Notice of a public meeting of

Audit and Governance Committee

To:	Councillors Hollyer (Chair), Rose (Vice-Chair), Burton, Fisher, Coles, Vassie, Binney (Independent Person), Williams (Independent Person) and Pavlovic
Date:	Wednesday, 16 September 2026
Time:	5.30 pm
Venue:	West Offices - Station Rise, York YO1 6GA

AGENDA

1. Apologies for Absence

To receive and note apologies for absence.

2. Declarations of Interest (Pages 5 - 6)

At this point in the meeting, Members and co-opted members are asked to declare any disclosable pecuniary interest, or other registerable interest, they might have in respect of business on this agenda, if they have not already done so in advance on the Register of Interests. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

[Please see attached sheet for further guidance for Members].

3. Public Participation

At this point in the meeting members of the public who have registered to speak can do so. Members of the public may speak on agenda items or on matters within the remit of the Committee.

Please note that our registration deadlines are set as 2 working days before the meeting, in order to facilitate the management of public participation at our meetings. The deadline for registering at this meeting is **5:00pm** on **Monday 14 September 2026.**

To register to speak please visit www.york.gov.uk/AttendCouncilMeetings to fill in an online registration form. If you have any questions about the registration form or the meeting, please contact Democratic Services. Contact details can be found at the foot of this agenda.

Webcasting of Public Meetings

Please note that, subject to available resources, this meeting will be webcast including any registered public speakers who have given their permission. The meeting can be viewed live and on demand at www.york.gov.uk/webcasts.

4. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annexes A, B, and C to agenda item 10 on the grounds that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). This information is classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

5. Minutes & Action Log (Pages 7 - 20)

To approve and sign the minutes of the meeting held on 22 July 2026.

6. **Treasury Management 2026/27 Quarter 1 report and review of Prudential Indicators** (Pages 21 - 44)

Attached at Annex 1 is the Treasury Management Quarter 1 report and Review of Prudential Indicators 2026/27, which provides an update on treasury activity during the quarter and was considered by Executive on 9 September 2026.

7. **Contract management: major project delivery** (Pages 45 - 62)

This report has been prepared to provide the committee with the updated action plan which resulted from the Contract management: major project delivery final audit report 2024/25.

8. **Audit and Governance Work Plan** (Pages 63 - 64)

To consider the committee’s work plan.

9. **Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

10. **Management of Property Management Agency** (Pages 65 - 104)

This report to Audit & Governance Committee responds to the points raised in the audit report with revised arrangements being subject to a further internal audit review (Phase 2) before the service resumes work with new landlords.

Democratic Services Officer:
Name: Robert Flintoft
Telephone: (01904) 555704
Email: Robert.flintoft@york.gov.uk

Reasonable Adjustments and Alternative formats statement

To request reasonable adjustments or to provide this document in an alternative language or format such as large print, braille, audio, Easy Read or BSL, you can:

Email us at: cycaccessteam@york.gov.uk

Call us: **01904 551550** and customer services will pass your request onto the Access Team.

Use our BSL Video Relay Service:
www.york.gov.uk/BSLInterpretingService
Select 'Switchboard' from the menu.

We can also translate into the following languages:

我們也用您們的語言提供這個信息 **(Cantonese)**

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। **(Bengali)**

Ta informacja może być dostarczona w twoim własnym języku. **(Polish)**

Bu bilgiyi kendi dilinizde almanız mümkündür. **(Turkish)**

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ **(Urdu)**

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

Declarations of Interest – guidance for Members

(1) Members must consider their interests, and act according to the following:

Type of Interest	You must
Disclosable Pecuniary Interests	Disclose the interest, not participate in the discussion or vote, and leave the meeting unless you have a dispensation.
Other Registrable Interests (Directly Related) **OR** Non-Registrable Interests (Directly Related)	Disclose the interest; speak on the item only if the public are also allowed to speak, but otherwise not participate in the discussion or vote, and leave the meeting unless you have a dispensation.
Other Registrable Interests (Affects) **OR** Non-Registrable Interests (Affects)	Disclose the interest; remain in the meeting, participate and vote unless the matter affects the financial interest or well-being: (a) to a greater extent than it affects the financial interest or well-being of a majority of inhabitants of the affected ward; and (b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest. In which case, speak on the item only if the public are also allowed to speak, but otherwise do not participate in the discussion or vote, and leave the meeting unless you have a dispensation.

(2) Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.

(3) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations,

and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.

Agenda Item 5

City of York Council | Committee Minutes

Meeting	Audit And Governance Committee
Date	22 July 2026
Present	Councillors Hollyer (Chair), Rose (Vice-Chair), Burton, Merrett, Vassie, Williams (Independent Person) And K Taylor (Substitute)
In Attendance	Bryn Roberts – Monitoring Officer And Director Of Governance Debbie Mitchell – Director Of Finance Lorraine Lunt - DPO/Information governance manager David Walker - Head Of Customer Finance Risk & Insurance Sara Storey – Corporate Director - Adults and Integration Martin Kelly - Corporate Director, Children's And Education Patrick Looker - Assistant Director of Finance Mark Outterside - Director, Forvis Mazars Jonathan Dodsworth – Assistant Director – Corporate Fraud, Veritau Connor Munro - Assistant Director – Audit Assurance, Veritau
Executive Memeber in Attendance	Cllr Lomas Executive Member For Finance, Performance, Major Projects, Human Rights, Equality And Inclusion
Apologies	Councillors Fisher And Binney

1. APOLOGIES FOR ABSENCE (17:30)

Apologies for absence were received from Councillor Coles, who was substituted by Councillor Taylor. Apologies for absence were also received from Independent Member Mr Binney.

2. DECLARATIONS OF INTEREST (17:31)

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. None were received.

3. EXCLUSION OF PRESS AND PUBLIC (17:31)

Resolved: That the press and public be excluded from the meeting during consideration of Annexes 2-4 to Agenda Item 16, Internal Audit Progress Report 2026/27 on the grounds that it contained Information relating to the financial or business affairs of any particular person (including the authority holding that information). This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

4. PUBLIC PARTICIPATION (17:31)

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

5. MINUTES & ACTION LOG (17:31)

The Committee highlighted that several items on the committee's action plan didn't have completion dates and asked that updates be sought on the actions.

Resolved: That the minutes of the meeting held on 6 May 2026 be approved and then signed by the Chair as a correct record.

6. INFORMATION GOVERNANCE TEAM REPORT (17:33)

The DPO/Information governance manager introduced the report providing the Committee covering performance for April 2025 to March 2026 for the different types of requests for information and data protection requests received, as well as, other relevant areas relating to information governance and data protection. Members welcomed the performance improvements and asked whether the Council provided sufficient resources to improve further. It was confirmed that there was a small team in information governance but that the team worked across the Council which was driving improvements.

The Committee discussed a data breach relating to a failure to blind copy (BCC) email recipients for a newsletter. It was confirmed that the Council already had processes to avoid needing to send these kinds of emails via BCC and that officers would explore expanding these processes to reduce the likelihood of future breaches.

Members considered the Council’s response times to several different requests for information and asked about the Council’s 85% in time response for Subject Access Request’s (SAR). The Committee were informed that the Information Commissioner’s Office doesn’t have a specific target for SARs and that an 85% in time response rate was a strong performance. Members asked about the 15% that weren’t in time and were informed that the Council could in some cases apply a 2-month extension to these requests where applicable, but that many cases required the collating of significant amounts of information including reviewing paper records that meant responses could take significant amount of time to complete.

The Committee noted that there was an increase in various requests for information and enquired as to whether there were issues in accessing information. Officers noted that the Council published lots of information, including responses to previous requests on York Open data, however, requesters don’t always check or have specific ways they ask for the information meaning requests for information are received. Officers also noted that requests for information were across the Council which suggested that there wasn’t a specific area where issues could be identified. Instead, it was confirmed that the Council was getting more proactive in improving access.

Members enquired as to whether it was a Councillor/Executive decision around the decision to install CCTV. It was confirmed that CCTV in public spaces followed national guidelines that the Council followed when considering the need for CCTV. Councillors and members of the public could submit a request for CCTV to be installed in a public space, and the Council would consider the request and follow the guidance when considering whether it was necessary and proportionate to install.

Resolved:

i. Noted the details contained in this report and provide any comments or feedback.

Reason: So that Members are provided with details about current performance and other areas of information governance and data protection from the IGT.

7. KEY CORPORATE RISK MONITOR 1 (18:03)

The Head of Customer Finance Risk & Insurance introduced the report and was asked whether cyber security and Artificial Intelligence (AI) should be considered as requiring a Key Corporate Risk (KCR) assigned to them. Officers confirmed that these areas would make up part of departmental risk registers and would be managed as risks at that level. It was also noted that the Council was advised to maintain a manageable number of KCRs.

The Committee discussed KCR 5 – Safeguarding and raised a series of questions about the Care Quality Commission (CQC) assessment. Officers confirmed that the interventions put in place by the Council ensured that the CQC were assured that adults were kept safe in York. They also confirmed that the Council was improving partnership work and were seeking to improve its safeguarding systems but would not expect to remove all risk from peoples lives. Members were informed that the Council had a two-year period for the improvement programme which should move the Council above an inadequate assessment. Officers also noted that a National Safeguarding Board was being introduced, and this would likely see changes to national guidance the Council will need to follow.

Resolved:

i. Noted the Council's Key Corporate Risks and noted the in-depth review of KCR 5 Safeguarding at Annex C;

Reason: To provide assurance that the authority is effectively understanding and managing its key risks.

8. ANNUAL GOVERNANCE STATEMENT 2025/26 (18:29)

It was confirmed to the Committee that the Annual Governance Statement 2025/26 was currently a draft that would be regularly updated until the final accounts were submitted. The Committee welcomed the report but noted that they had not had training on the accounts which would assist the Committee in performing their duties as an audit and governance committee. Officers confirmed that they would usually provide additional training for members of the committee and that they would arrange training on the accounts as well as treasury management ahead of the final accounts being ready to be submitted.

Resolved:

i. Noted the draft Annual Governance Statement for the financial year ended 31 March 2026.
ii. That training be organised for the Committee on the Accounts and treasury Management.

Reason: To ensure that Members have had the opportunity to review the draft Annual Governance Statement.

9. STATEMENT OF ACCOUNTS 2025/26 (18:36)

Officers introduced the report of the draft 2025/26 Statement of Accounts before they are audited. The Committee asked about the 3-year funding settlement and enquired as to whether more recent quarters and a new prime minster might allow the for the funding assigned to York could be reviewed. Officers noted that they were working on the basis that the settlement wouldn’t be reopened. Members also raised changes to business rates and discounts which were affecting small businesses and non-profit organisations. Officers noted that they had no control over business rates the Council collected these on behalf of Government.

Members then considered whether the Council should seek encourage government to investigate the share of business rates the Council would receive if business rates revenue had increased but due to how it was distributed the Council was not receiving additional funding. The Committee also enquired about the evaluation of the value of the Council’s assets and whether it was correct that land had decreased in value with the committee expecting in York for this to have increased in value. Officers noted that the valuation is done by valuators and that the change in value of assets were marginal.

Resolved:

i. Noted the draft pre-audit statement of accounts, for the financial year ended 31 March 2026.

Reason: To ensure that, in line with best practice, Members have had the opportunity to review the draft pre-audit Statement of Accounts.

10. TREASURY MANAGEMENT 2025/26 OUTTURN (18:56)

Officers introduced the report noting that the Treasury Management Strategy 2025/26 was approved by Full Council on 27 February 2025 and provided an update on treasury activity during the final quarter, that was considered by Executive on 7 July 2026. Officers noted the Council's current level of borrowing and confirmed that short term borrowing continued to provide better value than longer term borrowing. Members asked whether the change in Prime Minster could affect the Council's treasury management and officers noted that they would await announcement from the Chancellor.

Resolved:

i. Noted the Treasury Management Outturn Report and Review of Prudential Indicators 2025/26.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

11. EXTERNAL AUDIT PROGRESS REPORT (19:11)

Mark Outterside from Forvis Mazars introduced the report on the Draft Audit Strategy Memorandum for the Council's external auditors. Members enquired whether the cost of the external audit work would be similar to last years. It was noted that the new indexation approach meant that the cost of external audit work would become clearer over time, but that the Council was expecting and had budgeted for a similar amount with a small, budgeted uplift. It was also noted that cost could be hard to determine in the case of additional work such as letters from the public. The Committee discussed the program of work for external audit and asked about the Station Gateway project and exit packages in both cases it was confirmed that the external auditors would provide an opinion on these areas once review work was completed.

Resolved:

i. Noted the matters set out in the Audit Strategy Memorandum presented by the external auditor.

Reason: To ensure the proper consideration of the progress of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money

12. ANNUAL REPORT OF THE CHAIR OF AUDIT AND GOVERNANCE COMMITTEE (19:18)

The Committee noted the Annual Report of the Chair of Audit and Governance Committee.

Resolved:

i. To delegated authority to the Chair and Vice-Chair of the Committee to finalise the report for submission to the meeting of full Council on 17 September 2026.

Reason: To finalise the annual report for Council.

13. COUNTER FRAUD PROGRESS REPORT 2026/27 (19:19)

Jonathan Dodsworth of Veritau introduced the report on Counter Fraud work undertaken by the Council's internal auditors. Members welcomed the work on counter fraud that was being carried out and enquired as to whether more work could be done to publicise the outcomes of the work. Officers noted that they could only name individuals if they were prosecuted and a lot of action is used to tackle fraud prior to legal action, in part due to the cost of legal action, compared to the potential return from any action taken.

The Committee were informed of the work undertaken on blue badge fraud and the day of action that was undertaken with parking. Members also enquired as to whether action could be taken on HMO's that were registered as domestic dwellings and not businesses around things such as waste collections. Officers noted that they had not been presented with fraud in of this kind but that members or the public can raise possible cases of fraud with Veritau.

Members also enquired about the new whistleblower policy and whether the recommendation being to report to a line manager was the best course of action for staff which to raise concerns. Officers confirmed that line managers were identified as a first port of call, however, should any officer believe it was not appropriate to report it to their line manger the policy supports an issue being raised with officers of a higher level or with Veritau directly.

Resolved:

i. Noted counter fraud activity and the updated whistleblowing policy.

Reason: To enable members to consider the progress of counter fraud work in the current financial year.

14. AUDIT AND GOVERNANCE WORK PLAN (19:39)

The Committee considered its work plan. It was noted that an item on Yorhomes was being worked on to potentially be scheduled for the Committee's September meeting and the one year review of planning committee changes would come to the Committee's November meeting. The Committee also discussed the review of the Council's Constitution and noted that there were challenges with officer resources to be able to review the Constitution on a more regular basis.

Resolved:

i. That the work plan be updated with outstanding items identified for the Committee.

Reason: To ensure that the Committee maintains a programme of work.

15. INTERNAL AUDIT PROGRESS REPORT 2026/27 (19:47)

Connor Munro from Veritau introduced the report and noted that four more audits had been completed since the report was finalised, including an audit of Payroll which received reasonable assurance. The Committee enquired as to whether it was best practice for Veritau to undertake a self-assessment of its own internal governance, and it was confirmed that this was a appropriate approach with improvements from any assessment being to Veritau's benefit. Members enquired about the Flexi-time audit, and it was confirmed that have received reasonable assurance.

The remainder of this item was considered under the exclusion of press and public as agreed at minute 3.

Resolved:

i. Noted the progress made in delivering the 2026/27 internal audit work programme, and plans for delivery over the remainder of the year

Reason: To enable members to consider the implications of internal audit findings, and to review planned activity for the remainder of 2026/27.

ii. Noted the final outcome from Veritau's self-assessment of conformance to the GIAS UK Public Sector for 2026.

Reason: To acknowledge the reassurance members can have in the continued professional conformance of the council's internal audit service.

Cllr Hollyer, Chair
[The meeting started at 5.30 pm and finished at 8.19 pm].

This page is intentionally left blank

Audit and Governance Committee Action Log 2026/27

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	To be completed by	Completed
74	04/09/24	Information Governance performance report	That an update on the repeated themes published within FOIs/EIRs to be provided in future reports to A&G	Lorraine Lunt	Future reports to A&G to include themes and link(s) to published disclosure logs Freedom of Information Responses Disclosure Log – City of York Council (https://www.york.gov.uk/FOIDisclosureLog) and York Open Data York Open Data – City of York CouncilYork Open Data – City of York Council (https://www.york.gov.uk/information-management/york-open-data)	Ongoing	Ongoing
84	27/11/24	Audit and Counter Fraud Progress Report	Regarding Annex 5 - Section 106 agreements - To provide further information on what proportion of total monies was reflected on EXECOM.	Becky Eades	All active section 106 agreements now have a record on Exacom, meaning that 100% of contributions held (and owed) are reflected centrally on the system. Finance and Development Services are working together to reconcile contributions received and owed between Exacom and the general ledger. This is approximately 60% completed and is expected to conclude within the next two months. Finance staff are receiving training on the Exacom system on 8/5 so that records can be matched between Exacom and the general ledger on an ongoing basis. To be completed when all cases are 100% in Execom from 60%.	31/10/26	No

93	27/11/24	External Audit Plan (Audit Strategy Memorandum) 2023/24	Future reports to contain a detailed definition of the roles of the audit team	Mark Outterside (Forvis Mazars)		Ongoing	No
94	14/05/25	Data security	Email to be shared with all members to remind them about the importance of using CYC devices for Council bussiness and the dangers assoisated with using other devices.	Bryn Roberts	Monitoring Officer is progressing the updates for Councillors roles and responsibilities under data protection, including putting onto MyLo, if possible. MO is also following up on the response from ICT about the request for user training, and will provide update by 29 May 2026. There has been updated guidance for Councillors in dealing with data subject access requests to records (DSARs) provided and is available on the intranet.	30/09/26	No
103	03/09/25	Planning Committee	To add to the Committee work plan to review the affect of planning committee changes in autumn 2026.	Bryn Roberts	Will be added to the Committees 2026/27 work plan .	30/11/26	No
105	12/11/25	Constitution Review	To establish a Constitution Working Group to review Appendix 8 of the Constitution- Public Participation Protocol	Bryn Roberts	Can be added to the July meeting; however, it'll be subject to the views of the Political Groups and then the Constitution Working Group, so may be deferred further to the September meeting.	01/07/26	No
106	12/11/25	Community Governance Review	The Committee recommends that the Audit and Governance Committee post the 2027 Council Election consider adding a Community Governance Review to its work plan to explore options for a review.	Audit and Governance Committee	On hold until completion of the Boundary Commission review and the new ward patterns have been embedded after the 2027 local elections.		On Hold

109	29/01/26	KCRs	To ask risk owners to consider again the score impact that the outlined mitigations are having against the risks they own in the reigster.	David Walker			No
110	22/07/26	Acounts Trainning	Trainning to be organised for the Committee on the Accounts and Treasury Management.	Debbie Mitchell/Democratic Services	Trainning for all Memebrs arranged for September with additonal trainning in October for A&G members which is also open to all Memebrs	14/10/26	Yes
111	22/07/26	Cyber Security	To check with the Council has accredited or accredited plus for cyber securinty and report back to the Committee.	David Walker			No
112	22/07/26	Opperating Systems	Members to provide the Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion questions or suggestions about alternative opperating systems that could be explored for use by the Council.	Members of the Audit and Goverance Committee		01/10/26	No

Completed Audit and Governance Committee Action Log 2026/27

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	To be completed by	Completed
102	03/09/25	KCR Changing Demographics	To share with the Committee the updated data set relating to KCR 4 Changing Demographics.	Bryn Roberts	MO/Democratic Services to share 'York's Changing Population: Projections up to 2035 document with members.		Yes
108	29/01/26	Final Statement of Accounts	Briefing note to be shared with the Committee relating to what is included within Other Movement in Costs	Patrick Looker	Email was circulated to the Committee.		Yes

Agenda Item 6

CITY OF YORK COUNCIL

Meeting:	Audit & Governance Committee
Meeting date:	16/09/2026
Report of:	Debbie Mitchell, Director of Finance
Portfolio of:	Cllr Katie Lomas, Executive Members for Finance, Performance, Major Projects, Human Rights, Equality, and Inclusion

Audit and Governance Committee Report:
Treasury Management 2026/27 Quarter 1 report and review of Prudential Indicators

Subject of Report

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2026/27 approved by Full Council on 12 February 2026.

2. Attached at Annex 1 is the Treasury Management Quarter 1 report and Review of Prudential Indicators 2026/27, which provides an update on treasury activity during the quarter and was considered by Executive on 9 September 2026.

Policy Basis

3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that Council be updated with, review and approve, as a minimum three reports annually. These reports are the Treasury Management Strategy Statement setting out policy for the forthcoming year, a mid-year review report, and an annual report detailing the treasury activities and performance for the previous year. Quarterly reports are also required to provide an update on treasury management activities and can be assigned to a designated committee or member as deemed appropriate.

4. This report is the Treasury Management Quarter 1 update report detailing the activities undertaken and performance in the first quarter of the financial year 2026/27, highlighting compliance with the Council's policies previously approved by members, and the monitoring of the Prudential Indicators. The Council is required through legislation to have this report and Prudential Indicators approved by members; therefore, this report ensures this Council is implementing best practice in accordance with the Code.

Recommendation and Reasons

5. Audit & Governance Committee are asked to note and scrutinise the Treasury Management Quarter 1 Report and Review of Prudential Indicators 2026/27 at Annex 1

   Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Contact details

For further information please contact the authors of this Report.

Author

Name:	Debbie Mitchell
Job Title:	Director of Finance
Report approved:	Yes
Date:	04/09/2026

Annexes

Annex One - Treasury Management Quarter 1 Report and Review of Prudential Indicators 2026/27

Annex to above report – Prudential Indicators 2026/27

Meeting:	Executive
Meeting date:	09/09/2026
Report of:	Debbie Mitchell Director of Finance
Portfolio of:	Councillor Katie Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality & Inclusion

Decision Report: Treasury Management 2026/27 Quarter 1 report and review of Prudential Indicators.

Subject of Report

1. The purpose of this report is to provide a regular update to the Executive Member for Finance on treasury management activity for the first quarter of the 2026/27 financial year and to provide the latest update of the prudential indicators which are included at Annex A to this report.

Benefits and Challenges

2. Treasury Management is the effective management of the Council's cash flow. Doing this effectively protects the Council from risks and ensures the ability to meet spending commitments as they fall due.

Policy Basis for Decision

3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that full Council be updated with, review and approve, as a minimum three reports annually. These reports are the Treasury Management Strategy Statement setting out policy for the forthcoming year, a mid-year review report, and an annual report detailing the treasury activities and performance for the previous year. Quarterly reports are also required to provide an update on treasury

management activities and can be assigned to a designated committee or member as deemed appropriate.

4. This report is the Treasury Management quarterly report detailing the activities undertaken so far, performance, and monitoring of the Prudential Indicators. It provides an update on activity for the period 1st April 2026 to 30th June 2026. This report ensures this Council is implementing best practice in accordance with the Code.

Financial Strategy Implications

5. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.

Recommendation and Reasons

6. Executive is asked to note:
   - The 2026/27 Treasury Management activity up to the first quarter date ending 30th June 2026.
   - The Prudential Indicators outlined in Annex A (updated where applicable) and note the compliance with all indicators.

   Reason: To ensure the continued effective operation and performance of the Council's Treasury Management function and ensure that all Council treasury activity is prudent, affordable and sustainable and complies with policies set.

7. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the first quarter of the 2026/27 financial year, the Council has operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement for 2026/27.

8. There are no policy changes to the Treasury Management Strategy Statement 2026/27 for members to agree and approve; the details in this report update the Treasury Management position and Prudential Indicators in the light of the updated economic position and budgetary changes already approved.

Background

9. This quarterly treasury management report has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, and covers the following:
   - A brief economic update for the first quarter of the 2026/27 financial year.
   - A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
   - A review of the treasury position as at 30th June 2026.
   - A review of the Council's investment portfolio.
   - A review of the Council's borrowing strategy.
   - A review of compliance with the Treasury and Prudential Limits.
   - An update to the prudential indicators (set out at Annex A).

Economic Update

10. The first quarter of the 2026/27 financial year saw:
    - The Bank of England base rate maintained at 3.75% on 30th April 2026 and 18th June 2026. At the next decision meeting outside this quarter on 30th July 2026, the rate was also maintained at 3.75%.
    - A 0.1% m/m fall in real GDP in April 2026.
    - CPI inflation at 2.8% in May 2026, with a rise in core CPI inflation from 2.5% to 2.6%.
    - The 3myy rate of average earnings growth excluding bonuses at 3.4% in April 2026.
    - Services output contracted by 0.2% m/m in April 2026.
    - The 10-year gilt yield fluctuate between 5.18% and 4.69%, ending the quarter at 4.76%.
    - Public sector net borrowing of £23.3bn in May 2026 was above the OBR's forecast of £17.7bn and £5.4bn above May's figure last year.

Interest Rate Forecast

11. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions.

12. Table 1 is MUFG Corporate Markets (CYC Treasury Advisors) Interest Rate forecast for both the bank base rate and long-term Public Works Loans Board (PWLB) Certainty borrowing rates (gilt yields plus 80 bps). This forecast was released on 3rd August 2026.

	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Sep 2026	3.75	5.20	5.70	6.30	6.10
Dec 2026	3.75	5.00	5.50	6.00	5.80
Mar 2027	3.75	4.80	5.30	5.80	5.60
Jun 2027	3.75	4.70	5.20	5.70	5.20
Sep 2027	3.50	4.50	5.00	5.40	5.20
Dec 2027	3.50	4.30	4.80	5.30	5.10
Mar 2028	3.25	4.20	4.70	5.20	5.00
Jun 2028	3.25	4.10	4.60	5.20	5.00
Sep 2028	3.25	4.10	4.60	5.20	5.00
Dec 2028	3.25	4.10	4.60	5.20	5.00
Mar 2029	3.25	4.20	4.70	5.20	5.00
Jun 2029	3.25	4.20	4.70	5.20	5.00
Sep 2029	3.25	4.20	4.70	5.30	5.10

Table 1 – MUFG Corporate Markets interest rate forecast 3rd August 2026

13. At the start of the second quarter of 2026/27, Market consensus is that Bank Rate may increase by 25 basis points to 4% later in 2026, or early in 2027, if the Bank of England’s Monetary Policy Committee deems it prudent to protect against any secondary round effects of inflation. MUFG Corporate Markets believes that Bank Rate will remain unchanged at 3.75% for the remainder of 2026, and that the next movement will be downwards if the CPI measure of inflation gets no higher than a peak of c3.5% before trending lower towards the 2% inflation target rate.

Treasury Management Strategy Statement 2025/26

14. Full Council approved the Treasury Management Strategy Statement for 2026/27 on 12th February 2026. Details can be viewed here (item 72) https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=14610 and here (item 195) https://democracy.york.gov.uk/%28S%28aw2b23jofoyuejfc1asnl055%29%29/ieListDocuments.aspx?CId=733&MId=15178

15. There are no investment policy changes and the details in this report do not amend the Statement.

Overall Treasury position at 30th June 2026

16. Table 2 shows the Councils net Treasury debt and investment position for the quarter end as at the 30th June 2026, shown with the financial year end 2025/26 position.

	Principal 30/06/26	Average Rate 30/06/26	Principal 31/03/26	Average Rate 31/03/26
External Debt				
General Fund Borrowing	£209.74m	3.54%	£217.74m	3.57%
Housing Revenue Account (HRA) Borrowing	£133.21m	3.37%	£133.21m	3.38%
Total Borrowing	£342.95m	3.48%	£350.95m	3.42%
Other Long-term Liabilities inc. PFI	£49.35m		£49.35m	
Total External Debt	£392.30m		£400.30m	
Investments				
Investment balance	£21.62m	3.77%	£4.38m	4.03%
Net Treasury Position				
Debt less Investments	£370.68m		£395.92m	

Table 2 Summary of Treasury position as 30th June 2026

Investment Portfolio

17. The Treasury Management Strategy Statement includes the Council's Annual Investment Strategy outlining the Council's investment priorities as follows:
    - Security of capital
    - Liquidity
    - Yield

    Environmental, Social & Governance (ESG) criteria, will be considered as a fourth criteria after the fulfilment of the three core investment priorities.

18. The Council's investment policy is governed by MHCLG guidance and sets out the approach for choosing investment counterparties based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The Council will also consider environmental, social and governance factors when placing investments after the core investment priorities of security, liquidity and yield have been assessed.

19. The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and the Councils risk appetite. The Council had no liquidity difficulties during the first quarter of the 2026/27 financial year.

20. Investment returns the Council earns on its surplus cash is dependent on the level of cash held for investment purposes, cash backed reserves and cash flow requirements which is due to the timing of precept payments, receipt of grants, receipt of developer contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. Cash balances are therefore only available on a temporary basis depending on cash flow movement.

21. The average level of cash balances available for investment purposes in the first quarter up to 30th June 2026 was £26.94m (£26.08m for quarter ending 30th June 2025). The average rate of return earned on cash balances in this period was 3.77% (4.31% for quarter ending 30th June 2025).

22. Table 3 shows the current fixed term investments at 30th June 2026.

Institution Type	Principal Balance 30/06/26	Average Balance 01/04/26-30/06/26	Average Rate 01/04/26-30/06/26	Principal Balance 31/03/26	Average Balance 01/04/25-31/03/26	Average Rate 01/04/25-31/03/26
Fixed Term Deposits	£0.00m	£0.00m	0.00%	£0.00m	£0.00m	0.00%
Call / Notice	£0.00m	£0.00m	0.00%	£0.00m	£0.00m	0.00%
Money Market Funds	£21.30m	£25.60m	3.85%	£3.90m	£27.29m	4.11%
Cash in bank	£0.32m	£0.48m	0.00%	£0.48m	£0.53m	0.00%
Total Investments	£21.62m	£26.08m	3.77%	£4.38m	£27.82m	4.03%

Table 3 Investment Portfolio by type at 30th June 2026

23. Figure 1 shows the investments portfolio split by cash in bank, deposits in short term call accounts, fixed term investments and Money Market Funds. Money Market Funds used have an AAAm credit rating and the cash bank account is AA credit rating.

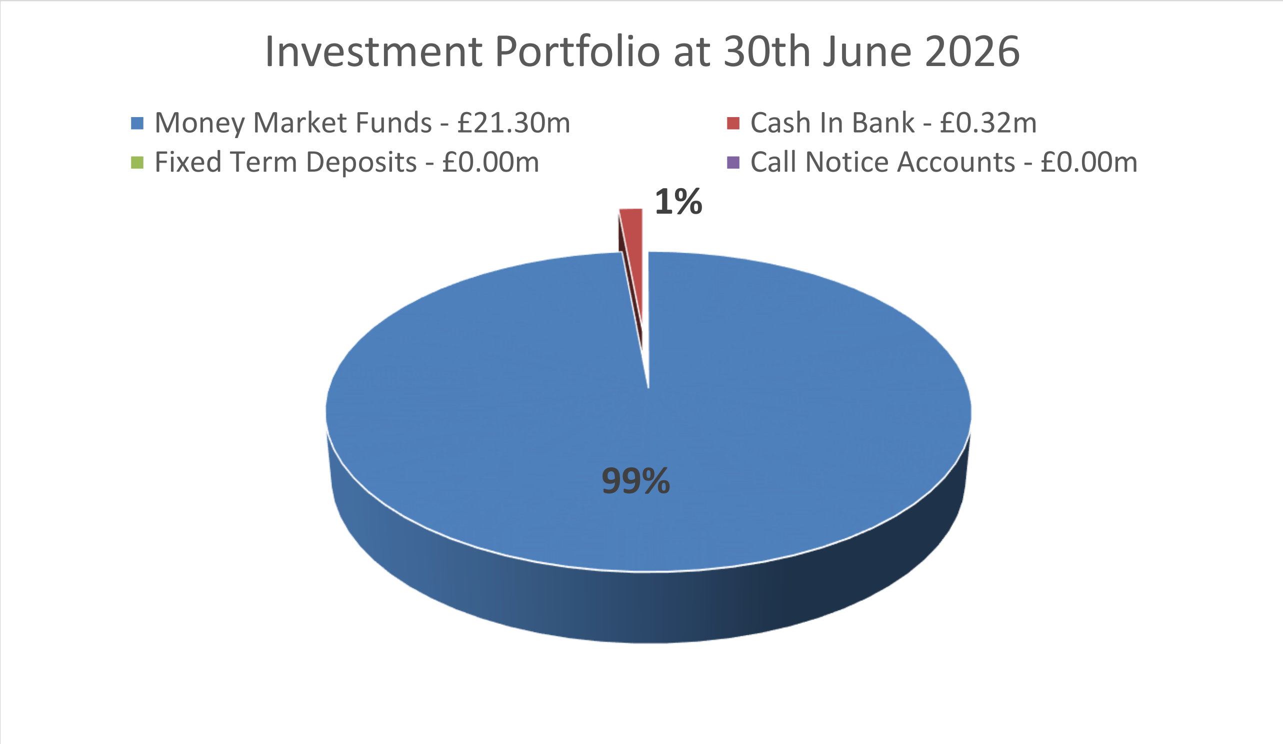


Figure 1 Investment Portfolio by type at 30th June 2026

24. The Council uses a benchmark indicator to assess the Councils investment performance, and this is the average Sterling Overnight Index Average (SONIA). SONIA is based on actual transactions reflecting the average of the interest rates that banks pay to borrow sterling overnight.

25. The Council's average rate of return for the quarter ending 30th June 2026 in table 3.

	2026/27 (Quarter 1)	2025/26 (Quarter 1)	2025/26 (Full year)
Average CYC Rate of Return	3.77%	4.31%	4.03%
Benchmarks			
Average Overnight SONIA	3.73%	4.31%	4.01%

Table 3: CYCs investment rate of return performance vs. SONIA benchmark

26. The average rate of return achieved for invested cash during the first quarter of 2026/27 has remained slightly above the average overnight SONIA rate due to the Council keeping cash in highly liquid Money Market Funds which provide instant access to cash.

27. Figure 2 shows the average SONIA rates for a number of investment durations compared with the Bank of England base rate and the Council's rate of return achieved in the first quarter of 2026/27. It shows that the

Councils average rate of return is tracking broadly in line with, both Bank base rate and overnight SONIA rate. This is expected as cash has been held in liquid Money Market Funds.

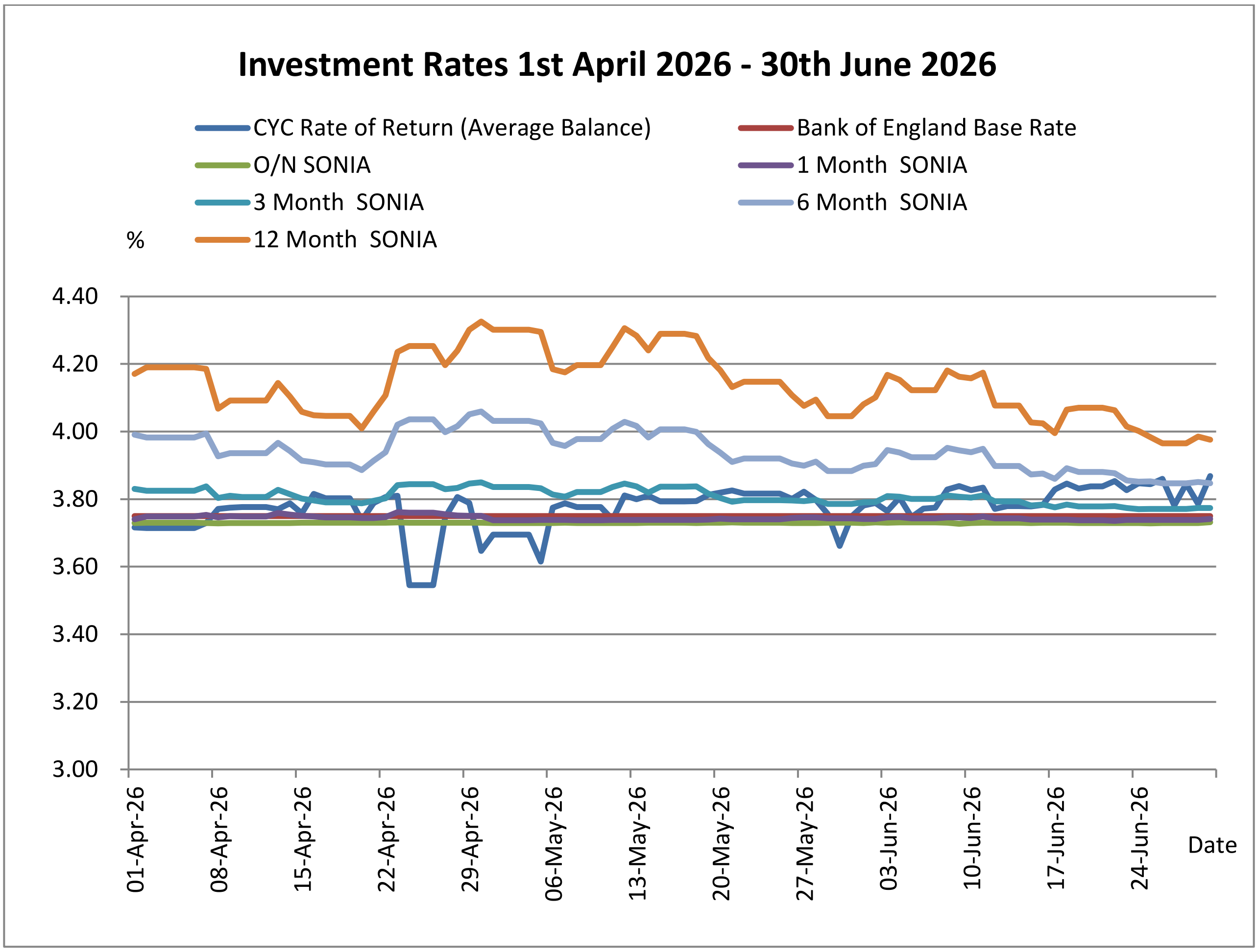


Figure 2 CYC Investments vs Bank of England base rate and SONIA up to 30th June 2026

28. The Council is using its cash balances to delay taking on long-term borrowing. The overall effect of using cash balances to support the Council's under borrowed CFR position is that as cash balances are used there is less cash available for longer term investment and cash balances are held in more liquid funds meaning lower interest returns.

29. Opportunities that arise for notice and fixed investments which could generate higher yields are considered in terms of the Councils short to medium term cash flow requirement and it's under borrowed CFR position.

30. In the current interest rate environment medium and long-term fixed rate interest deals are currently above the rates the Council is achieving on its investments in liquid Money Market Funds, this is on the expectation that base rate may increase before further cuts are made in line with Market predictions. While the opportunity to fix could contribute to a higher rate of return overall should interest rates follow Market predictions, the Council, by running a lower average cash balance position, does not consider it prudent

at this point to enter into medium and longer fixed term deals. This position is kept under review.

Borrowing requirement and debt at 30th June 2026

31. The Council undertakes long-term borrowing in accordance with the investment requirements of the capital programme, and all borrowing is therefore secured for the purpose of its asset base.

32. Under regulation, the Council can borrow in advance of need and Markets are therefore constantly monitored and analysed to ensure that advantage is taken of favourable rates and the increased borrowing requirement is not as dependant on interest rates in any one year.

33. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (the Councils underlying need to borrow for capital expenditure purposes). Borrowing needs to be affordable, sustainable and prudent.

34. On the reverse side, the Council's level of borrowing can also be below the Capital Financing Requirement. This would mean that instead of increasing the Council's level of borrowing, surplus funds held for investment purposes would be utilised.

35. Table 5 shows the Council's underlying need to borrow to finance capital expenditure and is termed the Capital Financing Requirement (CFR).

	31 March 2027 Qtr. 1 Forecast (30.06.26)	**31 March 2027 Budget Forecast (TMSS 26/27)**	**31 March 2026 Outturn Actual (31.03.26)**
CFR General Fund	£352.21m	£405.92m	£331.95m
CFR HRA	£132.00m	£130.20m	£133.53m
CFR Other Long-term Liabilities	£47.89m	£44.09m	£49.35m
Total CFR	£532.10m	£580.21m	£514.83m

Table 5 Capital Financing Requirement Forecast 30th June 2026

36. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments and is also influenced by the interest rate forecasts.

37. During the first quarter of 2026/27, the Council has maintained its under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt, and cash

supporting the Council's reserves, balances and cash flow has continued to be used as an interim measure to fund the capital programme. The under-borrowed position can be seen on the Councils Liability Benchmark graph as shown by the gap between the loans outstanding and CFR.

38. While this strategy is still prudent in 2026/27 as long-term borrowing rates have remained elevated across the curve (see Table 9). Where debt is required to finance the capital programme the Treasury team will look at temporary and short-term borrowing options if internal borrowing cannot be maintained. Where there are opportunities to draw down long term debt at more favourable rates, through either PWLB or Market borrowing, these will be considered in order to try to minimise the longer-term impact of debt costs.

Borrowing Portfolio

39. The Councils long-term borrowing started the year at a level of £350.95m. The current borrowing portfolio position as at 30th June 2026 is £342.95m.

	30th June 2026			31st March 2026		
Institution Type	**No. of Loans**	**Principal**	**Average Rate**	**No. of Loans**	**Principal**	**Average Rate**
Public Works Loan Board PWLB – Money borrowed from the Debt Management Office (HM Treasury)	61	£340.60m	3.50%	61	£340.60m	3.50%
West Yorkshire Combined Authority WYCA – Zero interest loans the purpose of which are to help to fund York Central infrastructure projects.	4	£2.35m	0.00%	4	£2.35m	0.00%
Local Authority Loans Money borrowed from other Local Authorities	0	£0.00m	0.00%	1	£8.00m	4.25%
Total Borrowing (GF & HRA)	**65**	**£342.95m**	**3.48%**	**66**	**£350.95m**	**3.42%**

Table 6 Current borrowing position 30th June 2026

40. During the first quarter of 2026/27 financial year no new loans have been taken.

41. During the first quarter of 2026/27 financial year one existing loan has matured.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
Local Authority	30/03/2026	15/06/2026	£8.00m	4.25%	0.21
			£8.00m		

Table 7 Expired loans up to 30th June 2026

42. There are 10 scheduled repayments of long-term borrowing that will occur this financial year totalling £63.30m. These are detailed in Table 8 below.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
Local Authority	30/03/2026	15/06/2026	£8.00m	4.250%	0.21
PWLB	19/09/2025	19/09/2026	£5.00m	4.530%	1.00
PWLB	04/02/2003	31/10/2026	£3.00m	4.500%	23.74
PWLB	08/10/2025	08/10/2026	£5.00m	4.560%	1.00
PWLB	20/02/2026	20/02/2027	£5.00m	4.310%	1.00
WYCA	23/03/2017	28/02/2027	£1.22m	0.000%	9.94
WYCA	01/09/2017	28/02/2027	£0.62m	0.000%	9.49
WYCA	02/02/2018	28/02/2027	£0.10m	0.000%	9.07
WYCA	13/04/2018	28/02/2027	£0.41m	0.000%	8.88
PWLB	16/03/2026	16/03/2027	£10.00m	4.800%	1.00
PWLB	31/03/2026	31/03/2027	£4.80m	4.640%	1.00
PWLB	28/03/2012	31/03/2027	£5.00m	3.050%	15.01
PWLB	28/03/2012	31/03/2027	£5.60m	3.050%	15.01
			£53.75m		

Table 8 All maturing loans in 2025/26

43. No loan rescheduling was done during the first quarter of the 2026/27 financial year.

44. The Councils £342.95m of fixed interest rate debt, is split between £133.21m for HRA and £209.74m for General Fund as shown in Figure 3.

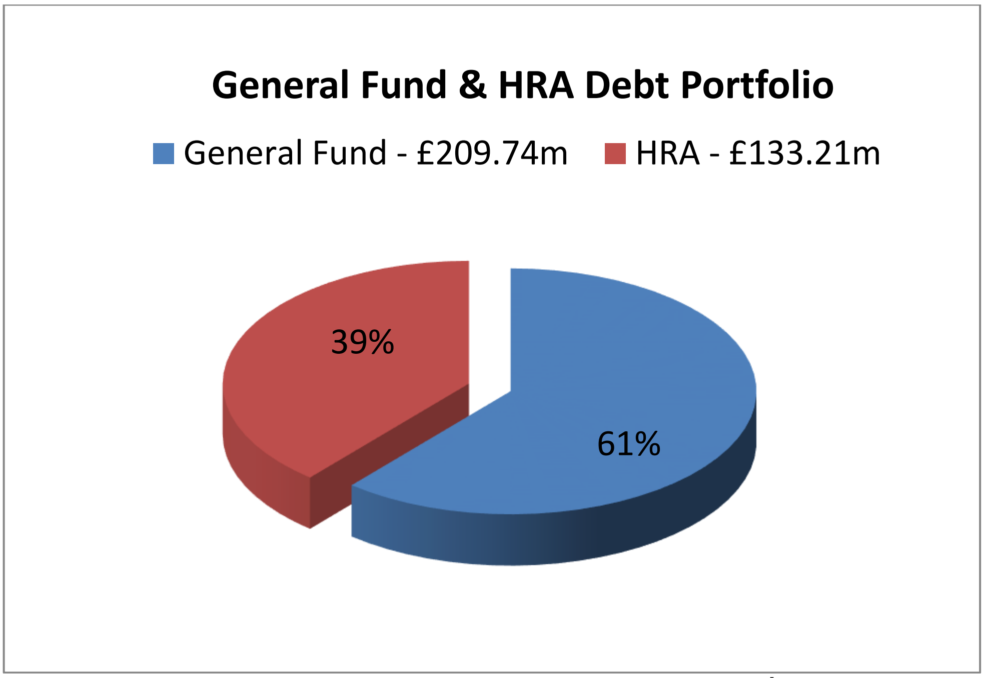


Figure 3 General Fund and HRA debt at 30th June 2026

45. Figure 4 illustrates the 2026/27 maturity profile of the Council's debt portfolio at 30th June 2026.

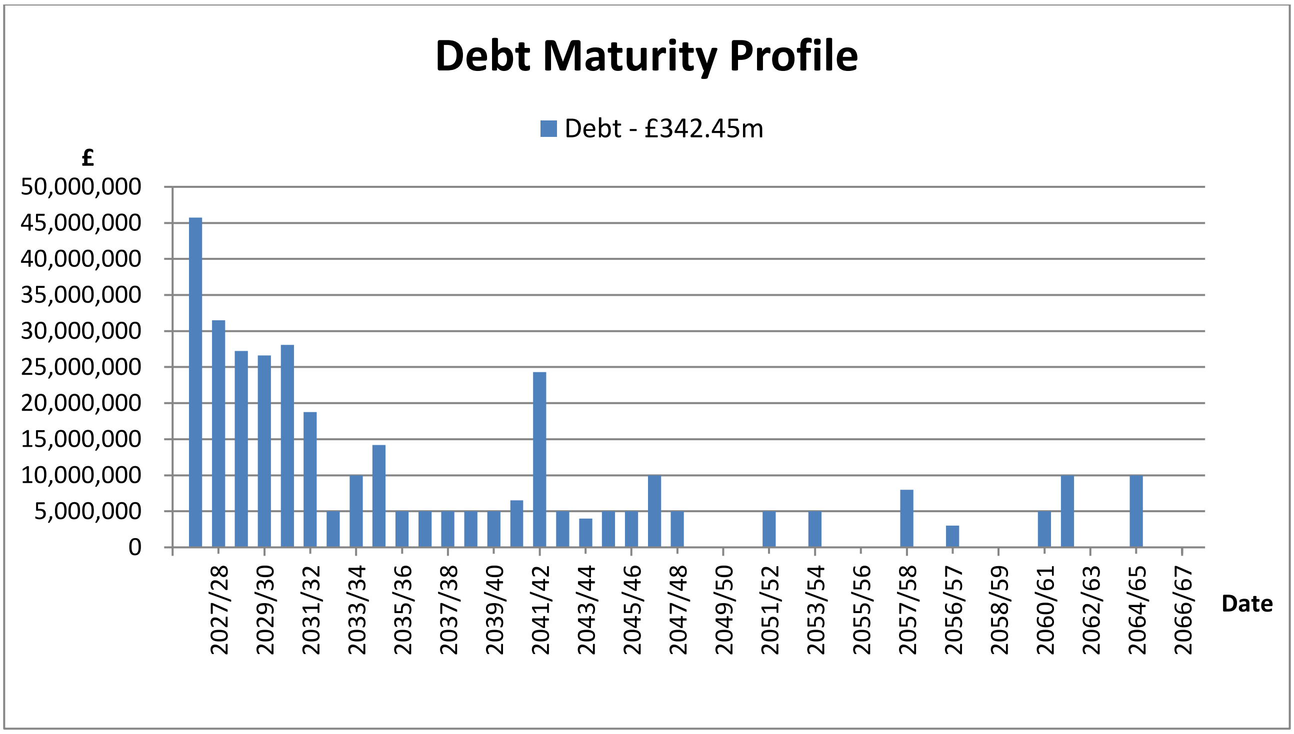


Figure 4 – Debt Maturity Profile at 30th June 2026

46. The maturity profile shows a higher concentration of loan maturities out to 6 years before a more even spread of yearly maturities in future years.

47. The current maturity profile is based on the borrowing decisions taken during financial year 2025/26 (see the Treasury Management 2025/26 Outturn report) to draw down new debt in the 1 – 6 year maturity periods and move away from drawing down new debt and refinancing 1 year maturing loans on

1 year maturities, thereby helping to reduce refinancing risk and interest rate risk dependency in the immediate year following debt drawdown.

48. Short dated 1 year borrowing has formed the majority of loans taken in the last few years but means a growing number of loans to refinance in the year following the debt drawdown, therefore, to smooth the short-term debt maturity profile new debt in the 1 – 6 year maturity period was taken in 2025/26 as those maturity periods offered the best interest rate value against a backdrop of borrowing rates for longer term debt continuing to remain elevated.

49. Since the outbreak of conflict in the Middle East in March 2026, borrowing rates have sharply increased and have not yet fallen back to levels seen in the immediate period before the conflict. Borrowing rates across the board are currently higher than they were at this time last year (see Table 9). This will impact future borrowing decisions and borrowing costs to the Council.

50. The timing of when that debt is drawn down depends on the progress of the capital programme. Where greater value can be obtained in borrowing for shorter maturity periods the Council will assess its risk appetite in conjunction with budgetary pressures to minimise total interest costs. Temporary borrowing, including inter authority borrowing, is another borrowing option. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for smoothing the maturity profile of debt repayments.

51. Table 9 shows PWLB Certainty borrowing rates available for selected loan durations between 1st April 2025 and 30th June 2025 at the highest, lowest and average rates.

	PWLB Certainty borrowing rates by duration of loan				
	1 Year	**5 Year**	**10 Year**	**25 Year**	**50 Year**
High	5.17%	5.49%	5.98%	6.57%	6.35%
Low	4.75%	5.04%	5.50%	6.09%	5.89%
Average	4.92%	5.23%	5.71%	6.31%	6.11%

Table 9 – PWLB Borrowing Rates 1st April 2026 to 30th June 2026

Compliance with Treasury policy Prudential Indicators

52. The Prudential Indicators for 2026/27 included in the Treasury Management Strategy Statement (TMSS) are based on the requirements of the Council's capital programme and approved at Full Council on 12th February 2026. Details can be viewed here (item 72) https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=14610 and here (item 195)

https://democracy.york.gov.uk/%28S%28aw2b23jofoyuejfc1asnl055%29%29/ieListDocuments.aspx?CId=733&MId=15178

53. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits" included in the Prudential Indicators. During the first quarter of financial year 2026/27 the Council has operated within the treasury limits and Prudential Indicators set out in the TMSS for 2026/27.

54. An update of the Prudential Indicators is shown in Annex A.

Consultation Analysis

55. Treasury Management Strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians.

Options Analysis and Evidential Basis

56. The Treasury Management quarterly report and Prudential Indicators details the treasury management portfolio at 30th June 2026 and is for the review of the Executive Member for Finance to show compliance with treasury policy and ensure the continued performance of the treasury management function.

Organisational Impact and Implications

57. The Treasury Management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.

- ***Financial*** - The financial details of the Treasury Management quarterly report are contained in the body of the report.

- ***Human Resources (HR)*** - n/a

- ***Legal*** – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of

Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

- ***Procurement*** - n/a
- ***Health and Wellbeing*** - n/a
- ***Environment and Climate action*** - n/a
- ***Affordability*** - The financial implications of the Treasury Management Strategy are in contained in the body of the report and set out in the Financial Strategy and Capital Strategy reports also on this agenda.
- ***Equalities and Human Rights*** - n/a
- ***Data Protection and Privacy*** - n/a
- ***Communications*** - n/a
- ***Economy*** - n/a.
- ***Specialist Implications Officers*** - n/a

Risks and Mitigations

58. The Treasury Management function is a high-risk area because of the volume and level of large money transactions. As a result, there are procedures set out for day-to-day Treasury Management operations that aim to reduce the risk associated with high volume high value transactions as set out as part within the Treasury Management Strategy Statement at the start of each financial year. As a result of this the Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Wards Impacted

All

Contact details

For further information please contact the authors of this Decision Report.

Author

Name:	Debbie Mitchell
Job Title:	Director of Finance
Service Area:	Corporate Finance
Email:	Debbie.mitchell@york.gov.uk
Report approved:	Yes
Date:	13/08/2026

Co-author

Name:	Tony Clark
Job Title:	Senior Accounting Technician
Service Area:	Corporate Finance
Email:	Tony.clark@york.gov.uk
Report approved:	Yes
Date:	13/08/2026

Background papers

- Treasury Management Strategy Statement and Prudential Indicators for 2026/27 to 2029/30 and Annexes A, B, C and D to that report can be viewed here (item 195) https://democracy.york.gov.uk/%28S%28aw2b23jofoyuejfc1asnl055%29%29/ieListDocuments.aspx?CId=733&MId=15178

Annexes

- Annex A – Prudential Indicators 2026/27 Quarter 1 (30.06.26)

Glossary of Abbreviations used in the report

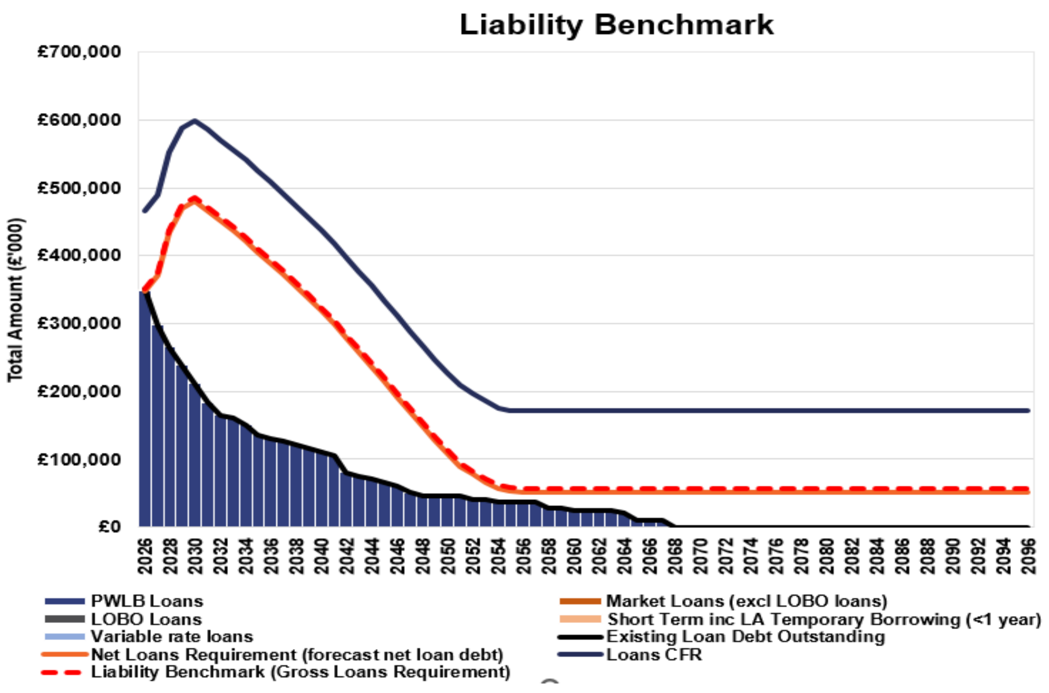
CIPFA	Chartered Institute of Public Finance & Accountancy
CFR	Capital Financing Requirement
CPI	Consumer Prices Index
CYC	City of York Council

GDP	Gross Domestic Product
GF	General Fund
HRA	Housing Revenue Account
MHCLG	Ministry of Housing, Communities and Local Government
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
OBR	Office for Budget Responsibility
PWLB	Public Works Loan Board
SONIA	Sterling Overnight Index Average
TMSS	Treasury Management Strategy Statement

This page is intentionally left blank

Annex A

Prudential Indicators 2026/27 Quarter 1 (30.06.26)

	Prudential Indicator		**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**	**2030/31 Estimate**	
1	**Capital Expenditure** To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets. *Estimate for year-end outturn positions.*	GF HRA Other LT Total	£77.9m £30.1m £0.5m £108.5m	£118.2m £31.3m £0.5m £150.0m	£89.0m £32.9m £0.5m £122.4m	£43.9m £22.4m £0.5m £66.8m	£0.0m £0.1m £0.5m £0.6m	
2	**CFR** Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR. *Estimate for year-end outturn positions.*	GF HRA Other LT Total	£352.2m £132.0m £47.9m £532.1m	£410.9m £136.0m £46.5m £593.4m	£435.9m £147.4m £45.1m £628.4m	£446.3m £148.3m £43.6m £638.2m	£432.3m £148.3m £42.3m £622.9m	
3	**Liability Benchmark** The Liability Benchmark is based on current capital plans and cash flow assumptions, therefore giving the Council an indication of how much it needs to borrow, when it is likely to need to borrow, and where to match maturities to its planned borrowing needs. The liability benchmark makes no assumption about the level of future prudential borrowing in unknown capital budgets.							

Annex A

	Prudential Indicator		2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate	
4	**Ratio of Financing Costs to Net Revenue Stream** An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from rents. Note that financing costs include debt and other long-term liabilities such as PFI and Leases. *Estimate for year-end outturn positions.*	GF HRA Total	15.90% 11.34% 14.94%	18.36% 11.29% 16.92%	20.13% 11.23% 18.37%	20.74% 11.17% 18.91%	20.34% 11.12% 18.64%	
5	**External Debt** To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR. *Estimate for year-end outturn positions.*	Gross Debt Invest Net Debt	£428.8m £5.0m £423.8m	£499.8m £5.0m £494.8m	£546.5m £5.0m £541.5m	£569.3m £5.0m £564.3m	£568.0m £5.0m £563.0m	

Annex A

	Prudential Indicator		2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate	
6 a	**Authorised Limit for External Debt** The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities. *Estimate for year-end outturn positions, unless stated as an actual.*	Borrowing CFR / Other long-term liabilities	£590.2m £30.0m £620.2m (£620.2m actual set at 2026/27 Strategy)	£603.4m £30.0m £633.4m (Estimate based on current CFR projection)	£638.4m £30.0m £668.4m (Estimate based on current CFR projection)	£648.2m £30.0m £678.2m (Estimate based on current CFR projection)	£632.9m £30.0m £662.9m (Estimate based on current CFR projection)	
6 b	**Operational Boundary for External Debt** The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year. *Estimate for year-end outturn positions, unless stated as an actual.*	Borrowing CFR / Short Term Liquidity Requirement	£532.1m £58.1m £590.2m (£590.2m actual set at 2026/27 Strategy)	£593.4m £10.0m £603.4m (Estimate based on current CFR projection)	£628.4m £10.0m £638.4m (Estimate based on current CFR projection)	£638.2m £10.0m £648.2m (Estimate based on current CFR projection)	£622.9m £10.0m £632.9m (Estimate based on current CFR projection)	

Annex A

<table>
<tr><th></th><th>Prudential Indicator</th><th></th><th>2025/26 Estimate</th><th>2026/27 Estimate</th><th>2027/28 Estimate</th><th>2028/29 Estimate</th><th>2029/30 Estimate</th><th></th></tr>
<tr><td rowspan="10">7</td><td rowspan="10">Maturity Structure of Borrowing
To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk. These approved limits are set each year in the Treasury Strategy.</td><td rowspan="10">Maturity profile of debt against approved limits</td><td>Maturity Profile</td><td>Debt (£)</td><td>Debt (%)</td><td>Approved Minimum Limit</td><td>Approved Maximum Limit</td><td rowspan="10">This is the current actual level of debt against the approved limits set at the 2026/27 Strategy.</td></tr>
<tr><td>Less than 1 yr</td><td>£45.7m</td><td>13%</td><td>0%</td><td>30%</td></tr>
<tr><td>1 to 2 Yrs</td><td>£36.5m</td><td>11%</td><td>0%</td><td>30%</td></tr>
<tr><td>2 to 5 Yrs</td><td>£77.0m</td><td>22%</td><td>0%</td><td>40%</td></tr>
<tr><td>5 to 10 yrs</td><td>£58.0m</td><td>17%</td><td>0%</td><td>40%</td></tr>
<tr><td>10 to 20 yrs</td><td>£64.8m</td><td>19%</td><td rowspan="4">30%</td><td rowspan="4">90%</td></tr>
<tr><td>20 to 30 yrs</td><td>£25.0m</td><td>7%</td></tr>
<tr><td>30 to 40 yrs</td><td>£26.0m</td><td>8%</td></tr>
<tr><td>40 to 50 yrs</td><td>£10.0m</td><td>3%</td></tr>
<tr><td>Total</td><td>£343.0m</td><td>100%</td><td></td><td></td></tr>
<tr><td>7</td><td>Upper Limit for Total Principal Sums Invested for Over 364 Days
The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. This upper limit is set each year in the Treasury Strategy.</td><td>Limit / (Current investments over 364 days maturing in each year)</td><td>£15.0m
(£0.0m)</td><td>£15.0m
(£0.0m)</td><td>£15.0m
(£0.0m)</td><td>£15.0m
(£0.0m)</td><td>£15.0m
(£0.0m)</td><td></td></tr>
</table>

Agenda Item 7

Meeting:	Audit and Governance Committee
Meeting date:	16/09/2026
Report of:	Director of City Development
Portfolio of:	Cllrs Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report:
Contract management: major project delivery

Subject of Report

1. This report has been prepared to provide the committee with the updated action plan which resulted from the Contract management: major project delivery final audit report 2024/25.

Policy Basis

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015, and the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).

3. In accordance with these standards, outcomes from internal audit work are presented to the Audit and Governance Committee.

Recommendation and Reasons

4. The Audit & Governance Committee is asked to:

   - Review the progress in delivering the action plan developed in response to the audit.

     Reason

     To enable members to be assured that the action plan is being delivered.

Background

5. During 2024/25, Veritau commenced work on an audit of the council's contract management arrangements for its major capital projects. Work continued into 2025/26, following a request for additional work from the Director of Finance and to allow the council's Director of City Development to contribute to the audit.

6. On 16 January 2026, following discussions with senior management about the content of the report and actions to address identified weaknesses, the final audit report was issued.

7. A Limited Assurance opinion was reached. This means that Veritau has assessed there to be significant gaps, weaknesses or non-compliance. It also means that improvement is required to governance, risk management and control arrangements to effectively manage risks to the achievement of objectives in the area audited.

8. The purpose of the audit was to provide assurance that:

   a) there is a contract brief which clearly set out the work required

   b) meetings are held with the contractor to manage delivery of the project

   c) there is a verification process to confirm that work is completed to the required standard and within timescale

   d) invoices received are accurate for the work that has been done.

9. In order to provide this assurance, Veritau reviewed the main construction contracts relating to three projects. These were York Station Gateway Package 2 'Highways Scheme' (extant), Tadcaster Road (completed), and the Housing Delivery Programme (completed).

10. The focus of the audit was on how the main construction contracts for the three projects had been managed. However, in the case of York Station Gateway, we also evaluated officers' own review into the circumstances relating to the significant overspend and delays with the project. This was the additional work requested by the Director of Finance, mentioned in paragraph 5.

11. A total of four findings were made in the report. The key finding, and the one the led to the Limited Assurance opinion being reached, relates to York Station Gateway. Veritau assessed this finding as ‘critical’, meaning that it represents a fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.

12. The York Station Gateway finding is made up of separate but interrelated parts, as follows:

    a) entering the construction contract ‘at risk’, before legal agreements with statutory undertakers had been sufficiently progressed

    b) costs incurred as a result of changes during project delivery

    c) accuracy of financial implications in decision reports

    d) project governance, and delivery and support capacity.

13. Taken together (at the time of the audit), the four areas outlined in paragraph 12 contributed most to the overspends and delays experienced with the York Station Gateway project.

14. In response to this internal audit report Officers have prepared an action plan setting out the steps the organisation is taking to implement sufficient controls and reduce the risk of this happening again. The role of this committee is to receive updates on the delivery of the action plan attached (Annex A).

15. Following a request from the Audit & Governance committee on the 28 January 2026 the Director of Corporate Development committed to returning in September 2026 to share progress on the delivery of the action plan.

Consultation Analysis

16. No consultation was required in the preparation of the report. Responsible officers named in the internal audit report, and others, were consulted during its preparation. This was done as part of Veritau’s usual practice for undertaking audit work.

17. Officers from City Development, Finance, Transport, and Programme assurance worked together to develop the action plan.

Risks and Mitigations

18. Risk to Council reputation: the findings of the internal audit highlighted areas of significant concern potentially impacting the councils' reputation for delivering robust capital schemes to mitigate this risk the action plan is underway and is designed to provide sufficient controls.

19. Risk to Budget: the internal audit report highlights how weak controls can lead to significant overspend, and how the establishment of a programme management assurance team, working closely with finance, will escalate financial risks before they materialise.

20. Risk of insufficient capacity/capability: a lack of an experienced team with the correct level of expertise will compound the issues identified in the report. The action plan identifies the planned recruitment and training required.

21. Risk of the Action Plan not being realised: there are a significant number of actions designed to mitigate issues highlighted in the internal report. If these actions are not completed the organisation remains at risk of significant programme management weaknesses. Progress against the action plan is monitored by the Director of City Development & Director of Finance through appropriate internal governance.

22. Risk to an extant Contractual/Commercial relationship: whilst the scheme is being delivered it is critical that the council is able to negotiate contractual arrangements in order to achieve best value for the taxpayer. Some the information contained in the report could be taken out of context and make it difficult to achieve best value.

Contact details

For further information please contact the authors of this report.

Author

Name:	Garry Taylor
Job Title:	Director of City Development
Service Area:	City Development
Telephone:	07701258247

Report approved:	Yes
Date:	27/08/2026

Background papers

Link to Jan 26 A&G agenda
Agenda for Audit and Governance Committee on Wednesday, 28 January 2026, 5.30 pm

Link to March 26 A&G agenda
https://modgov.york.gov.uk/documents/s187694/Contract%20management%20major%20project%20delivery.html?CT=2

Link to July 25 Exec agenda
Agenda for Executive on Tuesday, 15 July 2025, 4.30 pm

Annexes

Annex A: Action plan

This page is intentionally left blank

Ref	What	Who	When	Progress **(Bold denotes progress)**
1A	A review will be undertaken against the existing Programme Management Office (PMO) and project delivery management resource and skills contained within it in order to produce a gap analysis, undertaken with reference to existing deliverables for the scheme, and wider planned capital programme.	CF / LC	April 2026 **June 2026** **August 2026**	We have reviewed PM resources on the YSG scheme, and in projects delivery team in general. Officers are currently recruiting a number of PMs and Senior Engineer. Next phase to recruit to assistant PM role. Whole team to have additional experienced resource, rely less on contract / consultant support and to have more training in project management & delivery. The design of the new structures is in the early stages. A role has been created for a Head of Capital PMO, the interim Head is in the process of identifying what existing resource is available, and what additional resource is required. **H&T projects team strengthened through recruitment. PM and APM roles appointed to cover H&T capital projects.** **Permanent, Full Time Head of CPMO now appointed (started 10-08-26). Team to consider further expansion in due course.**
1B	A report will set out recommendations for project management structures from Director level down, following the review	JB/BM	June 2026	GT / LC prepared and gave a presentation to scrutiny committee (4th December) on recommendations for establishing a PMO

	of the existing function, leadership, experience, and knowledge. This report will make recommendations on capacity, structure and expertise in relation to the planned capital programme and will include cost implications. It will include recommendations around Construction/Commercial Contract management functions and Programme Management Office functions.		**August 2026**	and strengthening both resources and processes. JB / BM – future report to include proposals for structure to deliver the planned capital programme. **Recent appointment to City Head of Capital Delivery (18-month internal secondment) and AD Culture, Growth and Infrastructure – interim appointment in advance of permanent recruitment.** **Both to strengthen leadership team and provide experienced delivery managers.**
1C	Project management resources will be restructured and, as there are pockets of excellence that currently exist, opportunities explored to create a supportive network sharing knowledge more effectively throughout the function rather than within departments and directorates.	All heads of service	July 2026 **June 2026**	Teams within City development have started working more closely together and sharing best practice. (eg: learning relating to Treasury Green Book). The establishment of a capital PMO will further enhance this collaboration and sharing of best practice. Following the recruitment exercises to ensure efficient onboarding and training for new staff. And update for existing staff. **H&T and Regen' teams have recruited to PM and APM roles (including career**

			August 2026	**grade). Induction complete. Training ongoing and will continue throughout.** **Further recruitment is underway (closing date 25 September) for a replacement of Senior Project Manager (left due to personal matters) & Assistant Project Manager (left due to promotion)**
1D	As part of the resource review, dedicated Construction/Commercial Contract management capacity will be established to oversee Construction Projects, through experienced construction delivery practitioner resource. Consideration will also be given during the recruitment process to replacing a Qualified Quantity Surveyor (QS) post within the City Development Directorate (CDD) in order to provide specific costing rigour to schemes pre & post tender, through the life of the projects and embedding the managing and recording compensation events, using a professionally qualified staff resource.	GT	July 2026 **June 2026**	Officers currently recruiting to senior engineer role. Discussion at DMT requiring contract management training across the CDD (basic NEC training, with some more detailed training for smaller number of PMs). QS Role not yet out to recruitment. To be in project delivery team (somewhere). More action required. To follow on from recruitment to senior level role. **2 single day training events have taken place for NEC4 introduction. CPMO looking into a further intro' training day for new staff, and the potential for a more intense 4 day course.** **See recruitment comments at**

1E	To better retain and grow talent and experience, creation of a career pathway within project management functions will be explored, with a career graded structure, supporting learning through knowledge transfer and upskilling through training (for example, NEC contract and project management) as well as working with others, which should help to avoid the loss of excellent staff due to isolation or lack of career progression.	BM /JB	June 2026 **June 2026**	Work ongoing for some months to create Assistant Project Manager Job Descriptions (JDs) (career grade). This has met with some complexity in gaining approval within the current HR provisions. However, we are recruiting 4 Project Manager's within the highways & transport major projects team. Two team members taking on the degree apprenticeship training through YSJ university and supported by JS & LC. **Career Grade APMs now appointed in H&T team**
1F	Once existing resources are of the right size and alignment, a period of recruitment will be undertaken to bring in additional skilled resources where needed across the capital programme.	BM/JB	October 2026 **June 2026** **August 2026**	Some recruitment ongoing (see above). More is planned. To consider what additional resource will be needed more widely across the CDD. Then further training for Project Managers to follow. **Initial recruitment completed, training to be ongoing process. Including CDM, NEC, CYC assurance & project management.** **Further recruitment is underway (closing date end Sept) for a**

				replacement of Senior Project Manager (left due to personal matters) & Assistant Project Manager (promotion)
1G	A report will be prepared setting out proposed improvements to the PMO processes and function, commensurate with the complexity and scale of the planned capital programme, integrated with, and driving governance improvements as above, and to be applied consistently across the CDD (and wider as appropriate) Capital Programme.	CF / GT	March 2026 **June 2026**	GT / LC prepared and gave a presentation to scrutiny committee (4th December) on recommendations for establishing a PMO and strengthening both resources and processes. **Report and recommendations being shared at EMDS.**
1H	Training requirements for key staff involved in construction project delivery will be agreed and delivered.	CF / BM	July 2026 and ongoing as new staff are recruited **June 2026** **August 2026**	CF (held by Exec Assistant) have a list of training requirements. Specific emphasis on NEC contract management, project management and Green Book (part delivered) **First phase of NEC training complete. Further events are being looked into. There will be an ongoing training programme.** **Procurement, contract management and project management training either in progress or being organised. CPMO will provide additional training opportunities relating to updated project management processes and documents. This may, in part, follow on**

				from the launch of 'watchtower' – the planned digital solution for project management.
2A	Commercial issues, budget monitoring and funding approval processes will be undertaken by experienced and senior officers at a project level, with support of finance colleagues. PMO processes will be reviewed (per earlier actions) to ensure fitness for purpose and accurate and appropriate corporate financial reporting. Consideration will be given during the recruitment process to establishing a Qualified Quantity Surveyor post within the CDD in order to provide specific costing rigour to schemes pre & post tender, through the life of the projects.	GT	July/ Aug 2026 **August 2026**	QS role not yet out to recruitment. To be in project delivery team. More action required. To follow on from recruitment to senior level role. PMO intends to set up a Delivery Support Board (ToR available in draft). This to be a panel of experienced council officers and heads of service who are able to advise and guide project and programme managers through the development and delivery of capital projects. To include procurement, legal, major projects etc. **Capital Programme Delivery Board (CPDB) is now established and has met 6 times.**
2B	The professional team will be involved in all aspects of the tender evaluation process and will be fully aware of the outcome of commercial elements at financial close, together with any changes that are made to the risk share profile.	GT / JB / BM	June 2026	Closer work with Procurement team to ensure PM's / design team are fully aware of negotiations during contract clarification period and take ownership of the contract risk apportionment process.

				PM's have the ability to request guidance from the Capital Programme Delivery Board (which includes procurement & legal)
2C	RAG ratings will be better expressed to take account of projects being delivered over multiple phases, which will assist to contextualise the position.	GT / All Heads of Service	September 2026 **June 2026** **August 2026**	The PMO will be able to support this and to have templates etc, also to facilitate risk workshops. Intend to be included in the design of any digital PM system. Existing transport PMO does provide support on RAID logs through discovery workshops. **CPMO have worked with Corporate Risk managers to update the council's risk strategy.** **CPMO to provide further guidance and training for project managers. Also to support with future risk workshops, management & reporting.** **BRAYG risk management initiated through CPDB status reports. CPMO to arrange risk management training and facilitate workshops as required.**
2D	The scheme risks must be understood and managed at Director level and below by experienced staff who fully understand	GT / All heads of service	September 2026	We will get better at risk management and highlight reporting. Response as above.

	Construction Project management. A Construction/Commercial Contract Management function will be established, and the Project Management Organisation function will be restructured, and process redesigned to ensure fitness for purpose.		**June 2026** **August 2026**	**Risk reporting and escalation through CPDB is already a considerable improvement. CPMO is set up to support PMs with risk management (as above), further guidance and training to be provided.** **Updated risk management strategy in place. A noticeable improvement in how risks are identified, recorded and reported. Risk mitigation still requires some improvement.**
2E	A review will be undertaken of council-wide project management resources, as proposed in detailed finding 1 above. This is to ensure that large contracts with complex construction, multiple partners from diverse sectors, and with potentially conflicting priorities are managed with a level of experience and expertise so that swift, decisive decision making and a consistent approach is achieved.	GT	July 2026	A new Head of Major Projects appointed, and better management of the capital programme are already in place. JS currently recruiting to senior engineer role. Discussion at DMT requiring contract management training across the CDD (basic NEC training, with some more detailed training for smaller number of PMs). QS Role not yet out to recruitment. To be in project delivery team (somewhere). More action required. To follow on from recruitment to a further senior level role.

			June 2026	**Recruited PMs, and APMs to the H&T team.**
2F	Where there are gaps in expertise or knowledge, a recruitment process will be undertaken to bring in additional skilled resources and commence a training programme for existing staff to improve contract and project management skills.	GT	July 2026 **August 2026**	Some Regeneration posts filled with new PM resource. Current recruitment for PMs in Highways & Transport, and more planned for APM or career grades roles. Further recruitment required to the Capital Delivery team. **Very recent appointment to City Head of Capital Delivery (18-month internal secondment). And AD Culture, Growth and Infrastructure – interim appointment in advance of permanent recruitment.** **Both to strengthen leadership team and provide experienced delivery managers.**
3A	As with Finding 1 York Station gateway (above) A review will be undertaken against the existing PMO and project delivery management resource and skills contained within it in order to produce a gap analysis, undertaken with reference to existing deliverables for the scheme, and wider planned capital programme. Changes will be made to the council's project management framework, giving guidance to project managers on de-	GT / PS	July/August 2026 **June 2026**	Discussions taking place between Director of Housing and Director of City Development. More information to follow. **CPMO team in place (though further strengthening required). Assurance process and reporting mechanisms in place. Additional resources, templates, guidance and training is planned.**

	risking at the project brief stage and ensuring the correctly qualified project delivery staff ensure that all due diligence has been performed prior to the tendering process.			
3B	Once existing resources are of the right size and alignment, a period of recruitment will be undertaken to bring in additional skilled resources where needed. A career pathway will be created within project management functions, with a career graded structure, supporting learning through knowledge transfer and upskilling through training (for example, NEC contract and project management) as well as working with others, which should help to avoid the loss of excellent staff due to isolation or lack of career progression.	GT / PS	September 2026	**Recruitment outlined above. (2F/3A)**
4A	A discussion will be held about adopting the NEC approach to managing and recording compensation events, using the NEC approach as a template for project managers to follow. A consistent approach will be taken across the capital programme as far as is practicable.	GT / CF	June 2026 but to be extended as new staff recruited.	NEC pm training is a priority. (CF to investigate). This may be delivered at differing levels, so all PM's have basic knowledge, but some roles require greater depth. YSG team already uses NEC approach to managing compensation events. (professional team T&T)

			June 2026	**NEC training days have taken place, more are planned.**
4B	Consideration will be given during the recruitment process to replacing a Qualified Quantity Surveyor post within the CDD in order to provide specific costing rigour to schemes pre & post tender, through the life of the projects and embedding the managing and recording compensation events, using a professionally qualified staff resource.	GT	July 2026 **August 2026**	QS Role not yet out to recruitment. To be in project delivery team (somewhere). More action required. To follow on from recruitment to a further senior level role. **Further staff movements at YSG, currently recruiting for SPMs, to include QS if possible.** **Also backfilling APM roles due to career progression.**
4C	As part of the review of the Construction/Commercial Contract Management function, a feasibility review will be undertaken on investing in a contract management system. This would require contractors to use the council's system, as well as also containing a range of other features to help with contract management and may be linked to the Project Management Organisation improvements (see agreed action under detailed finding 1).	GT	December 2026	New function with input from Procurement & legal as a method of registering and managing contracts. To include KPI's / milestones and Compensation Events (CE's). (potential addition of links to financial management system)

This page is intentionally left blank

Audit & Governance Committee – work plan

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

21st October 2026			
Veritau (internal audit / counter fraud)	Internal Audit Progress Report 2026/27	Veritau Max Thomas/Connor Munro	
Veritau (internal audit / counter fraud)	Counter Fraud Progress Report 2026/27	Veritau Max Thomas/Jonathan Dodsworth	
Finance	Treasury Management 2026/27 Quarter 2	CYC Debbie Mitchell	
Finance	2025/26 statement of accounts – final	CYC Debbie Mitchell	
Finance	Purchasing Compliance	CYC Patrick Looker	
Governance	Constitution Review Planning Delegation Changes	CYC Bryn Roberts	
27th January 2027			
Veritau (internal audit)	Internal Audit Work Programme Consultation Report 2026/27	Veritau Max Thomas/Connor Munro	

Risk Key Corporate	Risk Monitor 3	CYC David Walker	
3rd March 2027			
Governance	Information governance report	CYC Lorraine Lunt	
Risk	Key Corporate Risk Monitor 4	CYC David Walker	
Veritau (internal audit / counter fraud)	Internal Audit Work Programme 2027/28	Veritau Max Thomas/Connor Munro	
Veritau (internal audit / counter fraud)	Counter Fraud Plan 2027/28	Veritau Max Thomas/Jonathan Dodsworth	
Veritau (internal audit / counter fraud)	Counter Fraud Progress Report 2026/27	Veritau Max Thomas/Jonathan Dodsworth	
Veritau (internal audit / counter fraud)	Internal Audit Progress Report 2026/27	Veritau Max Thomas/Connor Munro	

Meeting:	Audit & Governance Committee
Meeting date:	16 September 2026
Report of:	Director of Communities
Portfolio of:	Executive Members for Housing, Planning & Safer Communities

Decision Report: Management of Property Management Agency

Subject of Report

1. As reported to Executive on 22 April and 15 July 2025, YorHome is a team within Housing Services in City of York Council which operates an ethical letting agency service. It is a non-profit service that enables people who have the means to pay rent, but cannot afford expensive upfront costs, to access the private rented sector. YorHome currently manages 45 properties with 60 rooms in York and arranges accommodation for people at risk of homelessness. Tenants are referred through the Housing Options Team and the Refugee Resettlement Team.

2. The Executive reports focussed on rectifying historic property management arrangements where officers had not sought the necessary Executive approvals and where, in a number of cases, the wrong form of agreement had been entered into.

3. This report responds to Executive's decision on 22nd April 2025:

   To propose for the purpose of transparency and accountability that a report is prepared for the Audit and Governance Committee to consider any process issues raised or identified.

4. To assist with this work, from the point the Property Management issue emerged (originating from a complaint), an internal audit Phase 1 review was initiated which has guided the areas for improvement. This report is attached at Exempt Annex A.

5. This report to Audit & Governance Committee responds to the points raised in the audit report with revised arrangements being subject to a further internal audit review (Phase 2) before the service resumes work with new landlords. This report is attached at Exempt Annex B.

6. To be clear, no further new cases or properties will be taken on by YorHome while the current rectification work remains ongoing and until the revised governance, legal and financial controls have been fully implemented, evidenced and tested. Once those matters have been resolved, officers will review the position and bring a further update to Members before any decision is taken to resume new landlord or property activity.

Policy Basis

7. The Audit and Governance Committee has a key role in considering matters of governance, risk management and internal control. This report is brought in response to the Executive resolution that Audit and Governance Committee should consider the process issues raised or identified in relation to YorHome, and to provide assurance that corrective action has been taken and that revised controls are subject to independent review.

8. The issues first came to light following a single complaint about one property management arrangement. Initial enquiries prompted wider checks across the YorHome portfolio, which identified that similar concerns were present in relation to a number of other properties (see Exempt Annex C), including issues with documentation, approvals and the form of agreements in place. Veritau was therefore commissioned to undertake two internal audit reviews to provide independent assurance that all matters of concern had been identified, considered and reflected in the subsequent improvement action plan.

Recommendation and Reasons

9. Audit & Governance Committee is asked to note the findings of the Veritau work, the recommendation of Executive and the work undertaken since the improvement work commenced.

Reason: That those responsible for scrutiny and governance are assured that controls are in place and risks addressed.

Background

10. YorHome was created in 2009, becoming fully operational in October of that year. However, it has become apparent that it was set up without sufficient clarity as to its governance structure, which has contributed to some decisions being made without proper oversight or authority.

11. The issues originated from a single complaint about one property management arrangement. Initial checks into that complaint raised concerns about the form of documentation, approvals and responsibilities in place, which prompted wider checks across the YorHome portfolio. Those wider checks identified similar issues in a number of other cases, meaning it was necessary to understand the full extent of the arrangements before agreeing revised processes. This included reviewing historic leases, management and repair agreements, tenancy documentation, financial exposure and legal responsibilities. Resources have also had to be balanced between rectifying existing legal agreements and ensuring future arrangements and controls are robust before the service resumes new landlord activity.

12. Veritau were asked to review the operation of YorHome and the cases identified to assure statutory officers that all matters of concern and risk had been identified. This first 'Phase 1' Veritau review (see Exempt Annex A) concluded that there were weaknesses in the governance and operation of YorHome, including arrangements for entering into leases, management and repair agreements and assured shorthold tenancy arrangements. The review identified weaknesses in legal and financial controls, approval routes, records of decision-making, communication between services and oversight of the service model. It did not include agreed management actions, but its conclusions were intended to assist the council in understanding the position and informed the improvement action plan, the Executive reports and the subsequent Phase 2 review of revised arrangements.

13. A task and finish group involving Housing, Legal Services and Finance has developed revised control arrangements. Veritau issued a Phase 2 report which is attached as Exempt Annex B. The

Phase 2 work provides further evidence for the live action plan and focusses on whether revised processes provide adequate assurance for future YorHome activity.

14. A lessons learned exercise has been undertaken within the relevant staffing groups across the Council, including support services. A comprehensive suite of policies, procedures and guidance has been developed and will be subject to a regular review in future. In addition, a clear organisational chart has been developed to ensure clarity of roles and responsibilities.

15. The latest internal audit report indicates that progress has been made on recording delegations, clarifying s151 Officer approval requirements for relevant acquisitions and developing revised response arrangements. Further work remains ongoing on conflict of interest controls, completion of property-specific legal rectification, and ensuring a single dated recovery plan is in place showing remaining cases, responsible officers, financial exposure, decisions required and evidence that audit actions have been closed.

16. The key remaining property matters under active management include the remaining properties from the original ten identified and other properties where documentation, maintenance responsibilities, tenant communication, surrender or replacement agreements, or potential acquisition options require further legal and financial resolution.

17. The Phase 2 review and the live action plan at Annex D are therefore central to the assurance requested by Executive, Audit and Governance Committee and external auditors. They will support a clear management response, demonstrate progress against recommendations and identify any matters that must remain open until controls have been fully implemented and tested.

Consultation Analysis

18. This work has been supported by internal and external legal advice, input from Finance, senior officer and External Audit oversight and Veritau's internal audit work.

Implications and Issues Arising

19. The work has identified a number of implications arising from the original complaint, the wider portfolio checks and the subsequent Veritau reviews. These include the need to rectify historic documentation, clarify legal responsibilities, strengthen financial and decision-making controls, improve record keeping, ensure clearer communication between services and provide assurance that revised arrangements are embedded before new landlord activity resumes.

20. The principal issues arising are property-specific and relate to the form and status of agreements, maintenance and repair responsibilities, tenant communication, surrender or replacement arrangements, potential acquisition decisions and the financial consequences of resolving each case. The legal issues are complex and specific to each property, meaning careful consideration has had to be given to resolving the issues at each individual property rather than there being a single solution available to apply to all properties. There have also been wider service implications, including staff time, legal support, finance input, audit review, senior management oversight and the opportunity cost of pausing new landlord activity while controls are reviewed and strengthened.

21. The financial implications are still being assessed and will need to be updated as each property matter is resolved. The table below itemises the costs per property to date, together with external costs of the rectification work.

Property / cost area (property details contained in Exempt Annex A)	**Issue requiring resolution**	**Cost to date £**	**Status / comments**
Property 1	Final amendments to landlord agreements. Tenancy agreements to be changed	135,519	In progress
Property 2	Final amendments to landlord agreements. Tenancy agreements to be changed	3,937	In progress

Property / cost area (property details contained in Exempt Annex A)	**Issue requiring resolution**	**Cost to date £**	**Status / comments**
Property 3	Same as above	3,610	Same as above
Property 4	Property to be surrendered by mutual consent	-1,885	In Progress
Property 5	Complete	10,364	Complete
Property 6	End of agreement in progress, no renewal	-4,347	Complete January 2027
Property 7	Property surrendered by mutual agreement	15,830	Complete
Property 8	Under Review	22,447	In Progress
Property 9	Licence Approved	-10,161	Complete
Property 10	Lease expired	28,134	Complete
Total Property Costs		**203,448**	
Legal advice and documentation	Advice, drafting and rectification work	35,973	In Progress
Total	**All identified costs**	**239,421**	

22. The table above includes costs such as rents paid to landlords, repairs where necessary, furniture, and utilities. The figures are also net of rental income received from tenants. Total property costs expenditure (net of Yorhome fees) was £614k, rents and specific grants totalled £411k.

23. In addition to the costs above, internal staff time has been spent on financial assessment, audit review and assurance work as well as the task and finish group, senior officer oversight and service review.

24. The total cost identified in the table above has been funded through a combination of non-specific government grants, management fees received from the other Yorhome properties, as well as funding from reserves set aside from years when Yorhome achieved surpluses.

Other Risks and Mitigations

25. The key risks if the required control improvements are not completed and evidenced are:

- Reputational risks resulting in the pipeline of premises no longer being available.
- Risks that mistakes could be made again in the future bringing further financial and legal risks.
- This will mean that there will be fewer safe and secure tenancies for some of York's residents who are most at risk of homelessness and deprivation.
- Continuing legal, financial, governance and reputational exposure while individual property rectification matters remain unresolved.
- Risk that revised procedures are not consistently embedded, evidenced or tested before new landlord activity resumes.

26. Mitigations are being managed through the live action plan, senior officer oversight, Legal and Finance input, revised delegations and approval routes, clearer audit trails, conflict of interest controls, completion of property-specific rectification work and Veritau's Phase 2 review of the revised arrangements. Further testing will be required once the new controls are operational.

27. As a further reinforcing mitigation, YorHome will not take on any new cases, landlords or properties while the remaining rectification work is ongoing. This position will only be reviewed once the legal, financial and governance issues have been resolved, the revised controls have been implemented and tested, and a further update has been brought back to Members.

Contact details

For further information please contact the authors of this Decision Report.

Author

Name:	Pauline Stuchfield
Job Title:	Director of Communities
Service Area:	Communities Directorate
Report approved:	Yes
Date:	07/09/2026

Background papers

- Background paper: Executive report, 22 April 2025

  Decision - Approval of Property Management Arrangements

- Background paper: Executive report, 15 July 2025

  Decision - Approval of Property Management Arrangements - Follow-Up Report

Annexes

- Exempt Annex A: Veritau YorHome Phase 1 fact-finding review
- Exempt Annex B: Veritau Phase 2 assurance review of revised arrangements
- Exempt Annex C: Property Details
- Annex D: YorHome live action plan and management response

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

Annex D – YorHome Assurance Action Plan

Activities undertaken prior to audit report:

- Review of/ reduction in officer delegations below Chief Officer level
- Extended DMT (Service Manager level) training on financial controls and decision making. To be repeated annually.

Item arising from the Phase 1 audit report	Action	Completed
Approval or rectification of the 10 agreements identified by the original legal investigation work	Working with external and internal legal advisors all the arrangements are being reviewed with an aim to reset the arrangements on an appropriate footing	In progress
Re-approval of YorHome's delivery model with clear delegations in place to deliver the service	Completed	Delegations being finalised
Clarify process of Executive approval of leases including Value For Money checks	Flowchart and process in place	Complete
Legal and financial due diligence checks of the property	Flowchart and process in place	Complete
Legal and financial due diligence checks of the landlord	Flowchart and process in place	Complete
Refresh all standard agreements	New agreements in complete or in development for standard arrangements going forward drafted by legal experts	In Progress

Item arising from the Phase 1 audit report	Action	Completed
Secure replacement documents where missing or partially complete	Complete	Complete
Appropriate rental agreements are in place with each tenant.	In progress	In progress

Other activities undertaken after audit report:

- External Legal asked to give advice on Renters Rights Act and Awaab’s Law and impact on the work of the lettings agency.