 in conjunction with the council's corporate management team, and will report the outcome separately to the committee for consideration once a full plan has been agreed.
- 2.5 Previous reports have notified the Committee of our ongoing recruitment activity to increase the size of the Internal Audit Service to build capacity and support long-term sustainability. As of this meeting we are now at full complement, although have three trainees on the team who will require time to develop their skills and progress to full audit delivery responsibilities.
- 2.6 We have included extracts from finalised audit reports in Annex A to this report.

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
LGA Improvement and Assurance Framework	Progressing	
Rossendale Leisure Trust	Deferred	
Business effectiveness		
Capital Programme	Planning	
Contract Management	Planning	
IT - Patch and Vulnerability Management	Planning	
IT - Payment Card Industry Data Security Standards	Final Report	Limited (Low 5/10)
IT - Cyber Security: Outsourced Data Centre Physical Security and Environmental Controls	Draft Report	
Service delivery		
Asset Commercialisation	Draft Report	
Service support		

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Data Management	Final Report	Reasonable
Business processes		
Council tax	Progressing	
Business rates/ NNDR	Progressing	
Housing benefits	Progressing	
Payroll	Final Report	Substantial
Accounts payable	Q4 start	
Accounts receivable	Q4 start	
General ledger and budget setting	Q4 start	
Income collection/ banking	Q4 start	

Stage of audit process	Number of audits
Not started	4
Planning	3
Progressing	4
Draft report	2
Completed - Final Report or no report necessary	3
Deferred/ cancelled	1
Total number of audits	17

3 Update on the National Fraud Initiative (NFI)

3.1 The most recent results from the council's involvement in the National Fraud Initiative NFI are shown below.

Category of data	Number of matches				Frauds	Errors	Savings identified
	identified	processed	cleared	investigating			
Housing Benefit	15	14	13	0	1	0	£26,926.13
Payroll	9	0	0	0	0	0	£0.00
Waiting Lists	89	5	5	0	0	0	£0.00
Council Tax Reduction	255	230	223	25	3	4	£22,844.96
Creditors	902	0	0	0	0	0	£0.00
Procurement	32	0	0	0	0	0	£0.00
Totals	756	244	236	25	4	4	£49,771.09

4 Use of this report

4.1 This report has been prepared solely for the use of Rossendale Borough Council and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and we

Rossendale Borough Council Internal Audit Progress Report December 2025 – January 2026

expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Extracts from Final Internal Audit reports

Data Management

Overall assurance rating	Audit findings requiring action			
 Reasonable	Extreme	High	Medium	Low
	0	0	4	0

See Appendix A for Rating Definitions

The audit reviewed the Council’s data management arrangements across key services and provides an overall Moderate assurance rating. The Council has established a solid governance framework, with responsibilities allocated for the roles of Senior Information Risk Owner (SIRO) and Data Protection Officer (DPO), defined data ownership, and some ongoing oversight activities. Strong technical controls, system security measures, and established operational processes, particularly within Revenues and Benefits, demonstrate positive practice. However, current policies do not fully cover essential data governance requirements such as GDPR principles and lifecycle management, areas normally addressed through a dedicated data protection policy.

Most Benefits and Council Tax applications were submitted online and supported by appropriate lawful bases, privacy notices, and an existing Data Protection Impact Assessments (DPIA). Across the areas reviewed, personal data was processed under Legal Obligation or Public Task, meaning consent was not required. The Garden Waste service collected only limited personal data but relied on a generic privacy notice and had no service-specific DPIA; transparency could be improved by adding clearer privacy information within FAQs and at the point of registration. Legal Services processed basic personal data, and occasionally special category data, within the IKEN system through document attachments and emails. System controls were limited, although data collection responsibilities remained with originating services. Planned system replacement is expected to strengthen data handling. Reintroducing the annual Data Management Questionnaire would further support compliance across all services.

Access controls were generally strong across all services, though the level of maturity varied. Revenues and Benefits demonstrated the most robust approach, with conflict-of-interest checks, annual access reviews, detailed audit trails, and external assurance. Garden Waste also had solid controls through role-based access, MFA for corporate users, and available audit logs. IKEN access was restricted to only four authorised users within the Legal Services team which minimised risk. Data was securely hosted across all services with Revenues and Benefits using ISO 27001-certified UK Tier 4 data centres with encryption and Garden Waste operated within Bartec’s encrypted cloud environment. Legal Services stored limited information on the locally hosted IKEN system. No breaches or unauthorised access had been reported. Physical and server security remained strong, supported by enhanced building entry controls and virtual hosting with automated backups. Revenues and Benefits and Garden Waste had clear retention periods with automated deletion of out-of-date records. In contrast, IKEN relied on staff manually entering closure and deletion dates before data could be removed, a known issue that is expected to be resolved through the planned system replacement. Data sharing was managed through formal agreements that set out required standards for security, handling, and retention.

Freedom of Information (FOI) training delivered by Legal Services had recently been expanded to include Data Protection whilst comprehensive Information and Cyber Security training was available, though completion was not mandatory or consistently monitored. Evidence of uptake was only identified within Revenues and Benefits, indicating inconsistent embedding of training across the organisation.

Agreed actions from the audit	Priority
The Council should develop and implement a dedicated Data Protection Policy that combines all GDPR and Data Protection Act requirements, including roles and responsibilities, the full data lifecycle, expectations for DPIAs, privacy notices, incident reporting, training and data subject rights.	●
Develop and implement service-specific privacy notices and Data Protection Impact Assessments (DPIAs) for each area with distinct processing activities and make these easily accessible to data subjects.	●
Reinstate the annual Data Management Questionnaire capturing key data governance controls, including data quality, retention, privacy notices, DPIAs, security, and staff training. Ensure these are reviewed by the SIRO/DPO to strengthen organisational oversight and ensure early identification of compliance gaps.	●
The Council should introduce mandatory data protection and information security training for all relevant staff, supported by routine monitoring of completion rates and timely follow-up of non-completion.	●

2.1 Background

This audit has been undertaken in accordance with the 2025/26 Internal Audit Plan as approved by the Audit & Accounts Committee. The audit covers the period April 2025 to January 2026 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The Council relies on effective data management to support the delivery of its statutory services, safeguard sensitive information, and enable informed decision-making across the organisation. As the Council modernises through new digital systems, shared services, and greater use of data in service planning, ensuring the accuracy, accessibility, and security of its information become increasingly important. Robust data governance is essential not only for operational efficiency but also to ensure compliance with UK GDPR and the Data Protection Act 2018. This audit sought to assess the adequacy of the Council's data management arrangements, including policies, controls, and practices, to determine whether they effectively supported organisational objectives and mitigated risks related to data quality, security, retention, and usage. To achieve this, we looked at arrangements within Revenues and Benefits, Legal Services and the Operations Service.

2.3 Scope of Audit

In this audit we reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Governance and accountability;
- Data collection, retention and sharing;
- Data storage and access; and
- Data handling and security risks.

Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all the council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- 3 We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- 4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

- 6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit and Accounts Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- 7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

Limitations on the assurance that internal audit can provide

- 8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in the future.

- 9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- 11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/or effectively operated.
- **Reasonable assurance:** the framework of control is adequately designed and/or effectively operated overall, but some action is required to enhance aspects of it and/or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/or operation of the framework of control that could result in failure to achieve its objectives.

Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately*
- **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*
- **Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*
- **Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*



Audit Strategy and Completion Report

Rossendale Borough Council – Year ended 31 March 2025

February 2025

Audit and Accounts Committee
Rossendale Borough Council
Future Park
Bacup

18 February 2026

Dear Committee Members,

Audit Strategy and Completion Report – Year ended 31 March 2025

We are pleased to present our Audit Strategy and Completion Report for Rossendale Borough Council for the year ended 31 March 2025. The purpose of this document is to summarise our audit and to explain how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences. We consider two-way communication with you to be key to a successful audit and particularly important in the context of the backstop arrangements as it facilitates:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities; and
- providing you with constructive observations arising from the audit process even though this has been curtailed by the backstopped arrangements.

We would usually report the results of our planning work, including the significant risks identified and our planned procedures, in our Audit Strategy Memorandum. The results of our audit, including significant matters identified would usually be reported to you in our Audit Completion Report. As a result of the backstop arrangements, we have determined that the most appropriate way to communicate each of the matters required under auditing standards, in this single Audit Strategy and Completion Report.

As it is a fundamental requirement that an auditor is, and is seen to be, independent of audited bodies, section 7 of this document summarises our considerations and conclusions on our independence as auditors.

We appreciate the courtesy and co-operation extended to us by Rossendale Borough Council throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. At previous meetings of this Committee, we provided a summary of our plans to rebuild assurance in accordance with guidance issued by the National Audit Office and endorsed by the Financial Reporting Council. We will provide more details as part of our 2025/26 Audit Strategy Memorandum. We would happy to discuss any questions you have in relation to rebuilding.

Yours faithfully



Alastair Newall

Forvis Mazars LLP

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Appendices

- A** Draft management representation letter
- B** Draft audit report
- C** Key communication points

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Our audit and the implications of the statutory backstop

Our audit and the implications of the statutory backstop

We are appointed to perform the external audit of Rossendale Borough Council for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the [PSAA website](#)

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2024/25 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act").

We are appointed to audit the financial statements in accordance with International Standards on Auditing (UK). Under normal circumstances, our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

A range of factors have led to a backlog in financial reporting in recent years. Legislation passed by government in 2024 (the Accounts and Audit (Amendment) Regulations 2024) addresses the backlog by introducing a 'backstop date' for the publication of financial statements, even if the audits had not been completed. This is intended to enable the sector to focus on the current financial position rather than historic information.

As a result of historical issues and delays in completing audits in earlier years, we issued a disclaimed opinion on your financial statements for the 2018/19 to 2023/24 financial years. This meant we did not express an opinion on those financial statements, and as such we do not have assurance over the opening balances in the 2024/25 financial statements. Section 3 provides further information on the procedures we have undertaken to issue a disclaimer of opinion in advance of the backstop date for 2024/25.

The NAO published Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 in June 2025. This guidance sets out the procedures auditors may undertake to obtain sufficient appropriate evidence over opening balances when previous year's audits have been disclaimed. The guidance acknowledges that how long it will take to rebuild assurance will vary between audit engagements and according to each audit's particular circumstances.

It has not been possible to complete sufficient procedures as part of the current year's audit to enable us to issue a non-disclaimed opinion. For this reason, we will be issuing a disclaimed opinion in time for the Council to publish its financial statements by the backstop date of 27 February 2026 as required by the relevant legislation. We have included our proposed audit report in Appendix B.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

Responsibilities in respect of fraud and internal control

The responsibility for safeguarding assets and for preventing and detecting fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to inquire of members of the Audit and Accounts Committee and including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers under the 2014 Act. We confirm that no such correspondence from electors has been received.

Value for Money arrangements

The legislation passed to address the financial reporting backlog does not affect our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work and our findings further in section 6 of this report.

Whole of Government Accounts Reporting to the group

We anticipate completing the work to enable us to submit the assurance statement to the NAO. However, we have not yet received group audit instructions from the NAO and so are unable to conclude whether any work is required in this area.

02

Your audit team

Your audit team



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03

Our audit approach

Our audit approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice. We have also had regard to the Local Audit Reset and Recovery Implementation Guidance ('LARRIG') issued by the National Audit Office and endorsed by the Financial Reporting Council in delivering our audit in the context of the backstop arrangements introduced by the 2024 amendments to the Accounts and Audit Regulations.

Our approach to the audit of the financial statements

We have not carried out all the work necessary to issue a detailed audit plan and to complete all the required audit procedures to provide an opinion on the financial statements. The procedures undertaken this year are sufficient to enable us to comply with International Standards on Auditing (UK) and issue our audit report in respect of the current year's financial statements to allow the Council to meet the backstop date of 27 February 2026 for publishing the financial statements and other relevant information.

We summarise below, the work we have undertaken to inform our audit strategy and our determination that it is necessary to issue a disclaimer of opinion on the Council's financial statements. As we have not completed all our planning procedures, including all risk assessment work, we do not include a summary of significant and enhanced risks as part of this report.

Area of the audit	Summary of our procedures
Acceptance and continuance	We have carried out all acceptance and continuance procedures including consideration of: <ul style="list-style-type: none">• The financial reporting framework adopted by the Council and the existence of any unusual or controversial accounting policies• The form, timing and expected content of our communication with members of the Audit and Accounts Committee• Any actual or potential threats to our independence• The existence of any other factors that indicate we should not continue as the Council's auditor
Understanding the entity	We have carried out audit procedures to understand and document our understanding of the Council across a range of areas, including but not limited to: <ul style="list-style-type: none">• The Council's structure, including its wider group• Key accounting policies• Accounting estimates• The use of experts
Control environment assessment	We have documented our consideration of the Council's control environment. We carry out this work to inform both our work on the financial statements and as an element of our Value for Money arrangements risk assessment work.
Fraud	We have carried out work on identifying potential fraud risks and made specific inquiries of management and members of the Audit and Accounts Committee in respect of actual, potential or suspected fraud.
Materiality	We have considered the application of materiality for the audit of the Council's financial statements. Further details on the materiality thresholds determined, is included later in this section of our report.

Our audit approach

Area of the audit	Summary of our procedures
Laws and regulations	We have obtained an understanding of the legal and regulatory framework applicable to the Council and made specific inquiries with management and members of the Audit and Accounts Committee in respect of any instances of noncompliance with laws and regulations.
Written representations	We have requested certain written representations from management in accordance with ISA (UK) 580. The draft management letter of representation is provided in Appendix A.
Completion, review and reporting	<p>We have undertaken sufficient review procedures to ensure our audit complies with the requirements of ISA (UK) 230. This includes specific work to document our consideration of the implications of the backstop arrangements on our audit and the reporting implications.</p> <p>We have also considered whether any matters have come to our attention that we deem should be reported to members of the Audit and Accounts Committee or that may be relevant to our auditor’s report. Such matters may include misstatements identified in the draft financial statements or internal control recommendations.</p> <p>As we intend to issue a disclaimer of opinion, additional quality and risk management processes have also been followed.</p>

04

Materiality

Materiality

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Our approach to determining materiality

Although we intend to issue a disclaimer of opinion on the financial statements as a result of the backstop arrangements, we are required to determine materiality and communicate this to members of the Audit and Accounts committee.

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to members of the Audit and Accounts committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

We consider that gross expenditure at deficit level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We set a materiality threshold of 2% of gross revenue expenditure at the surplus/deficit on provision of services level.

As set out in the table below, we set overall materiality for the year ended 31 March 2025 to be £745k (£747k in the prior year), and performance materiality to be in the region of £447k (£448k in the prior year).

	2024-25 £'000s	2023-24 £'000s
Overall materiality	745	747
Performance materiality	447	448
Clearly trivial	22	22
Specific materiality	5	5

Misstatements

We accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to you and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our assessment of overall materiality, our clearly trivial threshold is £22k, based on 3% of overall materiality. If you have any queries about this, please raise these with me.

We are required to report each misstatement above the reporting threshold that we identify. Misstatements can be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

Reporting

Due to the backstop, we have not undertaken substantive testing procedures on any balances or transactions reported in the accounts. Consequently, there are no misstatements to report.

05

Significant findings

Significant findings

Background and modification of the audit opinion

As part of our longer-term approach to rebuilding assurance, we have not completed sufficient audit procedures as part of the current year's audit to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the effects, or potential effects, on the financial statements of the lack of sufficient appropriate evidence are pervasive, we will be issuing a disclaimed opinion which means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the fact we will not have been able to rebuild assurance in respect of opening balances by 27 February 2026 after issuing a disclaimed opinion in previous years as a result of the backstop arrangements.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2024/25 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

06

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money arrangements

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This is the first audit year where we have undertaken our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** – How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report by exception. We will also highlight emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. This commentary will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria. We intend to issue the Auditor's Annual Report by the end of February 2026.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2025 and we have identified one remaining significant weakness from the prior year. We are satisfied the other significant weakness previously identified has been appropriately addressed in 2024/25. We provide further details on the identified significant weaknesses and our recommendations on the following pages.

Our draft audit report at Appendix B confirms that we have matters to report in respect of the significant weakness identified. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report by the end of February 2026.

Value for Money

Follow up of previously-reported significant weaknesses in arrangements

In 2020/21 we reported two significant weaknesses to the Council. As part of our work in 2024/25, we followed up the progress made by the Council against the recommendations made and determined whether the significant weakness remained during the year.

Significant weakness in arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>Financial Sustainability</p> <p>The Council's budgets for 2020/21, 2021/22 and 2022/23 all relied upon the use of reserves to bridge funding gaps. In addition, the Council's outturn position for each of these years were overspent. The Medium Term Financial Strategy (presented to Council in February 2023) projected funding gaps in 2024/25, 2025/26 and 2026/27 of £857k, £1,514k and £1,564k. The growing deficit is forecast to exhaust the Council's General Fund reserve by 2025/26, which is evidence of an unsustainable reliance on reserves and a lack of action to address the underlying reasons for persistent overspending.</p> <p>In our view the failure to address the underlying deficit is evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identify achievable savings) in 2020/21, 2021/22 and 2022/23.</p>	●	●		<p>Progress against the recommendation</p> <p>The Council has made good progress against this recommendation in 2024/25. There was an underspend of the budget by £800k. This has allowed a positive contribution to reserves of £230k. 2024/25 is the second year of underspends and contributions to reserves the Council has delivered.</p> <p>The Council has performed an assessment of the affordability of their services and improved their budget setting process. Where funding gaps are identified the Council has identified additional savings and income to mitigate the use of reserves. Quarterly finance updates are reported to Cabinet which clearly set out the forecasted outturn, savings and impact on reserves.</p> <p>Conclusions</p> <p>We conclude the Council has addressed the recommendation and has proper arrangements in place for 2024/25.</p>

Value for Money

Follow up of previously-reported significant weaknesses in arrangements - continued

Significant weakness in arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>Partnership with Rossendale Leisure Trust</p> <p>Rossendale Leisure Trust (the Trust) manages a number of the Council's leisure facilities and has done since 2004. During the period 2020/21, 2021/22 and 2022/23, the Council paid for pay and non-pay expenditure incurred by the Trust.</p> <p>During and following the COVID-19 pandemic the Council gave revenue financial support to the Trust including lease payment holidays and grant allocations, this has resulted in a significant balance currently being owed to the Council by the Trust. We have seen no evidence of a repayment plan to repay the debt and the Council has not accounted for any impairment of the balance.</p> <p>Officers have confirmed there is no formal overarching agreement or contract between the Council and the Trust. For a partnership of this size and nature we would expect to see a comprehensive, signed agreement in place that aims to protect the Council's interests. This deficiency in arrangements for the provision of leisure services is evidence of significant weaknesses in the Council's arrangements for governance (how the body ensures it makes properly informed decisions, supported by appropriate evidence) and for improving economy, efficiency and effectiveness (how the Council ensures that commissioned services realise the expected benefits), in 2020/21, 2021/22 and 2022/23.</p>	●		●	<p>Progress against the recommendation</p> <p>The Council has commissioned a strategic review to assess the terms of the current arrangement. The Council plans to put in place an operational agreement following the conclusion of this review.</p> <p>The balance owed to the Council has remained static in 2024/25, £1.3m as at March 2025 and there is no repayment agreement in place. The Council plans to incorporate this in the agreement with RLT following the strategic review.</p> <p>No impairment of this balance has been accounted for, following the Trust forecasting a small surplus.</p> <p>Whilst the Council has taken some action against the recommendation previously issued, by setting up a strategic review. In our view the action taken to date does not address our recommendation.</p> <p>Conclusions</p> <p>We consider this weakness has not been addressed and still exists for 2024/25.</p>

07

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Rossendale Borough Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Rossendale Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Rossendale Borough Council, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2023/24 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Key Communication points

Appendix A: Draft management representation letter

Forvis Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Dear Alastair,

Rossendale Borough Council - Audit for Year Ended 31 March 2025

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council for the year ended 31 March 2025. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

Appendix A: Draft management representation letter

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2024/25 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Appendix A: Draft management representation letter

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Tariffs

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Chris Warren

S151 Officer

Date

Appendix B: Draft audit report

Independent auditor's report to the members of Rossendale Borough Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Rossendale Borough Council ("the Council") for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations specify the date by which the Council is required to publish its Accountability Statements, which include the financial statements and the auditor's opinion, for each financial year. The Council is required to publish its Accountability Statements for the year ended 31 March 2025, by 27 February 2026 ('the 2026 backstop date').

On 26 February 2025 we issued a disclaimer of opinion in relation to the financial statements for the year ended 31 March 2024. Previously on 6 December 2024 we issued disclaimers of opinion for the years ended 31 March 2019 to 31 March 2023. The disclaimers of opinions were issued as there was insufficient time to perform all necessary audit procedures to obtain sufficient appropriate evidence upon which to form an opinion before the relevant backstop dates specified in the Amendment Regulations.

The National Audit Office issued guidance to auditors on rebuilding assurance following backstop-related disclaimers of opinion through Local Audit Reset and Recovery Implementation Guidance 06 ("LARRIG 06") in June 2025. We have had regard to LARRIG 06 and other relevant guidance and determined that there is not sufficient time to carry out the procedures we deem necessary to rebuild assurance. As a result, we are not able to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements for the year ended 31 March 2025 before the 2026 backstop date.

Responsibilities of the Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor’s responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on the Council’s arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council’s arrangements for the year ended 31 March 2025.

In March 2024 we identified a significant weakness in relation to Governance and Improving Economy, Efficiency and Effectiveness for the 2020/2021 year. In our view this significant weakness remains for the year ended 31 March 2025:

Significant weakness in arrangements – issued in a previous year	Recommendation
<p>Partnership with Rossendale Leisure Trust During 2020/21 the Council paid for pay and non-pay expenditure incurred by Rossendale Leisure Trust and a significant balance was owed to the Council by the Trust. We have seen no evidence that there is an overarching agreement or contract between the Council and the Trust. This is evidence of a significant weakness in the Council’s arrangements for governance and improving economy, efficiency and effectiveness.</p>	<p>The Council should ensure that there is a comprehensive signed agreement in place between the Council and the Trust. Arrangements should be made to recover the debt owed and a detailed impairment review should be carried out.</p>

Appendix B: Draft audit report

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the members of Rossendale Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office (NAO) has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts, and we have received confirmation from the NAO that the group audit of the Whole of Government Account has been completed and that no further work is required to be completed by us.

Alastair Newall, Key Audit Partner

Appendix C: Key communication points

We value communication with members of the Audit and Accounts committee, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor's Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this report

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points included in this report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor's Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we were required to issue our draft Auditor's Annual Report by 30 November 2025, whether our audit was complete or not. We issued our draft report on 21 November 2025.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor's Annual Report. In such instances, we will issue an Interim Auditor's Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor's Annual Report which will include an updated commentary on Value for Money arrangements.

Appendix C: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and members of the Audit and Accounts Committee.	This document
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	This document
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	This document
With respect to fraud communications: <ul style="list-style-type: none"> • Inquiries with the Audit and Accounts Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	This document and discussion at Audit and Accounts Committee meetings, audit planning meetings, and audit clearance meetings

Appendix C: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>This document</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Council or the Audit and Accounts Committee the context of fulfilling your responsibilities. 	<p>This document</p>

Appendix C: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	This document
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	This document
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of members of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that members of the Audit and Accounts Committee may be aware of.	This document
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	This document
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.) • Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluate responses and remediate control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p> <p>The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.</p>	This document

Appendix C: Key communication points

Other communication	Response
 <p>System of Quality Management</p>	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none"> • Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities • Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) • Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluating responses and remediating control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website here.</p>

Contact

Forvis Mazars

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