Hull and East Yorkshire Combined Authority

Agenda

Governance and Audit Committee

Date:	**Tuesday, 30th June, 2025**
Time:	**2.00 pm**
Place:	**Ergo, Bridgehead Business Park, Hessle**

Membership

Councillor Kalvin Neal
Councillor Margaret Corless
Councillor Diana Hatcher
Councillor Haroldo Herrera-Richmond
Councillor Paul Hopton
Councillor Michael Lee
Councillor Tim Norman
Vacancy

For any further information relating to committee, agenda, reports, apologies and substitutions please contact the Democratic Services Officer, Paul Rawcliffe at Paul.Rawcliffe@hullcc.gov.uk or call democratic services on 01482 615016.

Item
1. APOLOGIES To note the apologies for absence received in advance of the meeting. *(Please notify Democratic Services before the meeting)*
2. DECLARATIONS OF INTEREST To receive declarations of interest in respect of agenda items.
3. MINUTES OF THE PREVIOUS MEETING (enclosed)
4. GOVERNANCE AND AUDIT COMMITTEE WORKPLAN (to follow)
5. INTERNAL AUDIT ANNUAL REPORT 2025/26 AND QUARTER 1 PROGRESS REPORT 2025/26 (enclosed)
6. FINANCE AND TREASURY MANAGEMENT UPDATE (enclosed)
7. STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2024/26 (enclosed)
8. AUDIT PROGRESS REPORT (enclosed)
9. RISK MANAGEMENT (enclosed)

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Hull and East Yorkshire Combined Authority

Governance and Audit Committee

10th December, 2025, at 2.00 p.m.

Aura Innovation Centre, Bridgehead Business Park, Hessle

PRESENT:-

Councillors K. Neal (Chair), Corless (Deputy Chair), Herrera-Richmond, Hopton, Kemp, Lee, Matthews and Norman.

IN ATTENDANCE:-

L. Campbell (the Mayor for Hull and East Yorkshire), T. Maione (Strategic Director of Legal and Governance and Monitoring Officer (interim)), J. Neilson (Interim Director of Finance and Interim Section 73 Officer), B. Boyes (Chief Audit Executive (South Western Audit Partnership - Internal Audit Services)), and P. Rawcliffe (Democratic Services Officer).

APOLOGIES:-

None received.

Minute No.	**Description/Decision**	**Action By/Deadline**
PROCEDURAL ITEMS		
8	**DECLARATIONS OF INTEREST** No declarations of interest were made in respect of the items that follow below.	
9	**WORKPLAN 2025/26 UPDATE** The Strategic Director of Legal and Governance and Monitoring Officer (Interim) submitted a report that presented an outline workplan for 2025/26 for the Committee, which was attached to the report. It set out report/project scheduling to cover areas of responsibility as set out in the Committee's Terms of Reference. It was important that in the early stages of the Combined Authority that the Governance and Audit Committee's Workplan remained flexible and was regularly reviewed. As such, the workplan was presented for further review, update and discussion. He added that the items, counter fraud and risk management, would be considered at the March meeting of the Committee. Additionally, it was likely that the east Riding of Yorkshire Council would be providing risk advisory services.	Strategic Director of Legal and Governance and Monitoring Officer (Interim)

	Discussion took place around the quorum for the meeting; the frequency that the Governance Statement would be considered by the Committee, and that it was likely that the East Riding of Yorkshire Council would be providing risk advisory services. **Agreed** – a) That the revised outline Workplan for 2025/26, be noted, and b) that the Committee's preference for its quorum is four members with at least one member from each constituent authority.	
10	**INTERNAL AUDIT PROGRESS REPORT** The Interim Director of Finance and Interim Section 73 Officer submitted a report a report which presented details of Internal Audit activity since the inaugural meeting of this Committee on 22nd September, 2025. The report also included a further iteration of the Internal Audit Charter and Mandate as agreed at the last meeting of this Committee, which included expanded information on Internal Audit activity. He paid particular attention to building up detail and underpinning the audit activity; governance assurance mapping, and key areas for planned deliverables. Discussion took place around the weighting towards higher end costs; the need for key Directors of the Authority to be in place, and that the recruitment process for the Director posts was on track. **Agreed** – a) That the Internal Audit progress be noted; b) that the updated Internal Audit Charter and Mandate, be noted, and c) that the Authority's Organisational Structure be circulated to members of the Committee.	Interim Director of Finance and Interim Section 73 Officer
11	**FINANCE AND TREASURY MANAGEMENT UPDATE**	Interim Director of Finance and

	The Interim Director of Finance and Interim Section 73 Officer submitted a report which presented an update and assurance on the Authority's budget, spending and funding position for 2025/26, alongside treasury management arrangements. To facilitate that, the Budget Update report presented to the Executive Board on 28th November, 2025, was attached as Appendix 1 of the report considered today. He paid particular attention to the variances on employee costs; treasury management; the capital budget; the Authority's Investment Programme. No significant changes were expected. Discussion took place around the liaison with the Government to help bring investments forward; the Combined Authority's own Investment Team, and the Combined Authority's Capital Budget for 2026/27. **Agreed** – That the report be noted, and more detailed plans be included in the next report.	Interim Section 73 Officer
12	**CONSTITUTION REVIEW** The Strategic Director of Legal and Governance and Monitoring Officer (Interim) submitted a report which explained that the Constitution was a document that set out how the Hull and East Yorkshire Combined Authority (HEYCA) worked; made decisions, and the procedures followed to ensure that its work was efficient and effective; transparent, and accountable to residents. Some of those procedures are set by law, while others are ones HEYCA had chosen to follow. The Constitution prescribed that it should be regularly reviewed, including an annual review, to ensure that it reflected HEYCA's current and emerging requirements. That ensured HEYCA could continue to act in the light of experience and practical application. The purpose of the report was to propose arrangements for a comprehensive review of the Constitution. The anticipated outcome of the review would be to ensure that the Constitution, including any proposed amendments or developments to it, could be formally presented for consideration by this Committee. **Agreed** –	Strategic Director of Legal and Governance and Monitoring Officer (Interim)

	a) That the report be noted; b) that a Constitution Review Working Group, consisting of Councillors Kemp, Lee and Neal, be established to complete a detailed review of HEYCA's Constitution, for consideration at the next meeting of this Committee, and c) that the Monitoring Officer be delegated to carry out all the actions necessary to establish and service the Constitution Review Working Group.	
13	**SINGLE ASSURANCE FRAMEWORK REVIEW** The Strategic Director of Legal and Governance and Monitoring Officer (Interim) submitted a report which explained that the Hull and East Yorkshire Combined Authority Executive Board approved the Assurance Framework at its inaugural meeting of 31st March 2025. The Assurance Framework was reviewed annually, demonstrating the Combined Authority's ongoing commitment to governance, transparency and accountability across all of its activities. The first review of the Framework was now in progress with the aim of being concluded for approval by the Executive Board at its January, 2026, meeting. The Assurance Framework set out how the Combined Authority would use public money responsibly, openly and transparently, with best value principles at the centre of decision making. The Ministry of Housing, Communities and Local Government required Combined Authorities to develop their Assurance Frameworks aligned with the English Devolution Accountability Framework (March, 2023). As such the final draft Framework would be submitted for approval by the Department prior to Board approval. As part of the review process, this Committee is asked to consider the Framework within its remit and provide feedback. Discussion took place around the arrangements for the Deputy Mayor that were being developed; the suggestion to appoint an Independent Chair for this Committee and best practice if one was to be appointed; the development of policies; the use of	Strategic Director of Legal and Governance and Monitoring Officer (Interim)

	existing policies for the constituent authorities, and how the Combined Authority would publish advance notice of key decisions it intended to take. **Agreed** – a) That the report be noted; b) that the Committee be provided with an update regarding the Office of the Deputy Mayor, and c) that the issue of this Committee adopting an independent Chair, be referred to the Constitution Review Working Group for consideration.	
14	**DATE AND TIME OF NEXT MEETING** **Agreed** – That it be noted that the next meeting of this Committee takes place on Wednesday, 18th March, 2026, at Ergo, Bridgehead Business Park, Hessle, commencing at 2.00 p.m.	

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Hull and East Yorkshire Combined Authority

Internal Audit Annual Report & Q1 Progress Report 2026/27

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.

The contacts at SWAP in connection with this report are:

Jessica Croman:
Jessica.Croman@swapaudit.co.uk
Benita Boyes:
Benita.Boyes@swapaudit.co.uk

An effective risk management framework relies on the Governance and Audit Committee and senior management being supported by strong monitoring and assurance functions.

The "Three Lines" model describes these roles and how responsibilities should be allocated:

First line: manages and owns risk

Second line: oversees risk management and compliance

Third line: provides independent assurance

Purpose

The Head of Internal Audit should provide a written annual report to those charged with governance to support the authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- Provide the opportunity to review the work undertaken during the year, and summarise the performance of the Internal Audit function against its performance measures, criteria and standards; and
- Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

The purpose of this report is to satisfy this requirement, and Members are asked to note its content.

Background

The Internal Audit service for the Hull and East Yorkshire Combined Authority (HEYCA) is provided by SWAP Internal Audit Services. Our work is carried out in line with the Global Internal Audit Standards and all other guidance recognised by the UK public Sector's Relevant Internal Audit Standards Setters. The work of the team is guided by the Internal Audit Charter which was approved in December 2025 and reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2025/26 year and provides and update on Q1 delivery.

Annual Opinion

Internal Audit provides an independent and objective opinion on the adequacy and effectiveness of HEYCA's arrangements for governance, risk management, and internal control. This opinion is based on the work undertaken during the year, the scope of audit activity delivered, and the stage of organisational maturity.

HEYCA is a newly established Combined Mayoral Authority and, as such, its overall control environment remains in development. Many core governance, financial, operational and programme-delivery arrangements are inevitably still at an early stage of design, implementation and embedding. Internal Audit work undertaken to date has therefore focused on reviewing foundational arrangements and support for the establishment of effective controls. Given the Authority's evolving control environment, the work delivered by SWAP is not yet sufficiently broad and we are unable to gather enough appropriate evidence to reach a full conclusion to support an overall opinion on risk management, control and governance. Therefore, we are able to provide a '**limitation of scope'** opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control operating at HEYCA.

A limitation of scope is distinct from a no assurance opinion. In this case, the limitation reflects two factors; the organisation being newly established and 2025/26 as its first full financial year. As is typical for new organisations, the control framework remains developing, with governance and risk management arrangements not yet fully embedded. Further work is needed to build a comprehensive assurance framework, which will take time. Continued management focus on embedding controls will be essential as HEYCA's risk profile and operations continue to evolve.

During 25/26 monthly analysis of financial transactions was carried out with no significant irregularities or error to report. An audit of Procurement & Decision Making was delivered in Q4 with a Limited Assurance opinion. Significant risks have been identified and are yet to be fully mitigated, although implementation of actions is in progress.

We will continue to provide the Committee with updates on progress during 2026/27.

Significant Organisational Risks

The following significant risks have been identified:

- Procurement & Decision Making – The audit identified a significant weakness in legacy procurement practices, with limited evidence available to demonstrate compliance with Contract Standing Orders and Financial Regulations. There was also a reliance on draft policies, unimplemented procedures and informal practice meaning procurement decision-making was inconsistent and exposed to governance and compliance risks. We understand that good progress is being made to implement the outstanding actions which are due to be implemented by July 31st 2026, and we plan to conduct a review shortly to confirm risks have been mitigated.

Summary of Audit Progress and Added Value

Audit

As this update is presented together with the Internal Audit Annual Report, this progress report has been shortened to avoid duplication of information.

Since our last progress report in December 2025, we have issued **one Limited** assurance report on the areas and activities we have audited for **Procurement & Decision Making** with **significant organisational risks identified.** Details can be found at Appendix B. Action update?

Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Examples of this added value work during 25/26 are:

- Reviewed draft documentation including the Constitution, Adult Skills Fund Audit Plan Framework, Strategic Risk Register anything else;
- Delivered an internal audit Member's awareness session at the away day.
- The ongoing use of partner internal audit teams at Hull and East Riding of Yorkshire Councils to align assurance activity under existing SLAs, enabling additional assurance to be provided without increasing audit costs.

Additional areas of work have included:

Assignment	Details
Financial Resilience ***Financial Control*** *Completed - Feb 25 to April 26 Ongoing quarterly Analysis*	**Financial Transactions Data Analytics** has been provided as an advisory piece which underpins assurance activity for financial control. Analytical review work continues to be undertaken to explore any possible trends identified by the data to indicate potential irregularity, errors, or inconsistencies in respect of payments and income transactions. Data matching was completed against vendor, value, invoice number, and an analysis of potential duplicate payments. This review covered all payments and income for the period February 2025 to April 2026. **This review has not identified significant irregularity or error.** The observations from this data analytics exercise are summarised in a report provided to the S151 and supported by data extracts. An interactive dashboard has been created to provide a facility for extended officer insight into the data analysis. The analysis has now moved to being undertaken quarterly which will be conducted by Internal Audit to support continued monitoring and insights and will guide assurance activity.

Decision Making (Compliance with Constitution & Policy framework) ***Limited Opinion***	The audit focused on a sample of procurements to evaluate whether decisions were made in accordance with internal policies, and value for money principles. Compliance was assessed with HEYCA's internal procurement policies (contract procedure rules and financial regulations), delegations, supplier selection, tendering processes, contract award decisions etc. Key findings found strengths with the financial process - expenditure was supported by invoices with transactions being reviewed and approved by an authorised HEYCA officer, and payments subsequently authorised by appropriate signatories. Key issues include - procurement governance and compliance, policies and procedures, monitoring and oversight, the exemption request process and conflicts of interest. However, the procurement function is operating within a developing control environment, with new policies, procedures and training arrangements currently being designed and implemented.
Workforce *In progress*	HEYCA's workforce processes will be reviewed to assess the adequacy of controls to mitigate the risk of inconsistency, non-compliance, and inefficiency as procedures are developed and become embedded which may lead to financial, operational, or reputational impacts if not properly managed. Key control areas include recruitment and leavers processes checks, decision approvals and underpinning documentation (including those relating to agency and temporary appointments (including IR35 compliance).
Combined Financial Systems *In progress*	A combined financial system review is taking place jointly with SWAP colleagues at East Riding of Yorkshire Council (ERYC). Financial services and Payroll services are provided under a Service Level Agreement (SLA) with East Riding of Yorkshire Council, which delivers key income, expenditure and accounting functions on HEYCA's behalf. This audit will therefore review the combined financial systems arrangements to assess the design and operation of key controls, including targeted testing to provide assurance over the completeness and accuracy of financial transactions.
Governance ***Assurance mapping*** *In progress*	An Assurance Map framework has been created and is currently being populated in line with the control environment developing. Its purpose is to document existing and required assurance activities across key risk areas to identify gaps, overlaps, and opportunities for improvement in the organisation's assurance framework. This will strengthen decision-making, accountability, and risk management across HEYCA's evolving operations. It is desirable for assurance mapping to become embedded in risk, governance and control arrangements to achieve a sustainable and connected approach. Assurance mapping will, in some cases, be a signpost (and not seek to replicate existing organisational frameworks). This output will provide a useful tool for senior management, the Board, and inform Internal Audit activity (and guide any flexing required in the Internal Audit plan). Also, the development process is likely to generate a number of useful challenges around the assurance landscape. An important outcome of the assurance mapping exercise is to understand the third-party assurances which are required (from funders etc) and who is delivering these. Similarly, where SLAs exist, the assurance arrangements associated with the service delivery should be defined. This is an ongoing exercise which is being populated as HEYCA's control environment develops.
Risk Management *Ongoing*	HEYCA's risk register has been mapped against the internal audit plan as part of the audit planning process. This review was undertaken to ensure that significant risks identified by management are appropriately reflected within the audit universe and that internal audit coverage is targeted towards areas of higher risk, thereby maximising the effectiveness of assurance provided. A review of the strategic risks will be kept under review to ensure continued alignment.

Adult Skills Fund *Ongoing Engagement*	Internal Audit has met with the Adult Skills Fund Manager to discuss and review the ASF Audit Plan and activity pipeline. Discussions are ongoing to determine the most appropriate time for engagements to commence which is likely to take place in Q3/4 of 26/27. Internal Audit will provide assurance that the ASF Audit Plan has been implemented effectively and in line with requirements.

Audit Coverage 2026/27

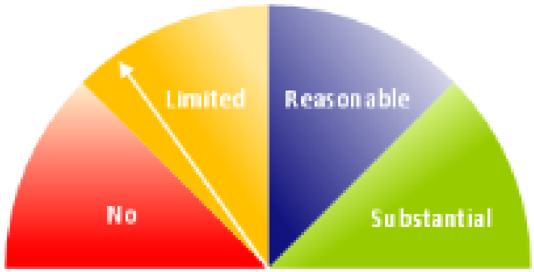
Our internal audit plan for 2026/27 is outlined below. The plan has been developed to reflect the organisation's key risks, priorities, and areas of strategic importance, ensuring that audit coverage is appropriately targeted through engagement with key stakeholders. It also retains sufficient flexibility to respond to emerging risks and unplanned assurance requirements as they arise. We will also seek to align our assurance through our partnership arrangement with the East Riding of Yorkshire Council and Hull City Council where appropriate.

Assurance Theme	Areas of coverage	HEYCA Risk	26/27
Financial Resilience	Financial Control - Combined financial systems (inc payroll) & data analytics	HEYCA/SR10	Q1
	Workforce	HEYCA/SR09 HEYCA/SR13	Q1
	Stakeholder Management/Partnership Governance	HEYCA/SR04 HEYCA/SR11	Q2
	Procurement & Decision Making Follow Up	HEYCA/SR09 HEYCA/SR10	Q2/Q3
Governance	Ethical Health (Counter Fraud, Environment, Social Value)	HEYCA/SR09	Q2/3
	Business Continuity & Disaster Recovery	HEYCA/SR02	Q3
	Risk (& Opportunity) ongoing review	HEYCA/SR09	Ongoing
	Assurance Mapping		Ongoing
	Information Governance & Security	HEYCA/SR09	Joint ERYC Assurance
Strategic Themes	Adult Skills Fund	HEYCA/SR07	Q3/4
	Shared Prosperity Fund	HEYCA/SR06 HEYCA/SR07	As required
	Transport	HEYCA/SR03	As required
	Other – Grant Governance		As required

The role of SWAP as the internal auditors is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. The four opinion ratings are defined as follows:

Assurance Definitions	
No Assurance	The review identified fundamental gaps, weaknesses or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	The review identified significant gaps, weaknesses or non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited
Reasonable	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

In addition to the assurance definitions above we also provide an **'assurance dial'** which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.



Categorisation of Actions	
Each action has been given a priority rating with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

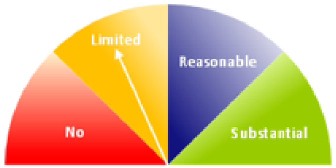
Procurement & Decision Making – Final Report – March 2026

Hull and East Yorkshire Combined Authority

SWAP INTERNAL AUDIT SERVICES Better Assurance, Together

Audit Objective: To assess the adequacy, transparency, and compliance of procurement and decision-making processes within Hull and East Yorkshire Combined Authority (HEYCA)

Executive Summary



Assurance Opinion

The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.

Management Actions	
Priority 1	2
Priority 2	3
Priority 3	0
Total	5

Organisational Risk Assessment: High

Our audit work includes areas that we consider have a high organisational risk and potential significant impact.

Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.

Summary

HEYCA's procurement function is operating within a developing control environment, with new policies, procedures and training arrangements currently being designed and implemented. Although the service is not yet fully compliant with procurement regulations, there is clear recognition of the current weaknesses, and a structured action plan is in place to address the issues identified during the audit review. A range of improvement initiatives is already underway to strengthen governance, enhance compliance and build staff capability. As these actions are implemented and embedded, and the new frameworks mature, it is anticipated that sufficient controls will be established to support a more robust, consistent and compliant procurement approach.

Management are reminded that it remains their responsibility to ensure that an effective control environment is in place and the agreed actions identified within appendix 1 should be implemented to ensure compliance.

Key observations

The following areas for improvement were identified during our review:

- The audit identified a significant weakness in legacy procurement practices, with limited evidence available to demonstrate compliance with Contract Standing Orders and Financial Regulations for eight out of ten sampled contracts. While recent activity - such as the Castlefield Recruitment appointment – shows improved adherence to procurement principles, the current reliance on draft policies, unimplemented procedures and informal practice mean procurement decision-making remains inconsistent and exposed to governance and compliance risks.

- A review of procurement arrangements highlighted a weakness in oversight, with most sampled contracts lacking essential documentation and no routine monitoring in place. The absence of period checks and escalation of non-compliance has led to inconsistent record keeping, unverified procurement decisions, and limited assurance over value for money or statutory compliance. No declarations of interest are currently held for officers involved in procurement, increasing risks around transparency and conflict of interest management. Strengthened monitoring and governance arrangements are therefore essential.

The following key strengths were identified during our review:

- Evidence confirmed that all sampled expenditure was supported by invoices with each transaction reviewed and approved by an authorised HEYCA officer, with payments subsequently authorised by appropriate signatory. A complete audit trail of approvals was provided and is retained by ERYC Accountancy.

Audit Scope

This assurance audit reviewed the following areas:

- Authority's internal procurement policies
- Delegated authority limits
- Supplier selection, tendering processes and contract award decisions

Hull and East Yorkshire Combined Authority

Report to: **Audit & Governance Committee**

Date: **30 June 2026**

Finance and Treasury Management Update

Report of the Executive Director of Finance

1. Purpose of the Report and Summary

1.1. To present an update and provide assurance on the authority's budget, spending and funding position, alongside treasury management arrangements.

1.2. To facilitate this, the following reports are attached:

- Appendix A: Financial Position Statement 2024-26 – draft report due to the Executive Board meeting on 31 July 2026
- Appendix B: Financial Plan 2026-27 to 2029-30 – approved by the Executive Board on 12 February 2026

2. Recommendations

2.1. That the Audit & Governance Committee notes this update.

3. Legal Implications

3.1. Legal implications are provided in the relevant sections of Appendix 1.

4. Financial Implications

3.1. Financial implications are provided in the relevant sections of Appendix 1.

Julian Neilson
Executive Director of Finance

Contact Officers:

Julian Neilson, Executive Director of Finance (Section 73 Officer)

Background Papers:
None

Appendix A

Report to: **Hull & East Yorkshire Combined Authority**

Date: **31 July 2026**

Financial Position Statement 2024-26

Report of the Executive Director of Finance

1. Purpose of the Report and Summary

1.1. The purpose of this report is to provide the expenditure position of Hull and East Yorkshire Combined Authority (HEYCA) for its first financial year of operation. This covers an extended accounting period of 14 months from the date of the Authority's inception on 5 February 2025 to 31 March 2026, in accordance with the Local Audit (Modification of Financial Reporting Requirements) Regulations 2025 which came into force on 26 June 2025. These regulations disapply the requirement for HEYCA, alongside three other combined authorities established in February 2025, to prepare a statement of accounts in respect of the financial year beginning with 1 April 2024 and extend the period for which the statement of accounts is to be prepared in respect of the financial year beginning 1 April 2025, so that it covers the period beginning 5 February 2025.

1.2. To ensure that financial reporting is consistent across HEYCA's management accounts and statutory accounts for this first year of operation, the approved budget for the final two months of 2024-25 and the full 12 months of 2025-26 have been combined within this report.

1.3. The combined revenue budget for 2024-26 was £19.2m and shows a provisional surplus of £10.7m at outturn (the year-end position) before any transfers of funds to earmarked reserves. After the recommended transfers to reserves within this report, the remaining surplus is £2.0m. This position is presented in table 1. The position is provisional until completion of the audit of HEYCA's statement of accounts for 2024-26.

1.4. It is recommended that this £2.0m surplus is maintained within the general reserve to provide a sufficient balance of funds to manage unforeseen expenditure in accordance with the Section 73 Officer's assessment

1.5. The combined capital budget for 2024-26 is £56.9m. Expenditure for the period is £51.9m, which was deployed to the constituent councils to support the delivery of agreed spending plans. The remaining surplus of £5.0m has been transferred to the capital grants unapplied reserve to support future year investment plans in accordance with the funding conditions.

2. Recommendations and Reasons for Recommendations

2.1. It is recommended that the Executive Board approves:

i) transfer of the Spatial Development Strategies grant of £1.554m to an earmarked reserve to fund expenditure for this purpose in future years in accordance with the memorandum of understanding with the funding body
ii) transfer of the £0.970m surplus on the Community Investment Fund budget to a corresponding earmarked reserve to fund its deployment in future years
iii) transfer of £0.500m to a Mayoral Election earmarked reserve to help fund the cost of the next Mayoral Election in 4 years' time
iv) maintenance of a general reserve of £1.992m to maintain a sufficient level to manage unforeseen expenditure in accordance with the Section 73 Officer's assessment.

3. Revenue Budget 2024-26

3.1. The provisional outturn (year-end position) on the revenue budget for the 2024-26 financial year is a surplus of £2.0m after proposed transfers to earmarked reserves. The surplus before proposed transfers to reserves is £10.7m.

3.2. Table 1 provides the full year budget, provisional outturn and variance to budget at the financial year-end, compared with the forecast budget variances for the year as at quarters 2 and 3.

3.3. Total operational costs represent the Authority's day-to-day running costs. These show a deficit of £0.427m at outturn, mainly due to a £0.567m deficit on supplies and services which reflects a pace of growth and investment in strategic planning and capacity beyond the initial forecast. This is partly offset by a £0.140m surplus across other budget areas such as member allowances, travel and corporate services.

3.4. The Investment Programme sets out the Combined Authority's planned use of grant funding to support delivery of agreed investment priorities. The programme reports a surplus of £6.678m at outturn, consisting of a £5.708m surplus on the Investment Fund, as previously forecast, and a £0.970m surplus on the Community Investment Fund. As previously reported, it was always intended that any surplus on the Community Investment Fund would be carried forward for distribution in future years. Consequently, no forecast variance was reported in previous quarters because there was a high degree of uncertainty over the timing of its distribution and any surplus would have no impact on the bottom-line variance after it is carried forward.

3.5. The Combined Authority's income budget includes a range of government grants income to support delivery of its approved programmes and operational activity, as well as investment interest from its treasury management activity. The income budget shows a surplus of £4.473m at outturn, mainly due to:

- £2m of Capacity Funding, in addition to the £2m previously awarded
- £1.554m to enable HEYCA to prepare a Spatial Development Strategy for Hull and East Yorkshire
- £0.870m over-achievement on investment income due to interest rates exceeding expectations in the latter half of the year and cash balances available for investment remaining higher than was expected.

Hull and East Yorkshire Combined Authority

	2024-26 Full Year Budget	2024-26 Outturn	2024-26 Variance	M06 Monitoring Variance	M09 Monitoring Variance
	£m	£m	£m	£m	£m
EXPENDITURE					
Operational Costs					
Employee Costs	*2.198*	*2.203*	0.006	- 0.358	- 0.008
Members Allowances and Expenses	*0.191*	*0.105*	- 0.086	-	- 0.088
Travel & subsistence	*0.043*	*0.015*	- 0.029	- 0.007	- 0.025
Communications	*0.025*	*0.001*	- 0.024	-	- 0.012
Corporate Services via SLAs	*0.626*	*0.576*	- 0.050	-	0.029
Mayoral Election Costs	*1.352*	*1.357*	0.005	-	-
Supplies and Services	*0.316*	*0.883*	0.567	-	0.225
Insurance	*0.010*	*0.032*	0.022	-	0.001
Premises	*0.110*	*0.126*	0.016	-	- 0.001
Total Operational Costs	**4.871**	***5.298***	**0.427**	**- 0.365**	**0.121**
Investment Programme					
Investment Fund	*6.196*	*0.487*	- 5.708	- 5.708	- 5.708
UK Shared Prosperity Fund	*6.527*	*6.527*	-	-	-
Consolidated Active Travel Fund	*0.283*	*0.284*	-	-	-
Electric Vehciles (LEVI)	*0.323*	*0.323*	-	-	-
Community Investment Fund	*1.000*	*0.030*	- 0.970	-	-
Total Investment Programme Costs	**14.329**	**7.651**	**- 6.678**	**- 5.708**	**- 5.708**
TOTAL EXPENDITURE	**19.200**	***12.949***	**- 6.251**	**- 6.073**	**- 5.587**
INCOME					
Government Grants					
Capacity Fund	*- 2.000*	*- 4.000*	- 2.000	-	-
Investment Fund	*- 8.670*	*- 8.670*	-	-	-
UK Shared Prosperity Fund	*- 6.527*	*- 6.527*	-	-	-
Consolidated Active Travel Fund	*- 0.284*	*- 0.284*	-	-	-
DfT - Local Transport Resource Funding	*- 0.634*	*- 0.634*	-	-	-
MHCLG - NI Contributions Grant	*- 0.140*	*- 0.140*	-	-	-
DWP - Get Britain Working	*- 0.100*	*- 0.100*	-	-	-
Electric Vehciles (LEVI)	*- 0.323*	*- 0.323*	-	-	-
Bio Diversity Fund	-	*- 0.027*	- 0.027	-	-
Spatial Development Strategies Grant	-	*- 1.554*	- 1.554	-	-
Other Government Grants	-	*- 0.022*	- 0.022	-	-
Investment income	*- 0.522*	*- 1.392*	- 0.870	- 0.286	- 0.473
TOTAL INCOME	***- 19.200***	***- 23.673***	**- 4.473**	**- 0.286**	**- 0.473**
NET (SURPLUS) / DEFICIT BEFORE TRANSFERS TO RESERVES	**-**	***- 10.724***	**- 10.724**	**- 6.359**	**- 6.060**
Use of (-) / Contributions to (+) Reserves	-	*8.732*	8.732	5.708	5.708
NET (SURPLUS) / DEFICIT	**-**	**- 1.992**	**- 1.992**	**- 0.651**	**- 0.352**

Table 1: Revenue budget – provisional outturn position for 2024-26

4. Capital Budget 2024-26

4.1. The capital budget for 2024-26 is £56.9m. The table below sets out the capital grants that have been received in 2024-26 and how this grant funding has been deployed.

Capital Budget	2024-26 Budget	Deployed to ERYC	Deployed to HCC	2024-26 Outturn	Variance
	£m	£m	£m	£m	£m
Highways Maintenance Block	26.497	22.015	4.482	26.497	-
Integrated Transport Block	3.900	1.653	2.247	3.900	-
Local Transport Block	15.631	7.090	8.541	15.631	-
Mayoral Renewables Fund	1.450	1.100	0.350	1.450	-
Shared Prosperity Fund	2.884	1.479	1.405	2.884	-
Rural England Prosperity Fund	0.540	0.540	-	0.540	-
Consolidated Active Travel	0.968	0.968	-	0.968	-
HEYCA Investment Fund	4.670	-	-	-	- 4.670
Electric Vehicles (Pavement Channels)	0.332	-	-	-	- 0.332
Total Expenditure	**56.872**	**34.845**	**17.025**	**51.870**	**- 5.002**
Funded by:					
Government Grants	**- 56.872**			**- 56.872**	**-**
Total	**-**			**- 5.002**	**- 5.002**

Table 2: Capital budget – provisional outturn position for 2024-26

4.2. With the exception of the Investment Fund and the Electric Vehicles (Pavement Channels) grants, all capital grants have been fully spent through payment to the constituent councils. This amounts to £51.8m of capital expenditure by the Combined Authority. This has been incorporated into the constituent council's respective capital programmes for the delivery of major investment projects such as transport improvements, regeneration schemes, skills or infrastructure developments. As set out in the Single Assurance Framework, schemes are identified through the agreed Investment Frameworks aligned to strategic priorities.

4.3. Funding of £34.8m was provided to East Riding of Yorkshire Council (ERYC). This has been enhanced with contributions of £19.7m to provide a total capital programme of £54.5m. The provisional outturn against this programme for 2024-26 is £26.9m, representing an underspend of £27.6m. The most significant variances relate to highways and road maintenance, walking and cycling, and consolidated active travel, reflecting delays to scheme progression and delivery timetables. A list of capital schemes that have been allocated funding provided by HEYCA is provided in Appendix 1.

4.4. Funding of £17.0m was provided to Hull City Council (HCC). This has been enhanced with contributions of £3.7m to provide a total capital programme of £20.7m. The provisional outturn against this programme for 2024-26 is £11.7m, representing an underspend of £9.0m. The most significant variances relate to Kingswood Redevelopment, Freetown Way and Highways and Road Maintenance, reflecting delays to scheme commencement and revised profiling. A full breakdown of capital schemes that have been allocated funding provided by HEYCA are set out in Appendix 2.

4.5. The HEYCA Investment Fund has an approved allocation of £4.7m for 2024-26 which has yet to be allocated to projects. This has been transferred to the capital grants unapplied reserve to support future year investment plans in line with the approved programme and the funding conditions.

4.6. The Electric Vehicles (Pavement Channels) funding of £0.3m represents a new external grant received during the year. A supplementary capital budget has been established under Section 73 Officer delegated powers to reflect this additional funding. No in-year expenditure was incurred, and the funding will be retained in the capital grants unapplied reserve to support future delivery in accordance with the grant conditions.

5. Reserves Strategy

5.1. The provisional outturn position on the revenue budget for 2024-26 shows a surplus of £10.724m before transfers to earmarked reserves.

5.2. At its meeting on 28 November 2025, the Executive Board agreed the transfer of any surplus on the Investment Fund budget at outturn to an Investment Fund earmarked reserve. The surplus on this budget is £5.708m and will be transferred to the reserve accordingly. In addition, the following transfers to reserves are recommended:

- Transfer of the Spatial Development Strategies grant of £1.554m to an earmarked reserve for this purpose to fund expenditure in future years in accordance with the memorandum of understanding with the funding body

- Transfer of the £0.970m surplus on the Community Investment Fund budget to a corresponding earmarked reserve to fund its deployment in future years

- Transfer of £0.500m to a Mayoral Election earmarked reserve. The Authority is required to fund the cost of the next Mayoral Election in 4 years' time. The forecast cost of the election is circa £2m and therefore it is intended to transfer £0.5m per annum into this reserve to build up the required funds over the years leading up to the election.

5.3. Following these recommendations, if approved, the remaining surplus on the revenue budget is £1.992m and this will fall into the Authority's general reserve for management of surpluses and deficits on the revenue budget. The Authority is required to maintain a sufficient general reserve to manage unforeseen expenditure. Typically, the level of general reserve maintained by a local authority is circa 5% of its revenue budget. The approved 2026-27 revenue budget is £39.5m, therefore, a balance of £1.992m represents 5% of the annual budget. As the Authority's operations and responsibilities continue to evolve, it is recommended that the Authority maintains this balance as a general reserve at the current time. The level of general reserve will be re-assessed as part of the Authority's annual financial planning process and an annual recommendation will be made to the Executive Board by the Section 73 Officer at the conclusion of this process.

6. Treasury Management

6.1. Treasury management is the management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

6.2. East Riding of Yorkshire Council's Finance team is currently responsible for treasury management activity on behalf of the Combined Authority. This work is overseen by the Section 73 Officer and follows the treasury management policy and strategy approved by the Executive Board.

6.3. Investment income is reported to outturn with a surplus of £0.9m. This is because cash balances have remained higher than was expected when the budget was set. These cash balances have been invested on the Combined Authority's behalf, generating £1.4m at an average interest rate of 4.3%.

7. Legal Implications and Statutory Officer Comments

7.1. The Combined Authority must agree a balanced budget annually and monitor that budget throughout the year. In addition, there is a fiduciary duty to act in the best interests of the Authority, to not waste public resources, to secure value for money and ensure that good financial governance arrangements are in place.

8. Financial Implications and Statutory Officer Comments

8.1. The financial implications are set out in the body of the report and the statutory officer is the author of the report.

Julian Neilson
Executive Director of Finance (Section 73 Officer)

Contact Officers:

Julian Neilson, Executive Director of Finance (Section S73 Officer)
Tim Asberywood, Principal Accountant

Background Papers:
None

East Riding Council Capital Programme

Capital Schemes	Capital Schemes	HEYCA Funding	Council Funding	Capital Outturn	Outturn Variance
	£m	£m	£m	£m	£m
Highways & Road Maintenance	24.888	22.981	1.907	11.687	- 13.201
Street Lighting	1.444	1.444	-	0.270	- 1.174
Town Scheme	0.775	0.647	0.128	0.312	- 0.463
Walking & Cycling	3.033	3.031	0.002	0.170	- 2.863
Public Transport (Including Home to School)	0.732	0.712	0.020	0.266	- 0.466
Sustainable Transport	0.117	0.075	0.042	0.003	- 0.115
Active Emergency Travel Grant	1.056	-	1.056	0.886	- 0.170
Howden Link Road	7.500	1.000	6.500	4.405	- 3.095
South Cliff Solar Farm Extension and BESS	0.900	0.750	0.150	-	- 0.900
Bridlington Beck Hill Multi Storey Car Park	10.400	1.000	9.400	6.234	- 4.166
Consolidated Active Transport	0.968	0.968	-	0.930	- 0.038
Solar Panels	0.800	0.350	0.450	0.624	- 0.176
Community Development	0.947	0.947	-	0.845	- 0.102
Rural England Prosperity Fund	0.540	0.540	-	0.310	- 0.230
Goole Public Realm and Highways	0.400	0.400	-	-	- 0.400
Total	**54.501**	**34.845**	**19.656**	**26.941**	**- 27.560**

Appendix A

Appendix 2

Hull City Council Capital Programme

Capital Schemes	Total Capital Programme	HEYCA Funding	Council Funding	Capital Outturn	Outturn Variance
	£m	£m	£m	£m	£m
Highways & Road Maintenance	8.264	6.176	2.088	6.728	- 1.536
Street Lighting	0.383	0.261	0.122	0.508	0.125
Walking & Cycling	1.048	0.707	0.341	0.958	- 0.090
North of the City Development	1.923	1.296	0.627	3.271	1.348
Freetown Way	1.542	1.542	-	-	- 1.542
Kingswood Redevelopment	5.288	5.288	-	-	- 5.288
Community Development	1.446	1.405	0.041	0.210	- 1.236
Solar Panels	0.781	0.350	0.431	-	- 0.781
Total	**20.675**	**17.025**	**3.650**	**11.676**	**- 8.999**

Report to: **Hull & East Yorkshire Combined Authority**

Date: **12 February 2026**

Financial Plan 2026-27 to 2029-30

Report of the interim Director of Finance (Section 73 Officer)

1. Purpose of the Report and Summary

1.1 This report presents the Authority's proposed revenue budget and medium term financial plan for the period 2026-27 to 2029-30, alongside a forecast capital investment programme budget, for approval by the Executive Board. Each year, Hull & East Yorkshire Combined Authority (HEYCA) must set a balanced budget for the following financial year, by 1 March of the preceding year.

1.2 The proposed revenue budget for 2026-27 totals £37.0m, inclusive of operating costs of £6.7m. The proposed capital budget for 2026-27 totals £65.5m. There are additional grants expected during 2026-27 which are not included in the budget proposals where funding allocations have yet to be published and there is no reasonable estimate of the expected allocation. The direct costs associated with delivery of these grants is also excluded from the plan. Any grant funding streams not represented in the budget will be added as supplementary budgets once they have been confirmed, in accordance with HEYCA's financial regulations.

1.3 As Section 73 Officer, in accordance with my statutory responsibilities, I have reviewed the robustness of the estimates and the adequacy of the Authority's reserves and cash balances to manage the financial risks it faces, and I have concluded that these are sufficient to sustain the continuing operation of the Authority over the medium term whilst managing known financial risks.

2. Recommendations

2.1 It is recommended that the Executive Board approves:

i. the proposed revenue budget, inclusive of a council tax precept of zero, for the 2026-27 financial year
ii. the capital investment programme budget for 2026-27 to 2029-30
iii. the medium term financial plan for the period 2026-27 to 2029-30
iv. the capital strategy for 2026-27, inclusive of the treasury management policy, treasury management strategy, MRP policy and prudential indicators.

3. Reasons for Recommendations

3.1 In common with other public bodies and local partners, the Combined Authority is required to set a balanced revenue budget every financial year. This budget must be approved by the Executive Board by 1 March of the preceding financial year. In addition, it is best practice to produce a medium term financial plan that takes account of forecast future expenditure, funding, and the requirements for use of reserves, alongside a budget for deployment of capital funding due to the Authority.

3.2 In accordance with statutory guidance, HEYCA is required to identify a capital strategy, treasury management policy, treasury management strategy, MRP policy and prudential indicators as part of its budget setting process.

4. 2026-27 Revenue Budget and Medium Term Financial Plan

4.1 The medium term financial plan at Table 1 contains the proposed revenue budget for 2026-27 and projected annual revenue budgets for the following three financial years.

	2025/26 Base Budget £m	2026-27 Proposed Base Budget £m	2027-28 Projected Base Budget £m	2028-29 Projected Base Budget £m	2029-30 Projected Base Budget £m
Operational Costs					
Employee Costs	2.198	5.181	6.243	6.369	6.497
Members Allowances and Expenses	0.191	0.197	0.201	0.205	0.209
Travel & Subsistence	0.043	0.100	0.102	0.104	0.106
Corporate Services via SLAs	0.626	0.646	0.659	0.672	0.686
Mayoral Election	1.352	-	-	-	1.500
Supplies & Services	0.351	0.500	0.510	0.520	0.531
Premises	0.110	0.113	0.116	0.118	0.120
Total Operational Costs	4.871	6.737	7.831	7.988	9.649
Investment Programme					
Investment Fund	5.708	5.223	4.898	4.745	3.084
UK Shared Prosperity Fund	7.022	-	-	-	-
Local Growth Fund	-	4.750	3.750	3.750	3.750
Adult Skills Fund	-	12.253	17.590	17.590	17.590
Free Courses For Jobs	-	0.850	1.304	1.304	1.304
Bus Services Fund	-	6.724	6.724	6.724	6.724
Consolidated Active Travel Fund	0.449	0.449	0.449	0.449	0.449
Rural England Shared Prosperity Fund	0.540	-	-	-	-
Community Investment Fund	1.000	-	-	-	-
Total Investment Programme	14.719	30.249	34.715	34.562	32.901
TOTAL REQUIREMENTS	**19.590**	**36.986**	**42.546**	**42.550**	**42.550**
Capacity Fund	- 2.000	- 1.640	- 1.640	- 1.640	- 1.640
NI Contributions Grant	- 0.140	-	-	-	-
Local Transport Resource Funding	- 0.634	- 0.634	- 1.403	- 1.407	- 1.407
Investment Fund	- 8.670	- 8.670	- 8.670	- 8.670	- 8.670
UK Shared Prosperity Fund	- 6.534	-	-	-	-
Local Growth Fund	-	- 5.000	- 4.000	- 4.000	- 4.000
Consolidated Active Travel Fund	- 0.449	- 0.449	- 0.449	- 0.449	- 0.449
Get Britain Working	- 0.100	- 0.100	- 0.100	- 0.100	- 0.100
Rural England Shared Prosperity Fund	- 0.540	-	-	-	-
Adult Skills	-	- 12.669	- 18.006	- 18.006	- 18.006
Free Courses For Jobs	-	- 0.850	- 1.304	- 1.304	- 1.304
Local Authority Bus Grant	-	- 6.724	- 6.724	- 6.724	- 6.724
Investment Income	- 0.523	- 0.250	- 0.250	- 0.250	- 0.250
TOTAL RESOURCES	**- 19.590**	**- 36.986**	**- 42.546**	**- 42.550**	**- 42.550**
Budget Surplus (-) / Deficit (+)	**-**	**-**	**-**	**-**	**-**

Table 1: Revenue budget - medium term financial plan 2026-27 to 2029-30

4.2 The revenue budget compromises projected operational costs (the costs of running the organisation including staffing, premises, contracted services, etc) and an investment programme which reflects projected grant funding available for investment after operational costs have been deducted. It proposes that associated operational costs will be top-sliced from specific grants.

4.3 It must be emphasised that the financial plan represents income and expenditure estimates which will be subject to change and refinement as they become more certain. The degree of change in estimates can be particularly volatile at this early stage of the organisation's life cycle, whilst the required size and scope of the organisation is developed alongside transition of responsibilities from the constituent councils and emerging funding streams with associated requirements. The following paragraphs explain the key assumptions on which estimates are based.

4.4 **Employee costs** are based on the senior leadership structure approved by the board plus assumptions on posts required below senior leadership level as the organisation establishes operational teams of staff reporting to directors. This has been informed by views from HEYCA's current senior leadership team, taking account of professional experience and resources in place at other combined authorities. The detail behind the estimates includes projected start dates for appointments to posts throughout 2026-27 and potential grades using the approved pay and grading framework. The forecast 2027-28 represents full year costs once all appointments have been made less a 5% assumed vacancy rate. At this early stage, the assumed posts below the approved senior leadership structure are purely a basis for making an informed cost estimate and will evolve as permanent appointments are made to senior posts within the organisation.

4.5 The national framework for pay and terms of conditions of employment for local government workers is determined by the National Joint Council (NJC) for Local Government Services. HEYCA's approved pay and grading framework is aligned to the National Joint Council (NJC) pay rates. All job roles will subject to full job evaluation against this pay and grading framework, and resulting grades and salaries will accord with job evaluation principles to ensure fairness, transparency and equal pay for equal value. Each grade has 5 defined pay points for pay progression. For budgeting purposes, the mid-point of each grade has been used.

4.6 The annual pay award (uplift) for local government workers is determined by the NJC and this has been assumed to be 3.2% for 2026-27, which reflects the national pay award applied for 2025-26. A pay award of 2% per annum is assumed for the remainder of the plan, aligned with the Bank of England's medium term inflation target.

4.7 **Members' allowances and expenses** are forecast to increase in accordance with the above staff pay award assumptions.

4.8 **Travel and subsistence** will increase from its 2025-26 budgeted level of £0.043m as the organisation grows. An assumption of £0.100m has been made for 2026-26, inflated at 2% per annum thereafter.

4.9 **Corporate services via Service Level Agreements (SLAs)** with constituent councils are based on current year estimates, inflated in accordance with the pay award assumption for future years. These costs are subject to potential change as arrangements evolve and HEYCA establishes its own staffing resources.

4.10 **Mayoral election costs** will need to be funded by HEYCA when the next mayoral election takes place in 2029 and these are estimated to be £1.5m.

4.11 **Supplies and services** will increase from their 2025-26 budgeted level of £0.351m as the organisation grows. An assumption of £0.500m has been made for 2026-26, inflated at 2% per annum thereafter.

4.12 **Premises** costs are assumed to remain at their current level plus an inflationary uplift.

4.13 **Investment income** – it is forecast that cash balances available to invest will reduce once agreements are in place with the constituent authorities to passport funding, reducing the returns. Additionally, the Bank of England has forecast that, if inflationary pressures continue to ease, the bank rate is likely to continue on a gradual downward path which will reduce rates of return. A prudent estimate of £0.250m per annum is included at this stage.

4.14 The budget includes a number of projected grant funding streams, as follows:

- ***Capacity Fund*** – The provisional local government finance settlement confirmed a minimum of £33m of capacity funding to support combined authorities' staffing and administrative costs, and central corporate functions. This includes £1.5m for every combined authority plus an allocation to fund the impact of the 2025 increase to employer's national insurance contributions. HEYCA's total allocation is £1.640m and this is expected to continue on an annual basis.

- ***Local Transport Resource Funding*** – The Spending Review 2025 confirmed £104 million resource funding between 2026 to 2027 and 2028 to 2029 for local transport authorities (LTAs) outside London. This 3-year resource funding is intended to help to build the authorities' capability and capacity, including:

  - developing and updating local transport plans
  - to effectively deliver local transport infrastructure priorities - working with regional partners.

  It should not be used to subsidise the day-to-day delivery of transport services. HEYCA's allocation is £0.634m for 2026-27, £1.403m for 2027-28 and £1.407m for 2028-29. It is assumed that this funding will continue in 2029-30.

- ***Local Growth Fund*** **–** this has replaced UK Shared Prosperity Fund and introduces a long-term, flexible settlement for selected mayoral strategic authorities, consolidating fragmented funding into a single, locally-led pot aligned with Local Growth Plan. It is designed to equip mayors in the North and Midlands to boost regional productivity, focusing on three interconnected areas:

  - **Infrastructure investment:** expanding labour market reach and enabling agglomeration benefits across functional economic areas.
  - **Business support:** strengthening regional clusters and increasing innovation and investment to drive firm-level competitiveness and sectoral growth.
  - **Skills development:** providing the human capital aligned to priority sectors and emerging technologies.

  The fund has been designed to operate within the landscape of wider funding and complement other sources of finance to get projects off the ground.

  Final revenue grant allocations to HEYCA (rounded to the nearest £m) have been confirmed as £5m for 2026-27, £4m for 2027-28 and £4m for 2028-29. It is assumed that this funding will continue in 2029-30.

- ***Investment Fund*** **–** this was included in the Hull and East Yorkshire devolution deal as a flexible investment fund to invest in local priorities across skills, innovation and business support, as well as to invest in capital projects on a strategic and long-term basis across our connectivity and place-based priorities. It is worth £400m over 30 years, 35% capital and 65% revenue. The annual revenue funding allocation is £8.670m.

- ***Get Britain Working*** **–** Get Britain Working is a government policy initiative intended to tackle economic inactivity by reforming employment, health, and skills support, aiming for an 80% employment rate by integrating services, empowering local areas to create their own plans, and improving support for those with long-term health conditions and young people. HEYCA received an allocation of £0.100m in 2025-26 for the development of local Get Britain Working plans. Future funding allocations are yet to be confirmed. The financial plan assumes that this funding will continue in future years.

- ***Adult Skills*** **–** this funding replaces what was previously known as the Adult Education Budget. Its purpose is to engage and support adult learners to gain skills which will lead them to meaningful and sustained employment, enable them to progress to further learning or support their wellbeing. HEYCA will take on responsibility for Adults Skills, which comprises the Adult Skills Fund (ASF) and Skills Bootcamps, for the 2026-27 academic year funding with confirmed funding of £18.006m, £12.669m of which will be received in financial year 2026-27 with the remainder received in 2027-28. The financial plan assumes that this level of annual funding will continue in future years.

- ***Free Courses for Jobs (FCFJ)*** **–** it has been confirmed that HEYCA will receive £1.304m for the 2026-27 academic year, £0.850m of which will be received in financial year 2026-27 with the remainder received in 2027-28. The financial plan assumes that this level of annual funding will continue in future years

- ***Local Authority Bus Grant (LABG)*** **–** The Local Authority Bus Grant (LABG) is a consolidated grant for local transport authorities to maintain and improve bus services, comprising both capital and revenue funding. It combines the previously separate allocations of funding for Bus Service Improvement Plans and Local Authority Bus Grant (LABSOG) previously paid to the constituent councils. The 2025 Spending Review confirmed more than £1 billion per year in funding for buses in England outside of London. This includes multi-year allocations for local authorities under the Local Authority Bus Grant (LABG) ending the short-term approach to bus funding and giving councils the certainty they need to plan ahead:

    - £481 million of revenue funding per year allocated to local transport authorities via the LABG up to 2028 to 2029
    - around £200 million of capital funding per year allocated to local transport authorities via the LABG up to 2029 to 2030
    - more than £240 million of revenue funding per year to bus operators
    - over £150 million of revenue funding per year to maintain the £3 bus fare cap until March 2027

  Local transport authorities will have the flexibility to use LABG funding to meet local needs, whether by reducing fares, introducing new routes, investing in zero-emission buses or improving bus stops and stations.

  HEYCA revenue allocation of this funding has been confirmed as £6.724m per annum for the next three financial years. The financial plan assumes that this funding will continue at the same level in 2029-30.

4.15 Other grant funding is expected by HEYCA during the financial planning period but have not been included in the plan where funding allocations have yet to be published and there is no reasonable estimate of the expected allocation, e.g. Connect to Work. The direct costs associated with delivery of these grants is also excluded from the plan. Any grant funding streams not represented in the budget will be added as supplementary budgets once they have been confirmed, in accordance with HEYCA's financial regulations.

5. Capital Investment Programme

5.1 Table 2 contains the proposed capital budget for 2026-27 and projected capital budgets for the following three financial years.

	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Capital Progamme:				
Deployment of Investment Fund	4.690	4.690	4.690	4.690
Deployment of Local Transport Grant	19.895	22.879	25.538	28.197
Deployment of Highways Maintenence Block	27.432	31.988	34.540	39.485
Deployment of Bus Services Grant	6.407	6.536	6.665	6.794
Deployment of Local Growth Fund	2.000	2.000	5.000	7.000
Deployment of Post-16 Capacity	5.100	-	-	-
	65.524	**68.093**	**76.433**	**86.166**
Financing:				
Investment Fund	- 4.690	- 4.690	- 4.690	- 4.690
Local Transport Grant	- 19.895	- 22.879	- 25.538	- 28.197
Highways Maintenance Block	- 27.432	- 31.988	- 34.540	- 39.485
Bus Services Grant	- 6.407	- 6.536	- 6.665	- 6.794
Local Growth Fund	- 2.000	- 2.000	- 5.000	- 7.000
Post-16 Capacity	- 5.100	-	-	-
	- 65.524	**- 68.093**	**- 76.433**	**- 86.166**

Table 2: Capital budget - medium term financial plan 2026-27 to 2029-30

5.2 The capital budget is based on projected grant funding available for capital investment, as follows:

- ***Investment Fund –*** this is worth £400m over 30 years, 35% capital and 65% revenue. The annual capital funding allocation is £4.690m.

- ***Local Transport Grant*** – Spending Review 2025 confirmed a £2.3 billion national investment in local transport through the Local Transport Grant (LTG). LTG comprises £2.2 billion of capital funding, spread over 4 years, and over £100 million resource funding, spread over 3 years. It brings together the Integrated Transport Block and Local Transport Grant. Local leaders can choose to support schemes in line with local priorities for transport maintenance and enhancements, including improving public transport, funding new zero emission buses, improving accessibility, addressing congestion, and making streets safer for pedestrians and cyclists. Capital funding allocations are based on all local authorities receiving a rollover of their 2025/26 funding, with capital allocations thereafter calculated by a formula based on population (70%) and deprivation (30%). HEYCA's confirmed funding allocations are £19.895m for 2026-27, £22.879m for 2027-28, £25.538m for 2028-29, and £28.197m for 2029-30.

- ***Highways Maintenance Block –*** The government has announced £7.3 billion of capital funding for local highway maintenance between 2026 to 2027 and 2029 to 2030 to maintain and improve local roads across the country. The Department for Transport (DfT) allocates capital funding to local highway authorities so they can maintain and improve their respective networks based upon their local knowledge and circumstances. Under section 41 of the Highways Act 1980, local highway authorities have a duty to maintain the highway network in their area. Local highway authorities are responsible for the maintenance of all parts of the highway network, including carriageways, footways, cycleways and lighting columns.
DfT strongly advocates a risk-based, whole lifecycle asset management approach to local authority highways maintenance programmes. This considers all parts of

the highway network, such as bridges, cycleways and lighting columns – not just the fixing of potholes.

As was the case in 2025 to 2026, a portion of this funding will be designated as incentive funding. This funding will be subject to local highway authorities demonstrating that they comply with best practice in highways maintenance, for example, by spending all the Department for Transport's capital grant on highways maintenance and adopting more preventative maintenance.

In all 4 years, at least 25% of the annual incentive funding will be dependent on local highway authorities publishing transparency reports. All incentive funding will be withheld if reports are not published.

In 2026 to 2027, 50% of the incentive funding will be subject to local highways authorities' performance. Further details on the performance-based measure will be confirmed in due course.

HEYCA's confirmed funding allocations are:

Funding pot	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Baseline	20.116	22.431	24.933	29.716
Incentive	7.316	9.557	9.607	9.769
Total	27.432	31.988	34.540	39.485

- ***Local Authority Bus Grant (LABG)*** **–** HEYCA's capital allocation of this funding has been confirmed as £6.407m for 2026-27, £6.536m for 2027-28, £6.665m for 2028-29 and £6.794m for 2029-30. The capital allocations were determined using a formula that considered the needs of each local transport authority, taking into account population size, levels of deprivation and accessibility (measured by concessionary travel).

- ***Local Growth Fund*** **–** Final capital grant allocations to HEYCA (rounded to the nearest £m) have been confirmed as £2m for 2026-27, £2m for 2027-28, £5m for 2028-29, and £7m for 2029-30.

- ***Post-16 Capacity Funding*** **–** All mayoral combined authorities have been given control over post-16 capacity funding through a new £283m capital fund. The expected allocation for 2026-27 is £5.1m. It is expected that there will be further allocations in future years but these have not yet been announced.

5.3 Any other capital grant funding to be received by HEYCA during the financial planning period will be added to the capital programme as supplementary budgets once they have been confirmed, in accordance with HEYCA's financial regulations.

6. <u>Other Sources of Funding</u>

6.1 In accordance with the Hull & East Yorkshire devolution deal, HEYCA has powers to:

- set a precept on council tax to fund Mayoral functions
- to charge business rate supplement (subject to ballot).

6.2 The proposed budget for 2026-27 does not include proposals to set a council tax precept or charge a business rate supplement for 2026-27.

7. Treasury Management and Capital Strategy

7.1 Treasury management is defined as the management of the Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

7.2 Local authorities are required to report on specific elements of treasury management as determined by the Code of Practice for Treasury Management in the Public Services (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (both published by the Chartered Institute of Public Finance and Accountancy), alongside relevant statutory investment guidance.

7.3 The Prudential Code requires local authorities to produce a capital strategy that includes specific requirements in respect of debt and borrowing and treasury management:

- a projection of external debt and use of internal borrowing to support capital expenditure
- provision for the repayment of debt over the life of the underlying debt
- authorised limit and operational boundary for the following year
- the Authority's approach to treasury management, including processes, due diligence and defining the Authority's risk appetite.

7.4 The Prudential Code requires local authorities to set and revise the prudential indicators in respect of debt. It requires the prudential indicators to be approved and revised by the same body that sanctions the Authority's budget. The Treasury Management Code recommends that local authorities should report annually to their decision making body on their treasury management strategy and plan before the start of the year. The treasury management indicators must be considered together with the indicators in the Prudential Code as part of the budget approval process.

7.5 HEYCA's power to borrow to raise funding for its functions is expected to be confirmed by the passing of the English Devolution and Community Empowerment Bill. When local authorities undertake borrowing, there is a statutory requirement to set aside an amount from the revenue budget for the repayment of debt, known as Minimum Revenue Provision (MRP). Regulations require the Authority to annually determine a principle by which MRP will be determined, and MHCLG guidance requires that, before the start of each financial year, a local authority ratifies a statement of its policy on making MRP in respect of that year. Although there are no current plans for HEYCA to undertake borrowing in 2026-27, it is prudent to ensure that a policy is in place.

7.6 From HEYCA's inception on 4 February 2025, the interim Director of Finance established arrangements with his team at East Riding of Yorkshire Council to operate HEYCA's treasury management arrangements.

7.7 In summary, HEYCA should identify a capital strategy, treasury management policy, treasury management strategy, MRP policy and prudential indicators as part of its budget setting process. It is recommended that HEYCA continues to adopt East Riding of Yorkshire Council's treasury management policy, treasury management strategy and MRP policy. This allows time for HEYCA to develop the capacity and capability on these matters as it appoints to its structure during 2026 and minimises costs by allowing treasury investments to be managed within the same policy as East Riding of Yorkshire Council by the same team.

7.8 The Authority's proposed capital strategy for 2026-27, inclusive of the treasury management policy, treasury management strategy, MRP policy and prudential indicators, is included as Annex A to this report.

8. Risks

8.1 It is important to recognise that there are a number of key risks to the financial plan, as follows:

- Organisational growth and development: forecasts of future staffing and associated costs are highly uncertain at this time as the Authority determines how it will operate to fulfil its duties and responsibilities.
- National pay awards: these may be greater than that anticipated within the plan.
- Inflation: may be greater than that anticipated within the plan.
- Government grants: funding may be less than forecast. In addition, HEYCA is heavily reliant on delivery partners to fulfil the conditions of a significant value of its grant funding. Robust funding agreements and governance arrangements are critical to ensure that HEYCA can provide assurance on the fulfilment of these conditions.

8.2 These risks will be closely monitored and both the Governance and Audit Committee and the Executive Board will be regularly updated on management of these risks within financial reporting arrangements.

9. Reserves

9.1 HEYCA has a general reserve balance of £0.324m, following approval by the Executive Board on 26 September 2026. In addition, the latest budget monitoring report for 2025-26 forecasts that HEYCA will transfer £5.708m of unallocated revenue Investment Fund to reserves at the year-end, alongside £4.670m of capital Investment Fund, for use in future years.

9.2 As Section 73 Officer, in accordance with my statutory responsibilities under Section 25 of the Local Government Act 2003, I have reviewed the robustness of the estimates included within the Council's proposed budget for 2026-27 and the medium term financial plan covering the period to 2029-30, and the adequacy of the Authority's reserves and cash balances to manage the financial risks it faces. I have concluded that the estimates are sufficiently robust and the Authority's reserves and cash balances are adequate to sustain the continuing operation of the Authority over the medium term whilst managing known financial risks.

10. Equalities Implications

10.1 It is not expected that the budget outlined in this report will have any adverse impacts on people with protected characteristics. Future investment decisions will be underpinned by an Equality Impact Assessment.

11. Legal Implications

11.1 This report fulfils the Authority's legal obligation to set a balanced budget for 2026-27 by 1 March 2026 and the Section 73 Officer's legal obligation to report on the robustness of estimates made for the purposes of the calculations and the adequacy of proposed financial reserves.

12. Financial Implications

12.1 All financial implications are contained within this report.

Julian Neilson
Interim Director of Finance (S73 Officer)

Contact Officers:

Julian Neilson, Interim Director of Finance (S73 Officer)

Background Papers:

None

Annex 1

Hull and East Yorkshire Combined Authority

Capital Strategy 2026-27

Introduction

This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where an authority spends money on assets, such as property, shares in companies or vehicles, that will be used for more than one year. In local government, this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2026-27, the Combined Authority is planning capital expenditure of £65.52m as summarised below.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2025/26 Forecast	**2026/27 Budget**	**2027/28 Budget**
Capital investments	56.37	65.52	68.09
TOTAL	**56.37**	**65.52**	**68.09**

The figures for 2026/27 and 2027/28 are taken from the Capital Expenditure Programme as set out and described in the Medium Term Financial Plan. The 2025/26 forecast figure is from the Authority's latest budget outlook report for 2025-26.

Governance:

The Combined Authority has a suite of key governance and policy documents within its Assurance Framework which is the primary governance document in relation to investment processes including:

a) How the Combined Authority adheres to the requirements of the English Devolution Accountability Framework and Nolan principals shaping the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Hull and East Riding Investment Fund. This culture is developed and underpinned by processes, practices and procedures including a code of conduct for both Members and Officers.

b) The Combined Authority's Constitution sets out respective roles and responsibilities across the Combined Authority including the Mayor, its Boards and Committees, and Statutory Officers.

c) The key processes for ensuring accountability including public engagement, probity, transparency, legal compliance and value for money.

d) How potential investments to be funded through the Hull and East Yorkshire Medium Term Financial Plan will be appraised, prioritised, approved, signed off and delivered.

e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £millions

	2025/26 Forecast	**2026/27 Budget**	**2027/28 Budget**
Grant Funding	56.37	65.52	68.09
Capital Reserves	0	0	0
Debt	0	0	0
TOTAL	**56.37**	**65.52**	**68.09**

Debt is only a temporary source of finance, since loans and leases must be repaid. This is therefore replaced over time by other financing, usually from revenue in the form of a statutory annual requirement to set aside an amount for repayment of debt, known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

The Combined Authority's power to borrow to raise funding for its functions is expected to be confirmed by the passing of the English Devolution and Community Empowerment Bill. The Combined Authority currently does not have any borrowing debt. There are no current projects within the MTFP which fund delivery via borrowing.

The Combined Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Authority currently has no debt and therefore no CFR.

The Combined Authority expects that its capital financing requirement will be nil on 31 March 2026 and, in line with the MHCLG Guidance, expects to charge no MRP in 2026/27.

For any capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Authority will make nil MRP but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. Where loans are made from grant funds, there will be no Capital Finance Requirement and therefore no MRP. Where loans are debt funded, where creditworthiness of the borrower decreases or the asset value drops below the loan value, MRP will be charged on the shortfall.

Full details of the MRP policy statement can be found in section 8 of the treasury management strategy at appendix B.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

Treasury Management

Treasury management is concerned with keeping sufficient, but not excessive, cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by temporary borrowing to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as grant income is often received before it is spent.

As at 31 January 2026, the Combined Authority had no borrowing and £64.7m treasury investments at an average rate of 4.30%

The Combined Authority has an agreement with East Riding of Yorkshire Council to provide Financial Services including the treasury management function. To facilitate the arrangement, it has adopted East Riding of Yorkshire Council's treasury management policy (appendix A), treasury management strategy inclusive of the MRP policy (appendix B).

Borrowing strategy: If the Authority were to borrow to fund capital expenditure in the future, the strategy aims to minimise both the revenue cost of debt and the potential volatility of these costs which can arise from changes to interest rates. Further details on the approach taken to borrowing can be found in section 8 of the treasury management strategy at appendix B.

The Authority does not intend to borrow to invest for the primary purpose of financial return.

Projected levels of the Authority's total outstanding debt (which comprises borrowing and leases) are shown in Table 3, compared with the capital financing requirement (see above).

Table 3: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31/03/2026 Forecast	**31/03/2027 Budget**	**31/03/2028 Budget**
Debt (incl. PFI & leases)	0	0	0
Capital Financing Requirement	0	0	0

Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term. The Authority expects to comply with this in both the short and medium term.

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This is a requirement of the Treasury Management Code. Given that there are no current plans to borrow, this calculation shows an asset benchmark for comparing against investment levels but will be kept under review.

Table 4: Borrowing and the Liability Benchmark in £ millions

	31/03/2026 Forecast	**31/03/2027 Budget**	**31/03/2028 Budget**
Forecast Borrowing	0	0	0
Liability (Asset) Benchmark	(26)	(30)	(30)

Affordable borrowing limit: The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. The Authority has not currently requested a maximum borrowing limit from MHCLG and, therefore, these indicators are both set at zero.

Table 5: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2025/26 Limit	**2026/27 Limit**	**2027/28 Limit**
Authorised Limit – total external debt	0	0	0
Operational Boundary – total external debt	0	0	0

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The prime objective of the combined authority's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business. Within these constraints, the strategy aims to maximise returns. Further details on the approach taken to treasury investments can be found in the treasury management strategy at appendix B.

Risk management: Investment risk cannot be entirely eliminated but is managed through the credit and counterparty framework set out in the Treasury Management Policy at appendix A.

In the CIPFA Treasury Management Guidance Notes for Local Authorities, a number of treasury indicators are identified within the Code. These are:

Upper and lower limits for the maturity structure of the Authority's debt for the forthcoming year.

Annual upper limits over three years for amounts that the Authority can invest for periods of longer than one year.

The first treasury indicator is not necessary at this time, as the combined authority has no outstanding borrowing and the MTFP does not include plans to borrow.

Table 6: Prudential Indicators: Total investment for periods longer than a year for 2025/26 to 2027/28

	£m
Limit on the amount invested for periods longer than a year:	30.000

The Treasury Management Strategy aims to protect the Council from market-related risks by monitoring interest rates, economic indicators and UK and overseas government finances and reacting accordingly. A range of information sources are used to inform economic analysis and forecasts.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy and policy approved by the Board. Regular reports on treasury management activity are presented to the Governance and Audit Committee which is responsible for ensuring effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.

Investments for Service Purposes

The Authority may make investments to assist local public services, including making loans to or buying shares of wholly owned companies or associates, joint ventures, or third parties as part of a wider strategy for local economic growth.

The Combined Authority does not currently hold any non-treasury investments.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Section 73 Officer and must meet limits set out in the treasury policy. Non-treasury investments, including non-financial investments which are not held as a financial instrument e.g. a property holding investments will be subjected to a rigorous risk assessment process, including option appraisal and scenario analysis, and the reasons for these investment decisions shall be clearly explained.

Most loans and shares are capital project expenditure and will therefore follow the business case approval route appropriate for their value set out within the Constitution. The Chief Officer for the relevant service is responsible for ensuring that adequate due diligence is carried out before any investment is made.

Commercial Activities

The Combined County Authority currently does not hold any commercial investments.

Other Liabilities

The Authority is committed to making future payments to cover any pension fund deficit. There are currently no commitments to make future payments in relation to debt or other major liabilities.

There is currently no known requirement to cover risks of any provisions, financial guarantees or major contingent liabilities.

Governance: Decisions on incurring new discretionary liabilities are taken by Chief Officers in consultation with the Section 73 Officer. The risk of liabilities crystallising and requiring payment is monitored by the Finance team and reported to both the relevant Thematic Committee and the Investment Committee. New liabilities/loans are reported to the Board for approval/notification as appropriate.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from general government grants. There are no current plans to borrow, and therefore no budgeted financing costs.

Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream

	2025/26 Forecast	2026/27 Budget	2027/28 Budget
Financing costs (£m)	0	0	0
Proportion of net revenue stream	0%	0%	0%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable as demonstrated in the Medium-Term Financial Plan.

Knowledge and Skills

The Combined Authority engages professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Authority ensures that all qualified staff keep up to date with relevant 'continuing professional development'.

Where the Authority's staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority has an agreement with East Riding of Yorkshire Council to provide the treasury management function. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

Appendix A: Treasury Management Policy

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TREASURY MANAGEMENT POLICY

1. Introduction

1.1 This Treasury Management Policy has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities and Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) under section 15(1) of the Local Government Act 2003.

1.2 Under the guidance, certain policy matters are expanded or determined as part of the annual Treasury Management Strategy which is approved by Council.

1.3 The Code has particular significance to local authorities in England and Wales. Adoption of its recommendations, by an individual local authority as part of standing orders or financial regulations, gives it the status of "…a code of practice made or approved by or under any enactment", and hence proper practice.

1.4 The Local Government Act 2003 sets the framework for a borrowing system relying on the prudential code produced by CIPFA. The prudential code recommends that the local authority have regard to the CIPFA treasury management code.

1.5 The Council's Constitution requires that Treasury Management decisions and transactions are carried out in accordance with the code. It also designates Section 151 (Chief Finance Officer) responsibilities to the Director of Finance.

1.6 The Treasury Management Policy comprises four main sections –

- Clauses formally adopted by the Council
- Treasury Management Policy Statement
- Treasury Management Practices
- Management Practices for Non-Treasury Investments

2. Key Principles

2.1 The Code identifies three key principles

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

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

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

3. Clauses Formally Adopted

3.1 CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial procedure rules, or other formal policy documents appropriate to their circumstances, the following four clauses –

I This organisation will create and maintain, as the cornerstones for effective treasury management –

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

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

II This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.

III This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to (note 1), and for the execution and administration of treasury management decisions to (note 2), who will act in accordance with the Council's policy statement and TMPs and IMPs, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management.*

IV This organisation nominates (note 3) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Note 1: name of responsible body (for example, committee, board or council) or nominated group of individuals or relevant committee such as cabinet or executive. Where a capital strategy is produced by a local authority this may include the setting of detailed treasury management policies, while being clear that overall responsibility remains with full council.

Note 2: title of responsible officer (for the purposes of this Code, the term 'responsible officer' has been used, although it is recognised that, in practice, many different terms exist). For example, in higher education, the vice-chancellor/principal or equivalent is the 'designated officer' who will ensure that the governing body complies with all terms and conditions of funding provided by the funding body. However, it is usual for day-to-day financial management to be delegated to a director of finance who will take professional responsibility for such areas of an institution's work and this is the officer who is referred to here.

Note 3: name of responsible body (for example, committee, board or council) or nominated group of individuals or relevant committee such as audit committee or relevant scrutiny committee.

For the purposes of notes 1 and 3, the Council has delegated responsibility to its Audit Committee to review the Treasury Management Policy and Strategy and gain assurance that the controls and procedures in place within the Treasury Management function are effective. In order to fulfil this responsibility, the Audit Committee receives regular monitoring reports on Treasury Management activities and it reviews Treasury Management Policy and Strategy ahead of approval by full Council.

For the purposes of note 2, the constitution identifies the Chief Finance Officer to be responsible for the execution of Treasury Management decisions.

4. Treasury Management Policy Statement

4.1 The following paragraphs define the policies and objectives of the Council's treasury management activities –

I East Riding of Yorkshire Council defines its treasury management activities as:

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

II East Riding of Yorkshire Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

III East Riding of Yorkshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

IV The Council's prime objective is capital security and ensuring the required level of portfolio liquidity when investing treasury management funds, recognising that public money should not be put at risk, but returns cannot be overlooked.

5. Treasury Management Practices

5.1 Local authorities are permitted to use a wide range of borrowing instruments. In respect of the investment of surplus cash, guidance has been issued by the Government pursuant to the Local Government Act 2003 allowing significant freedom in the use of investment instruments.

5.2 Good practice requires parameters to be set within which the treasury management function can be operated. The following Treasury Management Practices (TMP) comprise the Council's treasury management systems framework, defining the operation and highlighting specific details of systems, routines employed and records kept –

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

5.3 Each TMP is followed by a schedule containing additional detail regarding working practices adopted by the Council.

6. East Riding Pension Fund

6.1 East Riding of Yorkshire Council is also responsible for the management of the East Riding Pension Fund. Whilst the basic principles are similar, the investment powers of the Pension Fund are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, as amended. The East Riding Pension Fund has adopted the East Riding of Yorkshire Council's pre-existingTreasury Management Policy which is subject to approval by the Pensions Committee.

7. Management Practices for Non-Treasury Investments

7.1 The guidance expands its definition of 'investments' to cover all of the financial assets a local authority may hold as well as other non-financial assets which are held primarily or partially for financial returns e.g. investment property portfolios. The final section of this policy provides an overview of the management practices for these service-led investments and directs the reader to the Council's Capital Strategy which provides more detail.

TREASURY MANAGEMENT POLICY

TMP1

RISK MANAGEMENT

1.1 East Riding of Yorkshire Council regards the prime objective of its treasury management activities to be the security of the principle sums it invests. Accordingly, it will ensure robust due diligence procedures cover all external investment.

1.2 The Section 151 officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually to the Audit Committee and the Cabinet on the adequacy or suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements.* In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the schedule to this document.

Credit and Counterparty Risk Management

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

Liquidity Risk Management

1.4 East Riding of Yorkshire Council will ensure that it has adequate though not excessive cash resources; borrowing arrangements; overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives.

1.5 The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the approved capital programme or to finance future debt maturities, as permitted by the guidance.

Interest Rate Risk Management

1.6 East Riding of Yorkshire Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP 6 *Reporting requirements and management information arrangements.*

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

1.8 The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

Exchange Rate Risk Management

1.9 East Riding of Yorkshire Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income and expenditure levels.

Inflation Risk Management

1.10 East Riding of Yorkshire Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisations inflation exposures.

Refinancing Risk Management

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

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

Legal and Regulatory Risk Management

1.13 East Riding of Yorkshire Council will ensure that all of its treasury activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 *Credit and Counterparty Risk Management* (1.2 above), it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

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

Fraud, Error and Corruption, and Contingency Management

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

Price Risk Management

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

SCHEDULE TO TMP1

RISK MANAGEMENT

1.1 The Council is a local authority as defined by The Local Government Act 1972, and primarily provides statutory services to its population on a not-for-profit basis. As such, few financial instruments are used by way of commercial business. However, the funding mechanism means that, during the year, the Council may hold substantial assets and liabilities. The Council uses financial instruments to manage the risks arising from holding assets and liabilities; it does not undertake financial instruments for trading or speculative purposes.

1.2 Instruments commonly used to hedge financial and treasury type risks include derivative securities, such as an option, future or swap, of which the criteria and value are determined by those of an underlying asset. Any use of derivative financial instruments will be subject to a separate business case and approved by the Section 151 officer.

1.3 The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services. It maintains and operates a Treasury Management Policy comprising an overview of the principles and practices to which the activity will comply. Alongside this policy, the Ministry of Housing Communities and Local Government has issued guidance, under section 15(1)(a) of the Local Government Act 2003, to which local authorities must have regard. Annually, the Council approves a Treasury Management Strategy and a Capital Strategy for the forthcoming year. Taken together, these documents form the structure for managing risk.

1.4 The main financial risks arising from the Council's activities are credit risk, liquidity risk and interest rate risk. Other risks include insurance risk, price risk and foreign exchange risk, although the Council has little or no exposure to those instruments. The way these risks are managed is summarised below.

1.5 In respect of each of the risks detailed in TMP1, the arrangements, which seek to manage risk to a reasonable level rather than to eliminate all risk of failure, are set out below.

Credit and Counterparty Risk Management

1.6 *Definition:* The risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or revenue resources.

1.7 In line with the Prudential Code, the Ministry for Housing Communities and Local Government guidance provides for each authority to determine its own controls within the given framework.

1.8 The guidance defines three types of financial investment – loans, specified and non-specified. Loans are those investments made to wholly owned companies or associates, a joint venture, or to a third party as part of a wider strategy for local economic growth. Specified investments are those investments denominated in sterling, which are due or may be required to be repaid within 12 months of the date the transaction was made and the organisation or scheme with which the investment is made is *of high credit quality*. Non-specified investments are all other investments.

1.9 The guidance leaves it to each local authority to determine what it considers high credit quality. East Riding of Yorkshire Council demands security of capital as a prime objective. It is considered that those institutions and instruments with a long-term rating of A- or higher and a short-term rating of A2 or higher are commensurate with a low level of risk. These levels constitute the top three (of four) investment grade categories.

1.10 Credit ratings alone are not enough. In addition to and complementing credit ratings, the use of other relevant data such as Bloomberg and quality financial press is used to gain further market intelligence and determine those organisations of high credit quality.

1.11 Unlike specified investments, where the existence of high credit quality would automatically permit the council to treat the organisation as a counterparty, non-specified investments and loans are risk-assessed at the time an investment is made. Non-specified instruments include investments with a remaining duration greater than one year and institutions and instruments rated below A-.

1.12 Diversification is also important in managing credit risk. By setting limits appropriate to all counterparties, investments will be spread across a number of different institutions.

1.13 It is not appropriate to limit the value of any investment with the UK Government since default is unlikely to occur. Therefore, deposits with the UK Debt Management Office and investment in UK sovereign debt are unlimited.

1.14 Nat West, which is the Council's bank has a higher maximum limit in this Policy than the other specified investments, although an operational limit of £20 million will be applied. The higher Policy limit of £30 million is to allow for unexpected cash inflows, which occasionally occur, and would otherwise lead to a breach of the counterparty limit.

1.15 For specified investments, an institution or instrument must be rated by at least two of the three reference agencies and, if these are different, the lowest rating will apply.

1.16 Credit ratings are 'live' and therefore subject to change. New ratings may be issued and existing ratings may go up or down. As such, it is not appropriate to include in this statement a list of counterparties meeting the above criteria since it would only be valid at a point in time, although in practice a list is maintained.

1.17 Similarly, non-specified investments will be assessed on their merits at the time of investment, having regard to the counterparty, size and duration of the investment, which will not typically exceed five years. The aggregate of non-specified investments is limited to £30 million at any one time.

1.18 Loans will also be assessed on their merits at the time of investment, having regard to the counterparty, size, security or guarantee offered and duration of the investment and how it will contribute to achieving the Council's strategic aims. The term of a loan will not exceed 20 years. The aggregate of loans is limited to £20m at any one time.

1.19 The counterparty limits will apply to the Council and the Pension Fund separately.

1.20 See also TMP4 *Approved instruments, methods and techniques.*

1.21 Applying the principles detailed above provides the following framework, within which counterparties and investment transactions will be made.

	Maximum Limit
1. Specified Investments *(limit per counterparty)* [1]	
UK Government	Unlimited
Nat West	£30.0m
Local Authorities	£20.0m
Money Market Funds with a minimum rating AAA[2]	£20.0m
Banks and Building Societies with a minimum rating of A-/A2[2]	£20.0m
2. Non-specified Investments *(limit per counterparty)*	
All non-specified investments	£10.0m
3. Loans *(limit per counterparty)*	
Other Public Bodies and educational establishments	£5.0m
Wholly owned companies or associates	£10.0m
Partnership Arrangements	£10.0m
Charities	£0.5m
4. Other Limits *(on day of investment)*	
Aggregate value of Non-specified Investments	£30.0m
Aggregate value of Loans	£20.0m

Notes: [1] Ratings and limits are for guidance only, other information will also be taken into account in determining whether to use a counterparty.

1.22 Counterparty creditworthiness does not apply to organisations from which it borrows – the risk is with the lender. However, where borrowing *facilities* need to be in place and failure of those facilities might jeopardise a project, the Council will use credit judgements including, where appropriate, reference agencies in order to be satisfied as to the counterparty's creditworthiness and therefore the future availability of those facilities.

1.23 With regard to leasing, advice will be taken from the broker, who will make recommendations concerning financial and non-financial matters. However, as leases are usually arranged for each drawdown there is minimal risk that the Council will lose the facility.

Liquidity Risk Management

1.24 *Definition:* The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business or service objectives will be thereby compromised.

1.25 East Riding of Yorkshire Council maintains a cash flow calculation to establish precise cash requirements and ensures its loan portfolio closely matches that requirement. Together with fixed duration investments, cash is placed on deposit in accounts and in saleable instruments that can be accessed immediately.

1.26 Where deficits arise, liquidity may be obtained through the money market. Emergency arrangements are available in the form of an agreed overdraft facility with the Council's bankers.

1.27 The prudential code requires, as a specific treasury management indicator, upper and lower limits for the maturity structure of the authority's debt. This essentially is normal commercial practice and ensures that no single year will cause refinancing problems.

1.28 Borrowing more than or in advance of an authority's needs purely in order to profit from the investment of the extra sums borrowed is prohibited by both the prudential code and MHCLG guidance. East Riding of Yorkshire Council will not borrow in advance of need for this purpose.

Interest Rate Risk Management

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

1.30 The prudential code requires local authorities to explain their approach to managing interest rate risks. East Riding of Yorkshire Council has set a local treasury management prudential indicator that places limits on its fixed and variable interest rate exposure.

1.31 The Council principally uses fixed rate loan instruments and as such locks into known interest rates, thus protecting against fluctuations. Where floating rate instruments are used, these are continuously monitored against expected and actual market rates.

Exchange Rate Risk Management

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

1.33 Local authorities are statutorily barred from holding foreign currency or transacting loans other than in sterling.

Inflation Risk Management

1.34 *Definition:* The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Council's finances, against which the organisation has failed to protect itself adequately.

1.35 East Riding of Yorkshire Council actively monitors actual and expected inflation levels. The Bank of England's Monetary Policy Committee is statutorily obliged to target the consumer prices index measure of inflation (CPI) at 2% (plus or minus 1%), thus expectations are that inflation will be stable.

Refinancing Risk Management

1.36 *Definition:* The risk that maturing borrowings, capital, project or partnership financing cannot be refinanced on terms that reflect the provisions made by the organisation for that refinancing, both capital and revenue, and / or that the terms are inconsistent with prevailing market conditions at the time.

1.37 East Riding of Yorkshire Council aims to ensure that, over the medium term, no single year is subject to an excessive repayment of debt. This could be achieved by applying a limit on debt to be repaid in the year, but this is not considered necessary. The profile of the Council's debt portfolio means that around 4% of non-housing debt outstanding is repaid annually.

1.38 Following housing finance reform, the Housing Revenue Account business plan drives housing-specific debt repayment. It is planned that this debt will be repaid at 5-yearly intervals with amounts between 5% and 25% of the portfolio in line with cash flow.

1.39 The prudential code requires, as a specific treasury management indicator, upper and lower limits for the maturity structure of the authority's debt. This essentially is normal commercial practice and ensures that no single year will cause refinancing problems.

Legal and Regulatory Risk Management

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

1.41 Sections 1 and 12 of the Local Government Act 2003 empower local authorities to undertake treasury management. The Chief Finance Officer is responsible for this function as set out in the Council's Constitution under section 11, subsection 5 and in section 2.6 of the Council's Financial Procedure Rules.

1.42 By using known counterparties and limited instruments the Council can be assured that legal powers and regulatory requirements are met.

Fraud, Error and Corruption, and Contingency Management

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

1.44 East Riding of Yorkshire Council operates robust systems in all its treasury management activities. Audit review is conducted, by both internal and external audit, on systems and procedures within the operation. Internal control and internal check are exercised through a segregation of duties involving a restricted number of senior finance staff. The risk of fraud is actively considered as part of the Finance service's operational risk register.

1.45 Business continuity and disaster recovery is dealt with in the Finance Business Continuity Plan.

Market Risk Management

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

1.47 Permitted instruments include loans, time deposits, money market funds, Certificates of Deposit, Floating Rate Notes, Treasury bills, gilt edged securities, supranational, sub-sovereign and corporate bonds, commercial paper and repurchase agreements as the buyer, provided the collateral is UK government debt.

1.48 With the exception of loans, time deposits and repurchase agreements, the instruments are all saleable on the open market and, therefore, subject to fluctuations in capital value. All such assets are purchased with the intention to hold to maturity, thus eliminating market fluctuations. However, premature disposal will be considered where opportunities for capital gain materialise or when there are indications that a counterparty's credit quality has deteriorated.

Risk Management and Review

1.49 This Treasury Management Policy and TMPs allow for *normal* market and economic conditions and represents the maximum latitude permitted under delegation to the Section 151 officer.

1.50 It is for the Section 151 officer to determine tighter controls or limits in light of unusual market conditions. This may include such things as reduced counterparty limits, duration limits or excluding counterparties or countries/regions.

1.51 Such decisions will be agreed and suitably minuted by the Operational Treasury Management Board at its regular meeting.

1.52 Any temporary changes or restrictions will be reported to Council, The Cabinet or the Audit Committee in accordance with TMP6 *Reporting Requirements and Management Information Arrangements.*

TMP2

PERFORMANCE MEASUREMENT

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

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

2.3 The Council recognises however that performance is subordinate to the security of capital and effective control of risk.

SCHEDULE TO TMP2

PERFORMANCE MEASUREMENT

2.1 Performance measurement techniques are kept under regular review.

2.2 Where necessary, third party contracts such as banking, leasing brokerage and lessors are tendered, either for a contracted period or for a single contract. For example, the bank contract is awarded by open tender complying with European Union (EU) rules, the leasing broker is renewed annually by informal review on the basis of cost and number of market participants and lessors are appointed by tender for specific drawdowns.

2.3 East Riding of Yorkshire Council uses of a variety of information sources in its pursuit of optimum performance, such as Bloomberg, broker research, government and sector benchmarking data, financial newspapers etc.

2.4 In the context of best value, the Council strives to meet its obligations by –

- complying with this Code, which has been widely consulted throughout government, industry, local government and other interested users
- making use of brokers, as well as dealing direct, in order to ensure maximum competition in the marketplace
- regularly challenging the instruments and counterparties used and considering whether to extend or consolidate arrangements
- comparing performance, both against others by analysing sector specific statistical information and internally against targets agreed within the service plan.

2.5 Performance is measured against agreed targets within the context of the policy statement – performance is subordinate to security of capital and the effective control of risk – and other local authorities by means of statistical data. The treasury management activity **is not a profit centre**.

2.6 Internally, investment performance is measured against average Bank Rate, whilst bank balances are expected to be within +£150,000 & –£100,000 on 80% of occasions throughout the year. Debt performance is measured against budgeted expenditure

2.7 Whilst not a performance measure, the prudential code requires a specific indicator of “Capital financing costs as a percentage of Net Revenue Stream.” This indicator demonstrates the proportion of the Council’s budget being used to finance debt as opposed to service delivery.

TMP3

DECISION-MAKING AND ANALYSIS

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

SCHEDULE TO TMP3

DECISION-MAKING AND ANALYSIS

3.1 The Operational Treasury Management Board meets bi-monthly to consider risk, current events and current investment criteria. Its meetings are fully minuted.

3.2 For investment, a daily record is kept of prevailing interest rates, cash requirements and subsequent action. More generally, a cash flow is maintained to indicate likely demand over time. For loans and non-specified investments, decisions are considered on an individual basis with reasons clearly recorded.

3.3 Borrowing decisions are considered on an individual basis, with reasons for the decision clearly recorded, including details of capital financing requirement and other funding matters.

3.4 Leasing of assets is subjected to competition, on the Council's behalf, by the leasing broker who submits a detailed report that compares bids and recommends a lessor. The recommendation is made after considering return conditions, knowledge of the lessor and whole of life costs in addition to headline price. A full option appraisal is carried out to determine whether leasing (operating or finance) or borrowing is the appropriate method of acquisition.

3.5 Investment and borrowing decisions will only be made by suitably trained and experienced individuals (TMP10).

TMP4

APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

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

4.2 Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

4.3 East Riding of Yorkshire Council has reviewed it classification with financial institutions under the Markets in Financial Instruments Directive II (MiFID II) and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client. However, the list can be changed by the Section 151 officer at any time.

SCHEDULE TO TMP4

APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 The prime objective of capital security recognises that public money should not be put at risk but returns should not be overlooked. The Council's treasury management strategy for investments seeks to maintain both capital security and financial flexibility (liquidity). Within these constraints the strategy aims to maximise returns.

4.2 Ministry for Housing, Communities and Local Government issued guidance, under section 15(1)(a) of the 2003 Act, to which local authorities must have regard. In line with the prudential code, the guidance merely provides for each authority to determine its own controls within the given framework.

4.3 The prudential code and guidance make wide-ranging instruments and techniques available to the Council in its treasury management activities. Except for speculative type investments (e.g. equities), local authorities are free to invest money widely. The guidance provides three definitions for investments – loans, specified and non-specified investments.

4.4 Loans are those made to investments made to wholly owned companies or associates, a joint venture, or to a third party as part of a wider strategy for local economic growth. Specified investments are those investments denominated in sterling, which are due or may be required to be repaid within 12 months of the date the transaction was made and the organisation or scheme with which the investment is made is *of high credit quality*. Non-specified investments are all other investments.

4.5 Permitted instruments include time deposits or loans, money market funds, reverse repurchase agreements with UK Government debt as collateral (REPO), certificates of deposit, Floating Rate Notes, Treasury bills, gilt edged securities, supranational, sub-sovereign and corporate bonds and commercial paper. Investments must be in sterling.

4.6 With the exception of cash deposits, loans and REPO, the instruments are all saleable on the open market and, therefore, subject to fluctuations in capital value. All such assets are purchased with the intention to hold to maturity, thus eliminating market fluctuations. However premature disposal will be considered where opportunities for capital gain materialise.

4.7 When making loan investments the Council has restricted the type of counterparties to the following categories of borrower: as per the counterparty framework defined in TMP1.

- Other Public Bodies and Educational Establishments
- Wholly Owned Companies or Associates
- Partnership Arrangements
- Charities

4.8 Derivative instruments used for hedging purposes will only be used subject to a business case and approval of the Section 151 officer. Forward rate agreements may be used providing that the duration of any such investment commences on the date of agreement, not date of settlement, and such duration complies with the limits above. Where market convention is for one or three day settlement (T+1 or T+3) duration is calculated from date of settlement.

4.9 The Council does not invest in non-financial assets for treasury management purposes.

4.10 Local Authorities were reclassified as retail investors following the introduction of Markets in Financial Instruments Directive II (MiFID II) on 3 January 2018. Prior to this date, financial counterparties had classified the Council as a professional investor and following the change a number of money market funds, brokers and large international banks confirmed they would not provide their services to retail investors and would terminate their relationship with the Council.

4.11 The regulation provides an option for a Council with a large treasury management function to request re-classification as an elective professional investor, subject to demonstrating it has significant experience and knowledge. The Operational Treasury Management Board agreed that it was appropriate and necessary for the Council to request re-classification as an elective professional investor, should a financial counterparty require this, to ensure the effective functioning of its treasury management activities.

4.12 The organisations with which the Council has registered as a professional client is listed below. However, the list can be changed by the Section 151 officer at any time

- Commonwealth Bank of Australia
- National Australia Bank Limited
- Bank of Montreal
- National Bank of Canada
- Toronto Dominion
- Rabobank London
- Coventry Building Society
- Blackrock Asset Management (Ireland) Ltd
- Standard Life Investments
- JPMorgan Liquidity Fund
- Morgan Stanley Liquidity Funds
- Federated Investors (UK) LLP
- State Street Global Advisors Limited
- King & Shaxson Limited
- Tullett Prebon ICAP
- BGC Brokers LP
- Tradition (UK) Ltd
- Institutional Cash Distributors Ltd

4.13 Sources of borrowing are unrestricted except that it must be in sterling. Bank loans, including any with a lender's or borrower's option (LOBO) and stock issues are examples of types of borrowing. The Council's main source of borrowing is the Public Works Loan Board. This organisation is part of the Debt Management Office; an executive agency of Her Majesty's Treasury tasked with offering loans to public bodies at a cost marginally above government funding rates. These funds are normally always accessible. All borrowing decisions will be reviewed and approved by the Section 151 Officer

TMP5

ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

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

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

5.3 If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements,* and the implications properly considered and evaluated.

5.4 The Section 151 officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

5.5 The Section 151 officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

5.6 The delegations to the Section 151 officer in respect of treasury management are set out in the schedule to this document. The Section 151 officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management.*

SCHEDULE TO TMP5

ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 The Council is responsible for approving and amending policies, including the Treasury Management Policy, in accordance with its constitution. The Council is also responsible for budget consideration and approval. The Cabinet receives and reviews reports on treasury management policies, practices and activities and makes recommendations to Council as it considers necessary. The Audit Committee is charged with scrutiny and review of the Treasury Management Policy, procedures and management of risk.

5.2 Section 11 of the constitution, together with the financial procedure rules, provide the necessary delegations to the Section 151 officer, who is required to ensure effective arrangements for treasury management.

5.3 The following summarises the organisation of treasury activities –

Council/The Cabinet

- Approval of Treasury Policy Statement
- Approval of annual Treasury Management Strategy
- Receiving and reviewing reports on treasury management policies, practices and activities

Audit Committee

- Review and scrutiny of Treasury Management Policy
- Review and scrutiny of treasury activity

Section 151 officer

- Executive responsibility for treasury activities
- Monitoring compliance with the Treasury Management Policy
- Management of risk within the boundaries of the Treasury Management Policy
- Report to those charged with governance on treasury policy and activity

Operational Treasury Management Board (OTMB)

- Consider operational treasury matters
- Monitor risk and set or ease additional restrictions within the boundaries of the Treasury Management Policy
- An OTMB member must authorise the daily investment & borrowing transactions confirming they are within the approved policy framework.

Treasury Manager/Officer

- Execution of transactions within approved framework
- Management of counterparties
- Monitoring risk and opportunity and reporting to Section 151 officer and OTMB

Back Office Support

- Administrative assistance to provide internal check on documentation used to support executed transactions

5.4 Treasury management procedures are maintained, providing detailed working arrangements and practices employed on a day-to-day basis.

TMP6

REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

6.2 As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy and TMPs.

6.3 The Audit Committee will receive regular monitoring reports on treasury management activities and risks.

6.4 The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices.

6.5 Treasury management indicators will be reported in a suitable manner to the Council.

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

SCHEDULE TO TMP6

REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 The Council has delegated to The Cabinet all matters within policy. As a minimum, The Cabinet will receive a report –

- On or before the first working day of the financial year to set a strategy for treasury management activities for that financial year
- A mid-year review detailing treasury management activities undertaken during the current financial year
- Before 30 September, The Cabinet will receive an annual report detailing the treasury management activities undertaken during the preceding financial year.

6.2 The Council receives a report detailing prudential indicators alongside the review of its capital programme at least twice a year.

6.3 The Cabinet will receive a report at any time during the year concerning matters that may arise of an urgent nature or fall outside the Treasury Management Policy or strategy for treasury management.

6.4 The Audit Committee will receive regular reports at its meetings on treasury management activities and compliance with the Treasury Management Policy and Strategy during the preceding period

6.5 Executive decisions regarding treasury management are delegated to the Section 151 officer. A report covering the activity of the treasury management function is submitted weekly to the officers involved in the treasury management function. The report consists of a note of loans outstanding, daily transactions, bank account balances and a summarised cash flow for the previous week, together with explanations for unusual or unexpected results. The report also provides a forecast of investments at the end of the following week, an overview of money market fund exposures and a brief note of market issues affecting treasury management.

6.6 As necessary, reports will be prepared for the Operational Treasury Management Board, an executive group chaired by the Section 151 officer. The Board considers matters concerning risk.

TMP7

BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 The Section 151 officer will prepare, and Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with the associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The Section 151 officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements.*

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

SCHEDULE TO TMP7

BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 The treasury management activity **is not a profit centre**. The Service Reporting Code of Practice defines Corporate Management to include "the costs of treasury management and bank charges…" The products of treasury management – investment income, interest costs and leasing rentals – are accounted for in accordance with CIPFA's Code of Practice on Local Authority Accounting in the Council's annual statement of accounts.

7.2 Internal audit carry out procedures on an annual basis to provide management with the assurance of controls operating within the activity under review and the exposure to risks that control weaknesses may cause.. .

7.3 External audit review a sample of treasury management transactions and balances in the course of the statutory audit of statement of accounts on an annual basis.

TMP8

CASH AND CASH FLOW MANAGEMENT

8.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of East Riding of Yorkshire Council will be under the control of the Section 151 officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 *liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate).* The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

SCHEDULE TO TMP8

CASH AND CASH FLOW MANAGEMENT

8.1 The council's cash flow is relatively consistent throughout the year. Two cash flow forecasts are maintained: a three-year forecast at a high level and a more detailed, short-term cash flow.

8.2 Of its £1.1 billion income, some £450 million is received from Government (received on a fortnightly, monthly or quarterly basis). A further £345 million is collected from council tax and business rates, mostly by monthly direct debit. Of the remaining £355 million, the majority is received on a daily basis.

8.3 On the expenditure side, significant payments include salaries of £250 million, Tax, National Insurance and pension contributions of £49 million, and fire and police precepts totalling £49 million per annum, paid on a monthly basis. Debt and interest payments of £7 million are made half yearly. The remainder is paid out on a regular, daily basis with no significant peaks or troughs.

8.4 A short cash flow forecast, highlighting the significant numbers referred to above, is kept by the dealer. This provides a quick reference guide to specific cash needs. A nominal sum is retained in a call account (iceberg) or money market fund to meet uncovered demands for funds, although there is no defined minimum or maximum.

8.5 The Section 151 officer and other officers involved in the treasury management function receive, as part of the weekly information report, a summarised cash flow for the preceding week together with a brief forecast of the coming week.

TMP9

MONEY LAUNDERING

9.1 East Riding of Yorkshire Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

SCHEDULE TO TMP9

MONEY LAUNDERING

9.1 The Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering & Terrorist Financing and Transfer of Funds Regulations 2017 and amendment in 2019 together impose a duty on regulated business and its employees to report suspicions of money laundering and criminal sanctions can be brought against individuals for failure to do so. Whilst the Council is not a regulated business for the purpose of the regulations it needs to ensure that it takes steps to comply with the spirit of the legislation which imposes criminal penalties upon individuals who are involved in money laundering activities and who fail to report their suspicions of dishonesty.

9.2 Disclosures are made to the National Crime Agency (NCA) which evaluates them, filtering out bogus, spurious and unhelpful disclosures, then passing on valid useful disclosures to the appropriate police force or Her Majesty's Revenue and Customs. Each police force has its own financial intelligence section to deal with referrals.

9.3 The money laundering guidelines are incorporated into the Council's Counter Fraud Policy. Any suspicion of money laundering is required to be reported to the Council's Money Laundering Reporting Officer (MLRO), the Audit and Technical Manager.

9.4 To ensure, as far as possible, that the individuals involved in treasury management can be satisfied as to the authenticity of the lender or borrower, the Council will only deal with known counterparties whose credentials can be verified independently. In practice, this will mean dealing with organisations authorised under banking or financial services legislation or who are listed on the London Stock Exchange and whose bona fides can be confirmed by, inter alia, reference to Bloomberg or credit reference agencies.

TMP10

TRAINING AND QUALIFICATIONS

10.1 East Riding of Yorkshire Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 officer will recommend and implement the necessary arrangements.

10.2 The Section 151 officer will ensure that Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

10.4 The present arrangements are detailed in the schedule to this document.

SCHEDULE TO TMP10

TRAINING AND QUALIFICATIONS

10.1 East Riding of Yorkshire Council is committed to employing appropriately qualified and experienced staff.

10.2 Those involved in day-to-day treasury management operations will be expected to hold, as a minimum, Association of Accounting Technicians qualification or be part qualified members of one of the main Consultative Committee Of Accountancy Bodies (CCAB). Treasury management specific qualifications, such as those issued by the Association of Corporate Treasurers are also acceptable.

10.3 Suitable resources are made available to enable staff to fully understand the operation. This may include appropriate external training courses where necessary. On-going skills and experience updates will include seminars or other market-sponsored events.

10.4 The Section 151 officer will ensure that those charged with governance have access to the skills and knowledge they require to carry out their role effectively with regard to treasury management. Suitable seminars will be provided as part of the regular training provided to Members.

TMP11

USE OF EXTERNAL SERVICE PROVIDERS

11.1 East Riding of Yorkshire Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons that will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

The monitoring of such arrangements rests with the Section 151 officer and details of the current arrangements are set out in the schedule to this document.

SCHEDULE TO TMP11

USE OF EXTERNAL SERVICE PROVIDERS

11.1 A number of services to aid the treasury management function are available to the Council and include banking, brokerage, consultancy and advisory.

11.2 The Council's main banker is appointed by open tender.

11.3 To promote competition and as far as possible ensure the best available terms, the Council uses a number of money market brokers whose role is to match bids and offers.

11.4 External advisors are available to provide advice on such things as treasury policy, strategy and counterparty risk, together with debt restructuring opportunities. Where such appointments are made they will be by open tender. Where advisers are used, it is recognised that responsibility for decisions rests with the Council. Any external advice commissioned will therefore be additional information to aid that decision making. Other sources of information are available and are regularly used by the Council.

11.5 External managers may be appointed to manage such part of the Council's surplus monies as may be agreed by Council from time to time. Where such appointments are made, the managers must act within this Treasury Management Policy and in accordance with a lending list approved by the Section 151 officer.

11.6 Leasing is a complex area. Whilst the process can be managed in-house, the detailed knowledge of a broker means that the ultimate lessor is likely to be known in terms of past performance and non-financial competitiveness.

TMP12

CORPORATE GOVERNANCE

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

12.2 East Riding of Yorkshire Council has adopted and has implemented the key principles of the CIPFA's Code of Practice on Treasury Management in the Public Services. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

SCHEDULE TO TMP12

CORPORATE GOVERNANCE

13.1 The Council is committed to embracing the principles of corporate governance in its treasury management activities, notably openness and transparency. This Treasury Management Policy, together with the adoption of the Treasury Management in the Public Services Code of Practice, provides a clear framework for demonstrating the integrity of the operation.

13.2 Reports to The Cabinet and the Audit Committee are public documents. The robust treasury management organisational structure together with its well-defined responsibilities and separation of duties and arrangements for audit enhance the accountability of the activity.

13.3 The Council's code of corporate governance deals with the fundamental principles that underpin good corporate governance and is applicable to all Council activity, including treasury management.

INVESTMENT MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS

14.1 East Riding of Yorkshire Council recognises that investment in other financial assets and property for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. The Section 151 officer must be consulted and approve all non-treasury management investments.

14.2 East Riding of Yorkshire Council will ensure that all the Council's investments are covered in the Treasury Management Strategy for treasury management investments or the Capital Strategy, for non-treasury investments, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments (referred to as investment management practices (IMPs) in CIPFA's Treasury Management code). It will be recognised that the risk appetite for non-treasury investments may differ from that for treasury management investments.

14.3 East Riding of Yorkshire Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.

14.4 The Council's Capital Strategy will set out the detailed approach towards non-treasury investments held fully or partially for financial return, along with the summary of investments referred to above and the prudential and other quantitative indicators.

Appendix B: Treasury Management Strategy

Treasury Management Strategy 2026-27

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1. Treasury Management Strategy

1.1 The prime objective of the Authority's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business. Within these constraints, the strategy aims to maximise returns.

1.2 The borrowing strategy aims to minimise both the revenue cost of debt and the potential volatility of these costs which can arise from changes to interest rates.

1.3 One revenue consequence of borrowing is the statutory requirement to set aside an amount for repayment of debt, known as Minimum Revenue Provision (MRP). Regulations require the Authority to determine annually a principle by which MRP will be determined.

1.4 The Treasury Management Strategy aims to protect the Authority from market-related risks by monitoring interest rates, economic indicators and UK and overseas government finances and reacting accordingly. A range of information sources are used to inform economic analysis and forecasts.

1.5 The Authority has established arrangements with the Finance team at East Riding of Yorkshire Council to operate its treasury management arrangements.

1.6 The following paragraphs represent the detailed strategy to be followed during 2026-27.

2. Investment

2.1 Except for speculative type investments (e.g. stock market), local authorities are free to invest money widely. The Ministry of Housing, Communities and Local Government (MHCLG) guidance defines three types of financial investment, these are loans, specified investments and non-specified investments.

2.2 Loans are those investments made to wholly owned companies or associates, joint ventures, or to third parties as part of a wider strategy for local economic growth. Specified investments are those investments denominated in sterling, which are due or may be required to be repaid within 12 months of the date the transaction was made and the organisation or scheme with which the investment is made is of "high credit quality". Non-specified investments are all other investments.

2.3 The guidance leaves it to each local authority to determine what it considers to be "high credit quality". The authority demands security of capital as a prime objective. It is considered that those institutions with a long-term rating of A- or higher combined with a short-term rating of A2 or higher are commensurate with a low level of risk. These levels constitute the top three (of four) credit ratings considered to be "investment grade". An investment grade credit rating indicates the risk of default is low and is considered a benchmark of quality for investment managers. The fourth level of investment grade is also referred to as "speculative grade" as the investment would be vulnerable to changing economic conditions. Below this level ratings are classified as "junk" indicating the investment could quickly run into difficulties.

2.4 In addition to and complementing credit ratings, real-time market data monitoring and quality financial press are used to gain further market intelligence and verify organisations of high credit quality. Non-specified investments are risk-assessed at the time an investment is made.

2.5 Loans will also be assessed on their merits at the time of investment, having regard to the counterparty, size and duration of the investment and how it will contribute to achieving the authority's strategic aims.

2.6 Investment risk cannot be entirely eliminated but is managed through the credit and counterparty framework set out in the Treasury Management Policy. An extract from the Treasury Management Policy is included at Appendix 1, which sets out the limits that apply to each counter party and the portfolio as a whole.

2.7 East Riding of Yorkshire Council's Operational Treasury Management Board (OTMB) considers risks within treasury management operations. The OTMB is an officer group that meets on a bi-monthly basis and is chaired by the Director of Finance. It considers operational treasury matters, monitors treasury risks and market conditions, and formally reviews and amends investment criteria within the Treasury Management Policy as appropriate. One of the two senior officers who authorise the daily investment and borrowing transactions must be an OTMB member, confirming the transactions are within the approved policy framework.

2.8 The OTMB has continuously reviewed the treasury risk environment and its impact on investment returns. In light of the prime objective of capital security, the restriction to the investment criteria in the Treasury Management Policy preventing investment in banks domiciled in the Middle East remains in place, in view of the ongoing conflict and political instability in the region.

2.9 CIPFA's Code of Practice on Treasury Management in the Public Services requires the Authority to set out its approach to non-financial and non-treasury investments. Non-financial investments are investments which are not held as a financial instrument, e.g. a property holding rather than a bond. Non-treasury investments are investments which are held for purposes other than treasury management, e.g. to generate a long-term return. The Authority's treasury management function does not invest in non-financial assets. In accordance with guidance, any non-treasury investment decisions are subjected to a rigorous risk assessment process, including option appraisal and scenario analysis, and the reasons for these investment decisions are clearly explained. The authority does not currently hold any non-treasury investments.

2.10 As with treasury investments, the Authority will give priority to security and then liquidity over yield. The Authority will ensure that the level of any related debt taken on and the aggregate risk is proportional to the size of the authority. It will also be clear about the contribution made from non-core investments towards core functions and disclose any dependence on commercial income to deliver statutory services. If the specialist expert knowledge required to evaluate and make the investment decision is not available within the Authority, external advice and training will be sought. The Authority's Capital Strategy sets out the approach to managing capital investment, including the governance and decision-making process.

3. Borrowing

3.1 The Combined Authority's power to borrow to raise funding for its functions is expected to be confirmed by the passing of the English Devolution and Community

Empowerment Bill. In general, the local authorities can borrow for one of two purposes – to finance cash flow in the short term or to fund capital investment over the longer term. It is anticipated that it will be necessary to borrow during 2026-27 to fund the capital investment plans for 2026-27 and replace internal cash balances that have been used to defer the borrowing required to fund past capital expenditure. This is currently projected to be up to £123m by the end of the current financial year. Economic market conditions and expectations will be closely monitored and a 'trigger point' of 4.5% will be used for active consideration to be given to taking borrowing if the 25-year Public Works Loan Board (PWLB) fixed rate falls below this level. Active consideration of borrowing may also take place if short-term forecasts of cash and cash equivalent balances fall to a level which sufficiently increases liquidity risk, i.e. risk to the level of funds available which are necessary for the achievement of the Authority's business and service objectives. The OTMB will be consulted when determining the timing and amount of external borrowing required for 2026-27.

3.2 Local authorities are able to borrow from the Public Works Loan Board (PWLB), a lending facility for local authorities operated by the UK Debt Management Office on behalf of HM Treasury, and would expect to be able to meet its needs from that source. However, loans are also available from other sources and these will also be considered if the costs/terms of such loans are favourable. The PWLB will not lend to any local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would be financed from a source other than PWLB. The Section 73 Officer (Director of Finance) must confirm that there is no intention to buy investment assets primarily for yield at any time in the next 3 years and must submit a high-level description of the capital expenditure for this period.

3.3 The Prudential Code supports the current PWLB lending terms to reduce the risks taken by some local authorities in their investment activity. All investments and investment income must be attributed to a primary purpose of Treasury Management, Service Delivery or Commercial Return activity.

3.4 Local authority investments (including commercial property) may be categorised in accordance with the **primary purpose** of the investment, requiring Chief Finance Officers to make a judgement as to the primary purpose of investments.

3.5 The Code states that authorities "must not borrow to invest primarily for financial return". It also says that it is not prudent for them to make any investment or spending decision that could increase the need for borrowing, unless related to the functions of the authority and where financial returns are "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

3.6 Authorities which have an expected need to borrow should review options for exiting their financial investments for commercial purposes, and summarise the review in their annual treasury management or investment strategies. The options should include using the sale proceeds to repay debt or reduce new borrowing requirements. The reviews should evaluate whether to meet planned borrowing needs by taking new borrowing or by repaying investments, based on a financial appraisal which takes account of financial implications and risk reduction benefits. To avoid confusion, CIPFA have clarified in the code that authorities with existing commercial investments (including property) are not required to sell those investments.

3.7 The Code does not impose any restrictions on local authorities' borrowing for purposes core to their core aims, such as for housing and regeneration projects, or for treasury management purposes. The Authority holds investments under the treasury management category.

3.8 The Authority’s debt portfolio will be managed to ensure that the maturity profile will not leave any one future year with a high level of repayments that could present difficulties in refinancing. In line with this, long term borrowing will generally be taken on the basis of equal instalment of principal or annuity, rather than maturity, thereby spreading repayments over future years. Fixed rate loans are usually taken to lock into known interest rates, thus protecting against fluctuations and providing certainty when managing and setting the budget.

3.9 Whilst the current interest rate structure means it is not currently cost effective to refinance, the Authority will actively consider opportunities to refinance the borrowing portfolio should they arise.

4. Management of Risk

4.1 Credit and counterparty risk and market risk (the risks associated with the core principles of security, liquidity and yield) are managed within and monitored against the framework approved in the Treasury Management Policy.

4.2 Investment is mainly by cash deposits with financial institutions. However, in order to increase diversification, it is possible to purchase financial assets issued by banks, non-financial companies, sovereigns and sub-sovereign organisations. These assets, such as Certificates of Deposit and bonds, are bought with a view to accessing counterparties not normally available to the Authority.

4.3 Investment may be made in pooled investment funds such as money market funds or other regulated UCITS (Undertakings for the Collective Investment in Transferable Securities) funds. These are professionally managed funds which can provide greater levels of diversification than are available to East Riding of Yorkshire Council as an individual investor. During 2026-27, the Council will be continuing to enhance the diversification and returns that are offered by such funds.

4.4 Limited use of derivatives to manage risk appears to be permitted by the Localism Act 2011 and the latest CIPFA Code of Practice on Treasury Management. However, Government has been silent on this matter and it is likely that it will be left for the courts to determine. Consequently, the use of derivatives will not be considered until the situation becomes clarified.

4.5 The OTMB continues to meet bi-monthly, chaired by the Director of Finance, to consider issues of best practice, market conditions and intelligence and formally review the restrictions in place over investment and borrowing within the limits set out in the Treasury Management Policy.

4.6 The Treasury Management Policy permits East Riding of Yorkshire Council to request re-classification as an elective professional investor under the Markets in Financial Instruments Directive II (MiFID II) directive, should a financial counterparty require this, to ensure the effective functioning of its treasury management activities. The Council has considerable experience and knowledge of the risks involved in investing in a range of financial instruments and as such is not exposed to unmanageable risk as a result of the non-application of regulatory protections offered to retail investors.

5. MRP Statement

5.1 A revenue consequence of borrowing is the statutory requirement to set aside an amount for the repayment of debt, known as Minimum Revenue Provision (MRP). Regulations require the authority to annually determine a principle by which MRP will be determined.

5.2 MHCLG guidance requires that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that year and submits it to the Executive.

5.3 Regulations require the amount of MRP charged to be a prudent amount. The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government funding, reasonably commensurate with the period implicit in the determination of that funding.

5.4 MHCLG guidance states the maximum useful life of an asset should not normally exceed 50 years when calculating MRP using an asset life method. However, where a local authority has an opinion from an appropriately qualified professional advisor that an asset will deliver service functionality for more than 50 years, it can use the life suggested by its professional advisor. For a lease or PFI asset, the length of the contract should be used.

5.5 It is recommended that the Authority continues to apply the following policy to determine its MRP for 2026-27:

- The asset life method is to be used to calculate MRP for the remaining Capital Financing Requirement (CFR) relating to capital expenditure incurred before 1 April 2007. An average asset life of 51 years has been determined for the pre-2007-08 assets on the Balance Sheet.

- The asset life method is to be used to calculate MRP for all debt-financed General Fund capital expenditure incurred from 1 April 2007 reflected within the CFR, with the asset life determined from the outset and MRP charged in the year following the one in which the expenditure is incurred, with the exception of:

  a) Where expenditure is incurred over more than one year, then the asset life and MRP shall commence in the year the asset becomes operational in accordance with proper accounting practice,
  b) Deemed capital expenditure financed by borrowing which will have an asset life as prescribed in the guidance,
  c) Finance leases and PFI assets which will have a life determined by the life of the financial instrument as a proxy for asset life. Use of the financial instrument life to determine MRP is similar to the prescribed life in respect of deemed capital and associates the charge to revenue with cash flows, and
  d) In the case of non-commercial service-driven capital loans and leases-out financed by borrowing, where the third party is contractually obliged to repay in full and the arrangement has been assessed with no material expected credit losses identified, no MRP will be charged. In these instances, the annual repayment includes a capital receipt which will be used to reduce the CFR (repay the associated debt) in lieu of MRP.

Appendix 1

EXTRACT FROM THE TREASURY MANAGEMENT POLICY

Credit and Counterparty Risk Management

For specified investments, an institution or instrument must be rated by at least two of three reference agencies and, if these are different, the lowest rating will apply.

Credit ratings are 'live' and therefore subject to change. New ratings may be issued and existing ratings may go up or down. As such it is not appropriate to include in this statement a list of counterparties meeting the above criteria since it would only be valid at a point in time, although in practice a list is maintained.

Similarly, non-specified investments will be assessed on their merits at the time of investment, having regard to the counterparty, size and duration of the investment, which will not typically exceed five years. The aggregate of non-specified investments is limited to £30 million at any one time.

Loans will also be assessed on their merits at the time of investment, having regard to the counterparty, size and duration of the investment and how it will contribute to achieving the Authority's strategic aims. The term of a loan will not exceed 20 years. The aggregate of loans is limited to £20m at any one time.

Applying the principles detailed above provides the following framework, within which counterparties and investment transactions will be made.

	Maximum Limit
1. Specified Investments *(limit per counterparty)*	
UK Government	Unlimited
Nat West	£30.0m
Local Authorities	£20.0m
Money Market Funds with a minimum rating AAA[2]	£20.0m
Banks and Building Societies with a minimum rating of A-/A2[2]	£20.0m
2. Non-specified Investments *(limit per counterparty)*	
All non-specified investments	£10.0m
3. Loans *(limit per counterparty)*	
Other Public Bodies and educational establishments	£5.0m
Wholly owned companies or associates	£10.0m
Partnership Arrangements	£10.0m
Charities	£0.5m
4. Other Limits *(on day of investment)*	
Aggregate value of Non-specified Investments	£30.0m
Aggregate value of Loans	£20.0m

Notes: [1]Ratings and limits are for guidance only, other information will also be taken into account in determining whether to use a counterparty.

Report to: **Hull & East Yorkshire Combined Authority**

Date: **30 June 2026**

Statement of Accounts & Annual Governance Statement 2024-26

Report of the Executive Director of Finance (Section 73 Officer)

Purpose of the Report and Summary

This report sets out how the Hull and East Yorkshire Combined Authority will prepare its first Statement of Accounts and Annual Governance Statement covering the period from 5 February 2025 to 31 March 2026.

The report outlines the statutory framework for preparing the accounts, explains the role of the Audit Committee in overseeing the process, and provides an indicative timetable for preparation, audit and approval.

The aim is to provide members with a clear overview of how the Authority will produce and approve its first set of financial statements.

Key Points

The Authority must produce its first Statement of Accounts covering the period February 2025 to March 2026.

The accounts must be prepared in accordance with the Accounts and Audit Regulations and the CIPFA Code of Practice.

The Annual Governance Statement will be prepared alongside the accounts and reviewed by the Audit Committee.

It is planned to publish the draft accounts by 30 June 2026. The accounts will then be audited and the final audited accounts will be brought to the Audit and Governance Committee for approval ahead of publication.

Recommendations

It is recommended that the Committee:

i) notes the statutory requirements governing the preparation of the Statement of Accounts and Annual Governance Statement

ii) notes the proposed timetable for preparation and audit of the Authority's first statutory annual financial statements

iii) notes the arrangements supporting preparation of the Annual Governance Statement.

1. Background

1.1. The Hull and East Yorkshire Combined Authority (HEYCA) was established on 5 February 2025. As a public authority, it is required to prepare an annual Statement of Accounts which reports on its financial performance and position.

1.2. The Local Audit (Modification of Financial Reporting Requirements) Regulations 2025 came into force on 26 June 2025. These regulations disapply the requirement for HEYCA, alongside three other combined authorities established in February 2025, to prepare a statement of accounts in respect of the financial year beginning with 1 April 2024 and extend the period for which the statement of accounts is to be prepared in respect of the financial year beginning 1 April 2025, so that it covers the period beginning 5 February 2025. Therefore, this first accounting period will cover the period from 5 February 2025 to 31 March 2026 which allows the Authority to present a complete picture of its financial activity since establishment.

1.3. The Statement of Accounts reports the Authority's financial performance, financial position and use of resources during the accounting period. The preparation of the financial statements must comply with the Accounts and Audit Regulations 2015 and be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

1.4. The regulations require the responsible financial officer to prepare the Statement of Accounts, publish the draft accounts for public inspection, and present the audited accounts for approval following completion of the external audit.

1.5. Alongside the financial statements, the Authority must also prepare an Annual Governance Statement. This statement explains how the Authority managed its decision-making, risk management and internal control arrangements during the reporting period, and identifies any significant governance issues.

1.6. Together, these documents provide transparency and accountability for how the Authority manages public resources and intend to provide assurance that both financial management and governance arrangements are operating effectively.

2. Opening Financial Position

2.1. As this is the Authority's first set of financial statements, the accounts will establish the Authority's opening financial position. This includes confirming the balances, reserves and financial commitments that form the starting point for the Authority's financial reporting. Financial activity since the Authority's establishment on 5 February 2025 will be reviewed and reconciled to ensure that the Statement of Accounts provides a complete and accurate record of the Authority's financial position at 31 March 2026.

3. Role of the Audit Committee

3.1. The Audit Committee provides independent assurance to members on the effectiveness of the Authority's governance, risk management and financial reporting arrangements.

3.2. In relation to the accounts process, the Committee's role includes:

- overseeing the preparation of the Statement of Accounts
- reviewing the Accounting Policies used as the basis for preparation of the Statement of Accounts
- reviewing the draft Annual Governance Statement

- receiving updates on progress against the accounts timetable
- considering the findings of the external auditor.

3.3. The Statement of Accounts is prepared and certified by the Section 73 Officer (Chief Financial Officer), with the final audited accounts presented for approval following completion of the external audit.

4. Accounts Preparation Timeline

4.1. The indicative timetable for the preparation and approval of the Authority's first Statement of Accounts is set out below

Period	Key Activity	Outcome
January – March 2026	Preparation work begins for year end. Review financial records covering the full operating period of the Authority. Begin gathering governance evidence for the Annual Governance Statement.	Financial information and governance evidence prepared in advance of year end.
April 2026	Formal year-end closedown process. Completion of working papers and supporting schedules for the financial statements.	Draft financial statements prepared.
June 2026	Preparation of the draft Statement of Accounts and draft Annual Governance Statement. Internal review by senior officers.	Draft accounts ready for publication.
30 June 2026	Publication of the draft Statement of Accounts and start of the public inspection period.	Accounts formally issued for audit.
Summer 2026	External audit of the financial statements by the Authority's appointed auditor.	Audit review of financial statements and governance arrangements.
October 2026 – January 2027	Statement of Accounts Training Session	Members briefed on the structure of the accounts and audit process.
October 2026 – January 2027	Audit findings reported to the Audit Committee. Final Statement of Accounts and Annual Governance Statement presented for approval.	Audited accounts approved and published.

4.2. The Authority's external auditor is Forvis Mazars. Officers are working with the auditor to agree the detailed audit timetable and key milestones for the review of the Authority's first Statement of Accounts. The audited accounts are required to be published by the national backstop date of 31 January 2027.

5. Key Preparatory Activities

5.1. As this is the Authority's first set of financial statements, a number of preparatory activities are being undertaken to ensure the accounts are complete and accurate.

5.2. This work includes:
- establishing the Authority's opening financial position and reserves
- ensuring all financial activity since February 2025 has been captured and reconciled

- documenting the Authority's governance framework to support the Annual Governance Statement
- reviewing key financial controls with Internal Audit
- agreeing the audit timetable with the Authority's external auditor.

5.3. These steps help ensure the Authority's first accounts provide a clear and reliable record of its financial position and governance arrangements.

6. Conclusion

6.1. The preparation of the Authority's first Statement of Accounts and Annual Governance Statement marks an important milestone in establishing the Authority's financial reporting and governance arrangements.

6.2. As part of this process, the Authority will establish accounting policies in line with the CIPFA Code of Practice. These policies set out the principles used to prepare the financial statements and ensure transactions are recorded consistently and transparently. A headline summary of the key accounting policies is provided in Appendix 1 for member awareness.

6.3. The accounting policies will form part of the Statement of Accounts and will be reviewed through the external audit process before being approved alongside the final accounts.

6.4. The Audit Committee will receive updates as the process progresses, with the final audited Statement of Accounts and Annual Governance Statement presented for approval in accordance with the statutory timetable. This will ensure the Authority provides transparent reporting on its financial position and governance arrangements during its first period of operation.

Julian Neilson
Executive Director of Finance (Section 73 Officer)

Contact Officers:

Julian Neilson, Executive Director of Finance (Section S73 Officer)
Tim Asberywood, Principal Accountant

Background Papers:
None

Headline Accounting Policies (Summary)

The Authority's accounting policies set out the principles used in preparing the Statement of Accounts. These policies follow the CIPFA Code of Practice on Local Authority Accounting and therefore represent proper accounting practice for local government financial reporting.

The main policies expected to apply to the Authority's financial statements are summarised below

Accruals
Income and expenditure are recorded in the period to which they relate, rather than when cash is received or paid.

Government Grants
Grants and funding are recognised in the accounts when the Authority has reasonable assurance that the conditions attached to the funding will be met.

Reserves and Balances
The Authority maintains reserves to support financial planning and manage financial risk. These may include usable reserves available to support future spending and accounting reserves required by financial reporting standards.

Assets
Where the Authority holds assets such as land, buildings or equipment, these are recorded in the Balance Sheet in accordance with the CIPFA Code.

Employee Benefits

Employee benefits are accounted for in accordance with the Code's interpretation of International Accounting Standard (IAS) 19 – Employee Benefits. This standard covers both benefits payable during and after employment.

The local government scheme is accounted for as a defined benefits scheme. This means that the liabilities of the pension fund attributable to the Combined Authority are included in the balance sheet on an actuarial basis using an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Financial Instruments
Cash balances, investments and borrowings are accounted for in line with the relevant accounting standards.

The detailed accounting policies will be included within the Statement of Accounts and will be reviewed through the external audit process before being approved alongside the final accounts.

Audit Progress Report

Hull and East Yorkshire Combined Authority –Year ending 31 March 2026

June 2026

Contents

1. Audit approach and progress
2. National publications

01

Audit approach and progress

Audit progress

Purpose of this report

This report provides the Governance and Audit Committee an introduction to the audit approach and an update on the progress made in delivering our external audit responsibilities for Hull and East Yorkshire Combined Authority.

- Section 1 outlines our audit approach and an update on progress on the 2025/26 external audit.
- Section 2 provides updates on developments during the current year, along with forthcoming accounting and other relevant issues.

Audit scope, approach, and timeline

Audit timeline

Planning and risk assessment

- Planning our visit and developing our understanding of the Authority
- Initial opinion and value for money risk assessments
- Risk identification and assessment
- Considering proposed accounting treatments and accounting policies
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Fieldwork

- Detailed work to examine and assess arrangements in relation to any significant risks relating to the value for money conclusion
- Communicating progress and issues
- Clearance meeting

Completion

- Final KAP review
- Updating our VFM risk assessment
- Agreeing content of letter of representation
- Reporting to the Governance and Audit Committee
- Signing the independent auditor's report

Value for money arrangements

The framework for value for money work

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

For 2025/26 we will undertake our value for money (VFM) work under the 2024 Code of Audit Practice (the Code). Our responsibility is to be satisfied that the Authority has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

Specified reporting criteria

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

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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources include: • NAO guidance and supporting information; • information from internal and external sources including regulators; • knowledge from previous audits and other audit work undertaken in the year; and • interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • significant weaknesses identified and our recommendations for improvement; and • emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.

Audit progress

Audit for the year ended 31 March 2026

We have held introductory meetings with officers to gain an understanding of the Combined Authority and how it operates. These meetings will aid the efficiency of the audit process and also contribute to our continuous risk assessment process. We intend to commence our formal planning of the 2025/26 audit later in the year.

We intend to bring our audit plan to the next meeting of the Governance and Audit Committee.

We will agree a timetable for our work with your teams using the national backstop timetable for the 2025/26 year (as set out below).

2025/26 key event	Date
Draft accounts	30 June 2026
Audited accounts	31 January 2027

We plan to implement a new data ingestion tool for the 2025/26 audit. The tool standardises and simplifies the previous way that we obtain ledger data from the Authority. It is an industry standard tool. We will share further information with officers on how we will deploy the tool as part of our planning work.

Value for money arrangements

The NAO Code of Audit Practice requires auditors to issue their draft auditor's annual report to Those Charged with Governance by 30 November each year.

As part of our initial planning process, we have requested management complete a self assessment against the criteria set out in the NAO guidance.

02

National Publications

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	NAO Report: Using data analytics to tackle fraud and error	The NAO has published its report which examines how well-placed government is to seize the opportunity offered by old and new data analytics technologies to tackle fraud and error. **For information only.**
2	NAO report: Improving local areas through developer funding	The NAO has published its report Improving local areas through developer funding which is a return to this topic since its 2019 report now that the current government has chosen not to implement a previously proposed mandatory infrastructure levy which would have largely replaced the current system. **For information only.**
3	Publication of Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06	The C&AG has approved and published the Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06. **For information only.**
4	NAO report: Home to school transport	The NAO has published its report 'Home to school transport' which looks at spending on, and delivery of, home to school transport by local authorities in England. **For information only.**
5	NAO Good practice Guide – Financial management in government: reporting for decision making	The NAO has produced this good practice guide for finance leaders in government departments and other public bodies. **For information only.**
6	NAO report: Managing children's residential care	The NAO has published its report Managing children's residential care which assesses the Department for Education's (DfE) response to challenges faced by local authorities in placing looked-after children in cost-effective, high-quality residential care in England. **For information only.**
7	NAO publication: Implementation of climate-related reporting in central government annual reports	The NAO has published its report 'Implementation of climate-related reporting in central government annual reports' which examined the progress central government has made implementing Task Force on Climate-related Financial Disclosures (TCFD) reporting. **For information only.**
8	NAO Audit insights: Good practice in annual reporting	The NAO has published its report Good practice in annual reporting which showcases leading examples of good practice for annual reporting from different sectors. **For information only.**
9	NAO report: Unlocking land for housing	The NAO has published its report Unlocking land for housing which assesses whether the Ministry for Housing, Communities & Local Government's (MHCLG) programmes to increase the supply of suitable land for housing development are effectively supporting the government's ambitions to build the right homes in the right places. **For information only.**

National publications

	Publication/update	Key points
National Audit Office (NAO)		
10	Responding to changing demand for school places	The NAO has published a report examining how government is responding to changes in demand for school places, including falling primary pupil numbers and the implications for planning and resource allocation.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
11	Code Of Practice On Local Authority Accounting In The United Kingdom 2026/27	The CIPFA/LASAAC has developed the 2026/27 Code of Practice, which applies to financial years commencing on or after 1 April 2026 and sets out the statutory framework for local authority financial reporting.
12	Service Reporting Code of Practice for Local Authorities 2026/27	CIPFA has issued the 2026/27 SeRCOP, which sets out how local authorities should classify, record and report service expenditure, ensuring consistency with the updated Code of Practice.
13	CIPFA Bulletin 23 – Closure of the 2025/26 financial statements	CIPFA has published Bulletin 23, which provides guidance to support local authorities in the closure of accounts for 2025/26.

National publications and technical updates

NAO

1. NAO Report: Governance and decision-making on mega-projects

The NAO has published a report which examines how well-placed government is to seize the opportunity offered by old and new data analytics technologies to tackle fraud and error. The report sets out:

- case studies of how the private sector and government are already using data analytics to tackle fraud and error; and
- lessons from these case studies, and the NAO's discussions with those involved in implementing them, about the strategic challenges

Link: https://www.nao.org.uk/reports/using-data-analytics-to-tackle-fraud-and-error/

2. NAO report: Improving local areas through developer funding

The NAO has published its report Improving local areas through developer funding which is a return to this topic since its 2019 report now that the current government has chosen not to implement a previously proposed mandatory infrastructure levy which would have largely replaced the current system.

This report assesses whether the MHCLG is overseeing an effective and efficient system of developer contributions that delivers the intended benefits.

The report is made up of the following parts:

- Part One sets out how the system works and MHCLG's oversight of it;
- Part Two examines challenges within the system; and
- Part Three assesses MHCLG's actions to make the system more effective at delivering the intended benefits.

Link: Improving local areas through developer funding - NAO report

3. Publication of Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06: Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions

The C&AG has approved and published Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06.

This LARRIG, endorsed by the FRC, sets out guidance to auditors where the auditor's opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. Its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration beyond the general principles set out in LARRIG 05.

Link: LARRIG 06

4. NAO report: Home to school transport

The NAO has published its report 'Home to school transport' which looks at spending on, and delivery of, home to school transport by local authorities in England. The report builds on the NAO's 2024 report 'Support for children and young people with special educational needs' and the 2025 report 'Local government financial sustainability' which noted the increase in home to school transport costs. In 2023-24, local authorities spent £2.32 billion transporting an estimated 520,000 children and young people to school or college.

The report concludes that for the children and young people who rely on it to get them to school and college each day, local-authority-provided transport is an invaluable service. Without it, many may struggle to access or continue with their education. When first introduced, it was predominantly a service for children in rural areas. Following changes in legislation, the number of children and young people assessed as having special educational needs increased, with implications for home to school transport.

Link: [Home to school transport - NAO report]

5. NAO Good practice Guide – Financial management in government: reporting for decision making

The NAO has produced this good practice guide for finance leaders in government departments and other public bodies. It sets out insights and good practice on how information can be reported to make better financial management decisions.

Link: [Financial management in government: reporting for decision-making - NAO insight]

6. NAO report: Managing children's residential care

The NAO has published its report Managing children's residential care which assesses the Department for Education's (DfE) response to challenges faced by local authorities in placing looked-after children in cost-effective, high-quality residential care in England. The report:

• describes the characteristics of looked-after children, and how the current residential care system works in terms of costs and outcomes;

• examines the underlying reasons behind increasing residential care costs; and

• assesses DfE's understanding, approach and response to supporting local authorities to meet their statutory duty to house looked-after children.

The report concludes that the cost of supporting looked-after children in residential care almost doubled between 2019-20 and 2023-24, to £3.1 billion. And, with these vulnerable children not always receiving the support they need, the residential care system is not delivering value for money. A shortage of places for some looked-after children, particularly those with more complex needs, has driven cost increases.

The demand for places, along with a largely private provider-led market has led to local authorities competing for places and providers charging higher fees. The estimated annual spend per child in a children's home has increased from an average of £239,800 in 2019-20 to £318,400 in 2023-24 in real terms – and more children are living in residential care settings that are not best suited to their needs.

DfE recognises the scale of the challenge and has started to respond. Alongside investing in preventative care and fostering to reduce residential care demand, it is progressing legislation to improve financial oversight of private providers and encouraging local authorities to collectively commission places. These measures are taking time to implement with, for example, draft legislation introduced in December 2024.

To ensure these changes deliver a residential care system that works, DfE needs to improve its understanding of the system, set out what it wants the market to look like and support local authorities to make effective decisions.

[Managing-childrens-residential-care]

7. NAO publication: Implementation of climate-related reporting in central government annual reports

The NAO has published its report ‘Implementation of climate-related reporting in central government annual reports’ which examined the progress central government has made implementing Task Force on Climate-related Financial Disclosures (TCFD) reporting. The scope of the review includes an early look at the potential value it might have, and risks to its efficiency and effectiveness. This report draws out learning from the early phases of implementation, with a view to informing the phases to come. This report sets out:

• climate-related reporting in the UK

• progress so far implementing TCFD-aligned reporting in central government

• the experience of central government bodies preparing TCFD-aligned reporting.

Implementation-of-climate-related-reporting-in-central-government-annual-reports

8. NAO Audit insights: Good practice in annual reporting

The NAO has published its report Good practice in annual reporting which showcases leading examples of good practice for annual reporting from different sectors.

In addition, organisations in the public sector may find the guide that the NAO shares with bodies it audits helpful which sets out how reporting and auditing requirements have changed over recent years, and practical actions that organisations can take to support transparent, timely, and clear annual reporting.

Good practice in annual reporting

9. NAO report: Unlocking land for housing

The NAO has published its report Unlocking land for housing which assesses whether the Ministry for Housing, Communities & Local Government’s (MHCLG) programmes to increase the supply of suitable land for housing development are effectively supporting the government’s ambitions to build the right homes in the right places. These programmes include activities such as capacity support, funding for infrastructure, land assembly, or viability gap funding; they are aimed at ‘unlocking’ sites. The report examines whether MHCLG:

• has unlocked land to deliver the right homes in the right places

• is learning and innovating to improve the productivity of its land unlocking programmes

• alongside Homes England, is putting in place an approach to unlock the right land in the right places to support future housing target

The report concludes that since 2016-17, MHCLG has allocated £10.5 billion of funding to unlock land for housing, through a variety of programmes that utilise different funding types, including grants, loans and equity investments. MHCLG expects that this funding will have been spent on unlocking land by March 2034. This land will provide the capacity for building 713,000 homes, with homes expected to be built on this land for decades to come.

National publications and technical updates

MHCLG monitors the status of unlocking land activity for the projects it helps fund, it also knows how many homes have been built by housing developers on the land it has helped to unlock across the majority of its funds. However, it did not set out to track how many homes have been built on land unlocked by the Home Building Funds and the Brownfield, Infrastructure and Land Fund but is now working with Homes England to do so on these funds.

To be able to fully demonstrate value for money on these programmes, MHCLG needs to continue to monitor housebuilding over the long term and should consider what further measures it can take to embed monitoring of housebuilding across all its programmes.

MHCLG and Homes England have ongoing evaluations and have drawn on an understanding of what works in their existing programmes to evolve their intervention strategies. Efforts include implementing ongoing engagement instead of set bidding periods, maintaining continuous pipelines of projects, and offering a more flexible mix of funding options. It has also revised its assessment criteria to better account for non-monetisable benefits to facilitate more investment in areas of lower land values.

MHCLG aims to establish the new National Housing Delivery Fund to bring together all the funding for unlocking land and set up a housing bank, as a subsidiary of Homes England, from 1 April 2026. To be able to demonstrate value for money and be successful, MHCLG will need to swiftly build on the work it has started and set out its long-term ambitions, provide clarity about its investment priorities to the market and decision-makers in local authorities, and to have a clear articulation and management of risk.

Unlocking land for housing

10. **Responding to changing demand for school places**

This report examines DfE’s approach to supporting the school system in England respond to falling pupil numbers, seen in primary schools since 2018/19. The report:

- describes responsibilities, how pupil numbers have changed and what this means for school finances and outcomes for children
- assesses whether DfE has a good understanding of the changes in pupil numbers and provision of school places
- evaluates the effectiveness of DfE’s overarching response to changes in national demand for school places, through its sector support and oversight The report shares lessons about these capabilities and the management and leadership environment that is required for government to provide better services.

Responding to changing demand for school places - NAO report

11. **Code Of Practice On Local Authority Accounting In The United Kingdom 2026/27**

Local authorities in the UK are required to keep their accounts in accordance with ‘proper (accounting) practices’. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2026/27 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2026.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

National publications and technical updates

CIPFA Code of Practice 2026/27 | CIPFA

12. **Service Reporting Code of Practice for Local Authorities 2026/27**

SeRCOP is prepared in accordance with the financial reporting framework established by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). It applies to all local authority services throughout the UK from 1 April 2026 for the preparation of 2026/27 budgets and performance indicators, and the completion of government statistical reporting requirements. SeRCOP is reviewed annually to ensure that it develops in line with the needs of local government, transparency, best value and public services reform.

SeRCOP 2026/27 | CIPFA

13. CIPFA Bulletin 23 – Closure of the 2025/26 financial statement

This bulletin covers the closure of accounts for the 2025/26 year and provides further guidance and clarification to complement the 2025/26 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses frequently asked questions and other issues that have arisen, along with corrections to the 2025/26 Code.

CIPFA Bulletin 23 – Closure of the 2025/26 financial statement | CIPFA

Contact

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Report to: Governance & Audit Committee
Date: 30 June 2026

Risk Management Framework and Strategic Risk Register

Report of the Strategic Director of Legal & Governance and Monitoring Officer (Interim)

1. **Purpose of the Report and Summary**

1.1 To present the Risk Management Framework which sets out the combined authority's approach to risk management.

1.2 To present the Quarter 4 Strategic Risk Register.

2. **Recommendations**

2.1 That the Governance and Audit Committee approve the Risk Management Framework 2026-2029.

2.2 That authority be delegated to the Strategic Director of Legal & Governance and Monitoring Officer, in conjunction with the Executive Board to make future minor amendments to the framework.

2.3 That the Governance and Audit Committee notes the updates to the Strategic Risk Register.

3. **Background**

3.1 The Strategic Risk Register has been reviewed and updated to reflect the position at the end of March 2026, including action being taken to improve controls and reduce the likelihood and impact of the combined authority's strategic risks.

4. **Legal Implications**

4.1 Under the Accounts and Audit Regulations 2015, the combined authority is required to ensure it has in place a sound system of internal control which:

i. Facilitates the effective exercise of its functions and the achievement of its aims and objectives

ii. Ensures that the financial and operational management of the authority is effective, and

iii. Includes effective arrangements for the management of risk

5. **Appendices**

Appendix 1: HEYCA Risk Management Framework 2026-29

Appendix 2: Quarter 4 Strategic Risk Register

Tony Maione

Strategic Director of Legal & Governance and Monitoring Officer (Interim)

Contact Officers:
Mike Salter – mike.salter@eastriding.gov.uk

HULL AND EAST YORKSHIRE COMBINED AUTHORITY

RISK MANAGEMENT FRAMEWORK

2026-2029

Hull and East Yorkshire
Combined Authority

Foreword

The Hull and East Yorkshire area and its residents are at the heart of everything we do. We are aware of the challenges that our area and residents face and we always look for ways to improve the area and its' prosperity. In carrying out our vision encountering risk is commonplace and this framework guides staff and elected members on how to manage risk, supporting our ambitious plans for the Combined Authority's priorities.

The Combined Authority also has a duty to have effective arrangements for the management of risk in place to meet the requirements of the Accounts and Audit Regulations and ensure regulatory compliance. The governance outlined in this framework has been put in place to give us the assurance of risk management effectiveness.

We aim to reduce levels of risk to as low as reasonably practical for risks associated with the health and wellbeing of our staff and residents. The Combined Authority accepts that all other risks associated with strategic activities and operations will be carefully managed with effective controls in place, whilst embracing risk as part of our drive to seek opportunities to improve. This approach, along with the target we set for each risk, defines our risk appetite – the amount of risk we are willing to accept.

All staff and members are encouraged to embrace this approach to the management of risk and continue to drive a strong risk-aware culture. All staff and members are asked to evaluate risk when carrying out their duties and during decision making so that we have an embedded risk management approach.

If you need support, guidance, training or if you would just simply like to talk about a risk problem, please contact our risk team at risk@hullandeastyorkshire.gov.uk

Combined Authority Mayor M.B.E

Chief Executive (interim)

Risk - our plan on a page

Our Vision is:

A Combined Authority wide risk aware culture that is underpinned by a fully integrated risk management framework, which supports effective decision making

To achieve this *vision*, our *aim* is to maximise the effectiveness of the four pillars of our risk management framework.

Pillar 1

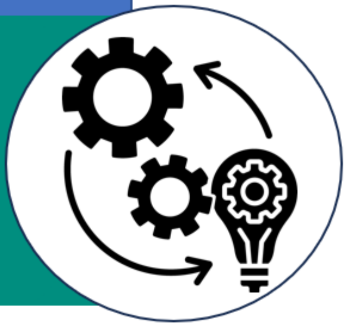
CULTURE

We aim to have shared values and beliefs about risk management across the Combined Authority which we will evidence by our consistent approach and behaviours to risk management.

Pillar 2

PROCESS

We aim to have effective and efficient processes for the management of risk that are adaptive to different situations and can be readily adopted by every part of the Combined Authority.



Pillar 3

EXPERIENCE

We aim to develop and maintain the skills, knowledge and understanding of our staff. We will regularly review our practices to build competency.

Pillar 4

APPLICATION

We aim to make critical decisions based on a comprehensive risk management approach.

We will use risk management to maximise the opportunities that the Combined Authority explores.

To deliver the *ambition* and *vision*, our intentions are to:

Create conditions that support the delivery of the Combined Authority priorities

- **Good jobs**
- **Affordable homes**
- **Better connected**
- **Fit and healthy**

Roles & Responsibilities

Overall responsibility for risk management lies with the ***Executive Board*** and the ***Senior Leadership Team (SLT)***.

All officers and committees are required to promote and challenge the application of risk management to ensure ongoing effectiveness.

Governance and Audit Committee – to ensure the requirements of the Accounts and Audit Regulations 2015 are in place for the Committee to satisfy themselves that the Combined Authority has effective arrangements in place for the management of risk.

Overview and Scrutiny Committee – to provide the necessary scrutiny, detail checking that the management of the risks is being achieved including the focus on the performance of the controls for each risk.

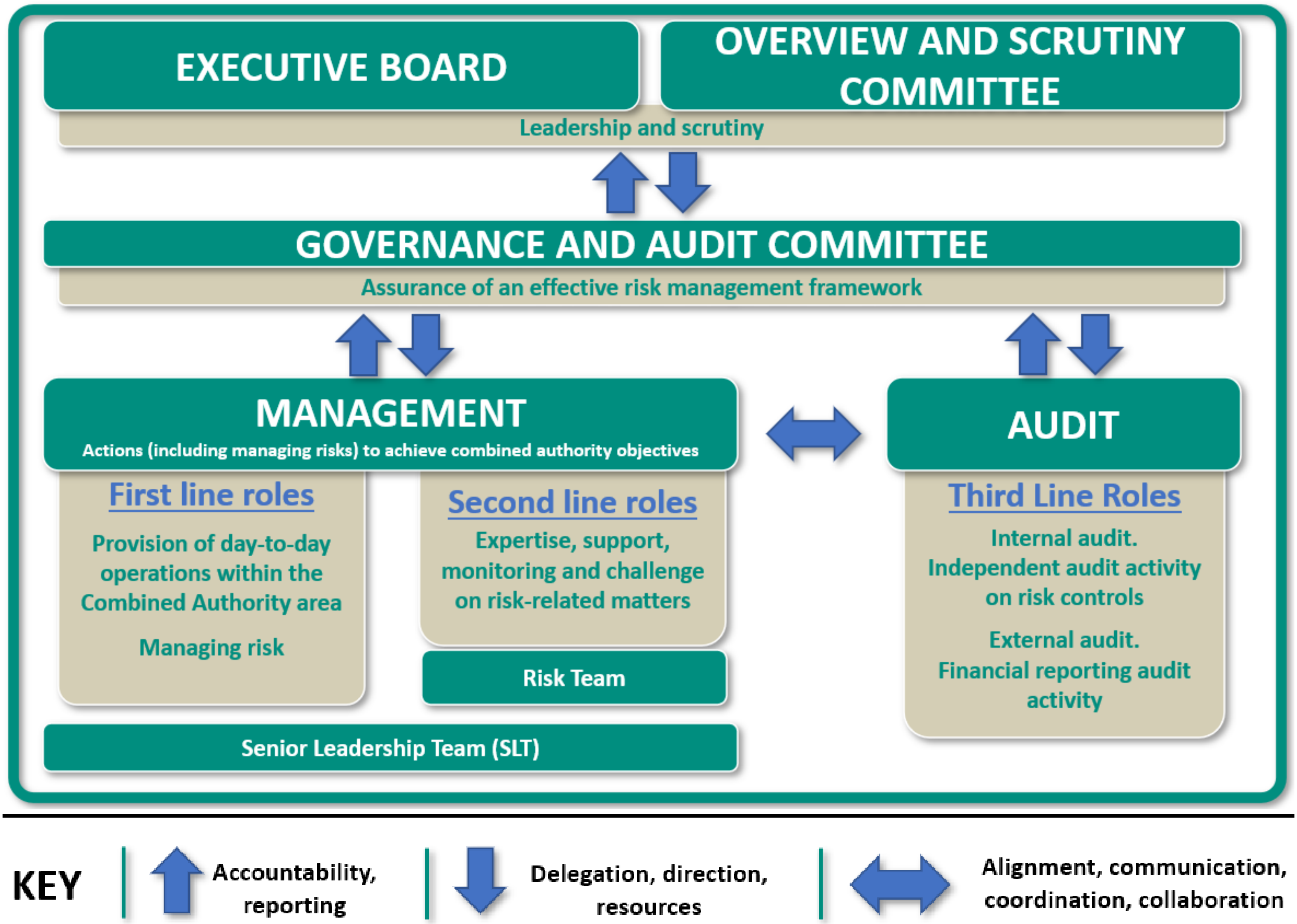


Figure1: Risk reporting structure

Risk Management Process

Effective risk management is best achieved by collaboration within teams, rather than silo working on risk management.

Risks are ***monitored, updated, recorded and reported*** to agreed timelines outlined on page 8.

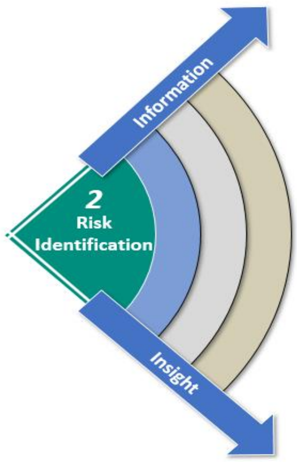
- ***Establishing objectives*** is the first step, so that the correct risks are identified. For the Combined Authority, this means the objectives which are set within plans and strategies.
- ***Risk identification*** is important to capture both current and emerging risks that could be a number of years ahead. Particular attention needs to be paid to less obvious risks.
- ***Risk analysis & scoring*** will streamline the number of risks. Not all risks identified will be of concern. The output of this part of the process will be a manageable number of risks.
- ***Risk control*** is critical, as it is the controls that stop the risk from occurring and/or reduces the likelihood or impact level.
- ***Changing objectives*** would result in restarting the risk management process.

Figure2: Risk Management 4 Step Process

1. Establish Objectives known as priorities and key actions are set out within plans and strategies.

Objectives are also set when undertaking projects or carrying out day-to-day operations.

The objectives may need to be revisited if the level of risk is assessed as being too high (too ambitious/risky) or too low (not ambitious enough/ willing to accept more risk).



2. Risk Identification is achieved by:

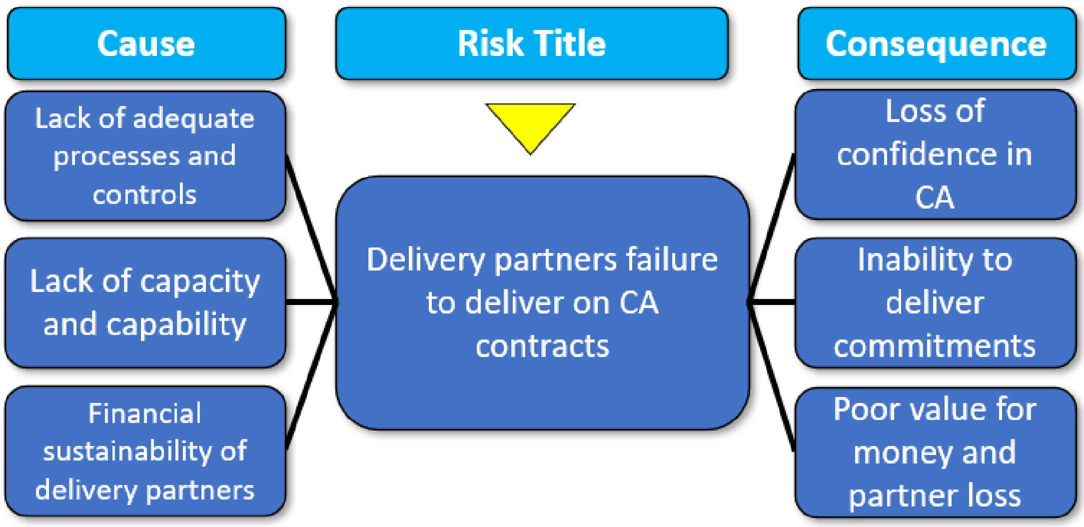
- Reviewing the risks associated with the objectives set
- Collaboration of teams within service areas
- Risk workshops
- Looking ahead to future emerging risks (horizon scanning)
- Reviewing lessons learned
- Business continuity planning

  Project/ Programme management. Opportunity risks are likely to occur during these activities – risks that can be embraced to maximise the benefits

Reviewing the Combined Authority risk themes may also help identify risks:

Environmental	**Compliance & Regulatory**	**Contractual & Partnership**	**Educational Attainment**
Financial	**Health, Safety & Wellbeing**	**Opportunity**	**Physical Asset**
Reputational	**Safeguarding**	**Technology**	**Workforce**

An ***identified risk*** could have several ***causes*** and ***consequences,*** all of which need to be recorded on the register. The diagram below acts as guide to staff in recording each of these elements.



Further examples of narrated risks are contained within ***Appendix A***.

3. Risk Analysis & Scoring

Analysis - Not all risks identified are a cause for concern. Low scoring risks that are well managed may not need to be recorded.

Scoring is subjective - people's views often differ and that is ok. The team directly involved with the risks needs to agree on scores. Teams can sometimes spend too much time debating scores when the time could be better spent looking at the controls – as it is the controls that stop the risk from happening or getting worse (see Step 4 for risk controls).

Three scores for each risk are produced. The ***Risk Owner*** has final accountability for deciding on risk scores.

Inherent score - before any action has been taken to manage the risk
Residual score - risk score taking into account current controls performance
Target score - specific to each risk, linked to the Combined Authority's risk appetite

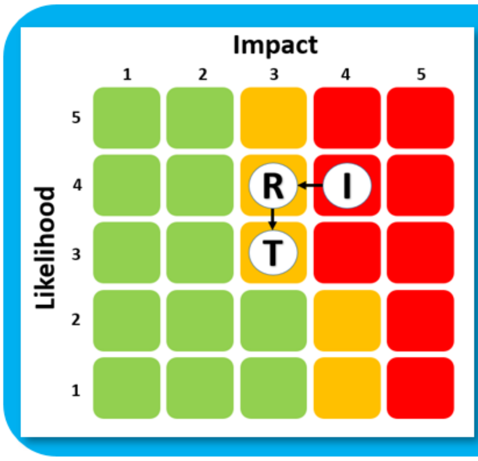
Each score requires a rating for the ***Likelihood*** and ***Impact*** as per the table below.

Score	Likelihood	Impact
5	Almost Certain	Catastrophic
4	Likely	Major
3	Possible	Moderate
2	Unlikely	Minor
1	Remote	Insignificant

Figure 3: Risk Scoring Table

The ***Inherent (I)***, ***Residual (R)***, and ***Target(T)*** scores for ***Likelihood*** and ***Impact*** are summarised onto a ***Heatmap Matrix***.

The ***Heatmap Matrix*** below shows the journey of the risk (I ➔ R ➔ T).

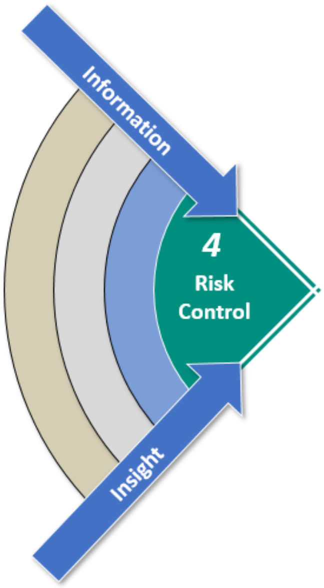


In this example, the ***Inherent (I)*** score is reduced by the current controls down to the ***Residual (R)*** score but has not yet met the ***Target (T)*** score.

Green: Low rated ***Residual*** risk score requiring **monitoring** and may be able to be removed from the register.
Amber: Medium rated ***Residual*** risk score requiring **close** management.
Red: High rated ***Residual*** risk score requiring **very close** management. Avoid wherever possible unless this relates to an essential service.

- Scoring is subjective
- People will have different views
- Avoid spending too much time scoring risk, the risk owner makes the final decision
- The inherent score will naturally be higher than residual because there are no controls in place
- Residual is the risk score with current controls in place
- The target score is the realistic score that we are aiming to achieve

4. Risk Control



The fundamental principle of effective risk management is reducing the likelihood or impact of the risk, and this is achieved by ***Risk Control.***

A risk control must be an action which modifies the risk and something that can be audited. Our internal auditors will test controls as part of their audit activity. Collating information alone is not a risk control.

- The controls need to be ***effective***, which will require an in-depth evaluation to ensure that they are fit for purpose
- The control needs to be ***efficient***, and the cost and time involved in implementing needs to be assessed and agreed
- A control could either be proactive or reactive
- A proportionate amount of time in relation to the level of risk should be allocated when identifying controls

Risk Controls will be evaluated and managed by the ***Risk Owner*** at each update point.

RAG Rating
Highly Effective
Partially Effective
Mostly Ineffective

- ***RAG ratings –*** the ***Risk Control Owner*** will rate the effectiveness of the controls red, amber or green (RAG)
- Changing the RAG rating of a ***Risk Control*** could possibly lead to a change in the ***Residual Risk*** score and this may also lead to changing the ***Target Score***

See ***Appendix A*** for examples in relation to control effectiveness.

Once a control is put in place it needs to be monitored and updated. Just like risk, the ***environment*** and ***situation*** could change.

What needs to happen if the RAG rating is AMBER ***or*** RED ***?***

It is important to achieve a highly effective (green) RAG rating for controls to ensure that the risk is being managed effectively.

If a control has an amber or red RAG rating an action plan to turn green is required.

This action plan should be recorded on the risk register alongside the RAG rating.

Being specific about this action plan is required, and this should involve:
WHO, ***WHAT, WHY*** and by ***WHEN.***

Update	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Risk register updates		Y			Y			Y			Y	

Monitoring and Reporting

Figure 4: Risk Reporting Calendar

Figure 5 above shows the Combined Authorities agreed ***risk update points***. Outside these set timelines, it is important that risks continue to be monitored as and when necessary. This could be done during team meetings, in the daily course of activities, or in response to change in the nature of the situation or risk.

A ***comprehensive evaluation*** needs to take place at each update point. However, if the nature of the risk hasn't changed greatly then the expected time spent and the amount of change on the update may be minimal.

Reviewing the ***effectiveness*** of the ***controls*** is a ***critical*** success factor.

Consideration needs to be given to ***add*** or ***remove*** risks.

Risks are approved, consulted and communicated according to ***Figure 6*** below.

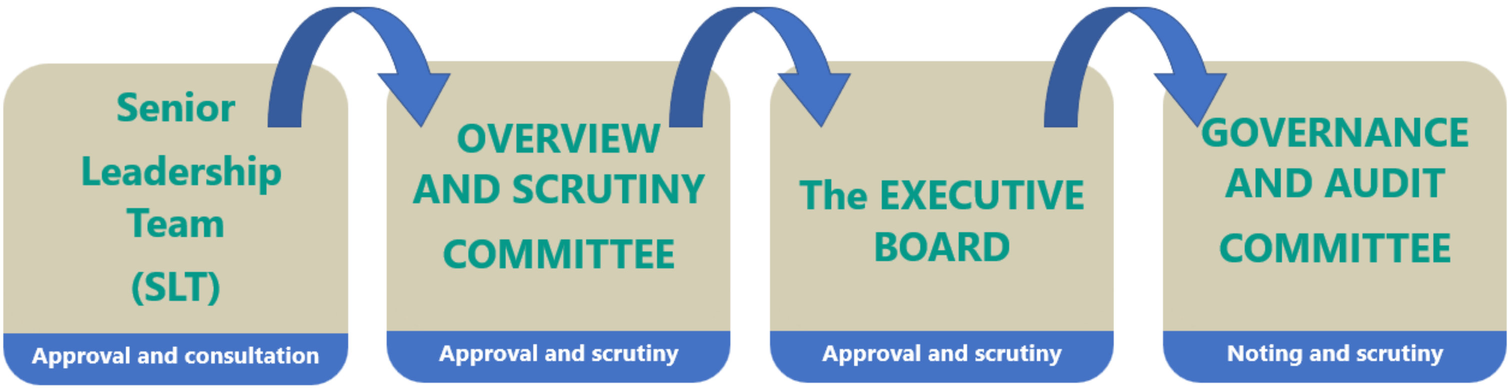


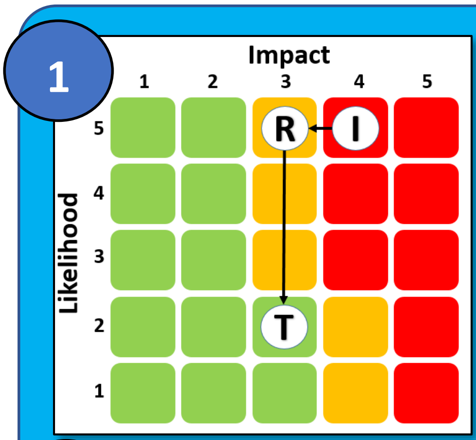
Figure 5: Strategic Risk report flow

Put your Risk CAP on!

- ***C ollaborate!*** Draw on the experience of the team to produce an accurate update
- ***A ll green controls*** are unlikely as this may suggest the risk does not need to be monitored
- ***P lan ahead!*** Overrunning an update point may reduce the quality of the evaluation if it is rushed

APPENDIX A

Risk Scoring Examples



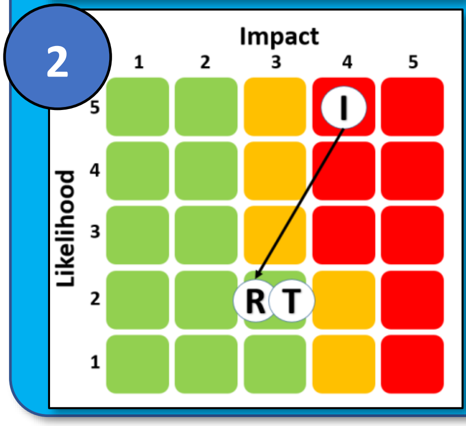
I INHERENT SCORE (before controls)

R RESIDUAL SCORE (with current controls)

T TARGET SCORE (as set by the Risk Owner)

In ***Example 1***, the gap between the residual score and the target score is significant. Mostly red and amber controls are expected.

RED **AMBER**



I INHERENT SCORE (before controls)

R RESIDUAL SCORE (with current controls)

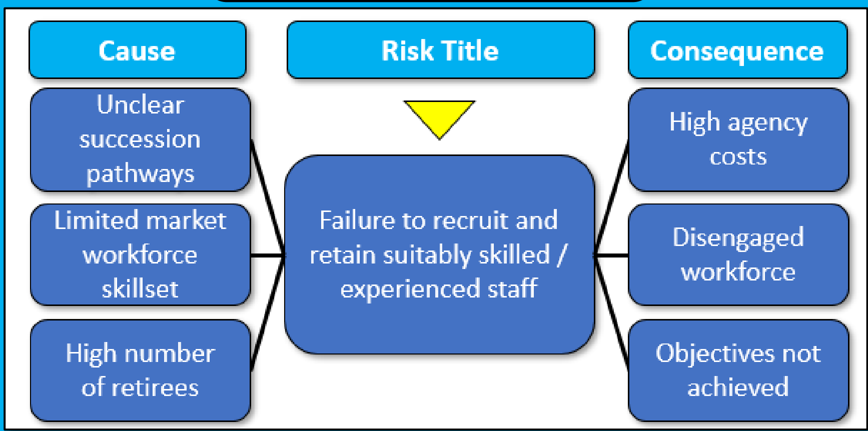
T TARGET SCORE (as set by the Risk Owner)

In ***Example 2***, the residual risk has met target. Mostly / all green controls are expected.

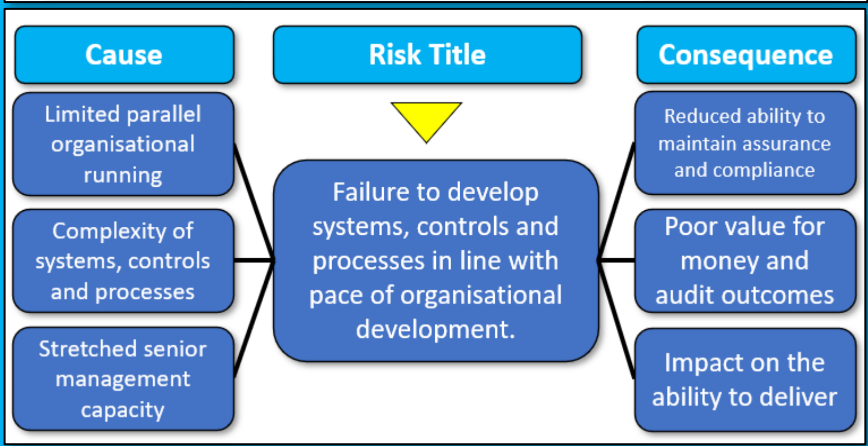
GREEN

Risk Narration Examples

1



2



Appendix 2 – HEYCA Quarter 4 Strategic Risk Register

HEYCA Strategic Risk Register						Scoring 1-5 L - Likelihood I - Impact									Control Details			
						Inherent			Residual			Target/Appetite						
Risk Ref	Event/Risk Title	Risk Owner	Risk Theme (DROPDOWN)	Source of the risk - What is the cause?	Consequences of the risk	L	I	TOT	L	I	TOT	L	I	TOT	List minimum 3 x controls, preventative and mitigating measures against the risk Make sure to include: What the action is and by When	Control Effectiveness RAG (DROPDOWN)	Additional actions needed if RAG rating is Amber or Red Make sure to include: What the action is and by Who	Timeline for this additional action needed if RAG rating is Amber or Red
HEYCA/SR01	Failure to effectively deliver the Gameplan actions relating to the 'Fit and Healthy' priority	Programme Director - Employability, Health and Communities	Opportunity	The HEYCA Gameplan outlines that delivery of measures to enhance the health of the population of the region will be a key enabling action to deliver greater economic performance and wellbeing within the area. Current health indicators demonstrate significant issues of ill health preventing economic activity, health related worklessness and low physical activity.	- A lack of availability of fit labour is a barrier to economic growth impeding the delivery of HEYCA gameplan and other corporate plans - Loss of confidence in the combined authority to deliver by Government and local stakeholders - The full opportunities and benefits of future devolution cannot be realised	4	4	16	3	4	12	3	2	6	British Cycle event required capacity to deliver		Ringfencing time is an issue, planning under pressure and this will require regional planning.	Early May 26
															Delivery of Connect to Work programme		Programme go live 1st July	01-Jul
															Build strong working relationship with Humber and North Yorkshire ICB to develop join delivery/commissioning responses			
															Facing into staffing issues - Job Specifications - Seeking approval - Advertisement - Building capacity to interview		Specifications have been written; approval has been gained. Next step is to advertise and conduct interview process	Jun-26
															Engagement with Chamber of Commerce in relation to the Local Service Improvement Plan (LSIP)		Escalation to skills England to seek collective resolution as there is a lack of agreement with the Chamber of Commerce	End May 26
															Local mobilisation required of the Connect to Work programme		Staffing requirements in order to progress this	End May 26

HEYCA/SR02	Failure to ensure business continuity during a disruptive incident	Executive Director of Finance	Compliance and Regulatory	- Emergency event - Critical IT system failure - Cyber-attack - Supplier interruption - Inability to access premises - Unavailability of key staff	- Operational downtime - Data loss - Financial loss - Regulatory non-compliance - Reputational damage - Inability to make decisions - Inability to fulfil obligations	**4**	**5**	**20**	**3**	**4**	**12**	**3**	**2**	**6**	ICT SLA with ERYC including their cyber security measures			
															Remote working capability including VPN capability			
															Business continuity plan and testing programme		Produce plan and testing programme. Explore whether Humber Emergency Planning Service can support.	End June 26
															Workforce / succession planning		SLT recruitment is now complete. The newly appointed staff will be in post by the end of May 26	
															Contractual safeguards / assurances on supplier continuity		Further confirmations are required. Atomis system requires populating	End June 26

HEYCA/SR03	Failure to effectively deliver the Gameplan actions relating to the 'Better Connected' priority	Programme Director – Transport and Connectivity	Reputational	Lack of understanding, capacity or skills to deliver across the full transport portfolio; failure to align core transport priorities with regional needs or Government policy.	Reputational and financial risk; not able to deliver regulatory timelines; Inadequate data & market research to make informed decisions; Lack of governance & internal control; Potential funding risk, funding reduction or clawback.	3	4	**12**	2	4	**8**	2	2	**4**	Recruitment of an experienced transport team. Clear timeline developed + plan 'B' (e.g. consultant support) for succession; immediate recruitment process in place, prioritised delivery and weekly reviews. Timing: Immediate		The Programme Director for the Transport structure has been appointed and is due to commence at HEYCA in early May. Early target actions are underway to develop the HoS structure for MAG approval.	Review next quarter update
															Development of a clear program plan with transparent deliveries and 4 weekly risk reviews. Timeline: Immediate		Programme Directors will provide a detailed programme for their work areas, including measured outcomes and outputs, with timelines as a key priority upon commencing work at HEYCA.	Ongoing, review Jun 26
															Development of a governance framework, clear scope to meetings, minuted with actions. Six monthly governance review, ensure framework has peer review through engagement with CMAs. Timelines: Immediate		Governance framework has been strengthened with the adoption by the board of a suite of HR policies. Further work is required to undertake peer review process in relation to other MCAs	Jun-26
															Stakeholder engagement with DFT, NR, DFTO, local operations to understand funding & regulatory landscape. Timeline: Immediate, priorities rag rated		Ongoing stakeholder engagement is being undertaken with several gov agencies, incl. DFT, MHCLG, DFE, DCMS, OFI, and DBT	Review monthly
															Use of media/social monitoring tools to ensure the MCA is informed of policy and change announcements. Timeline: Introduce within two months			

HEYCA/SR04	Failure to manage corporate performance/ programmes and projects	Programme Director	Opportunity	lack of adoption of performance management culture. The Gameplan baseline indicators and performance metrics not being fully developed	inability to identify impact of organisation. inability to track performance of activity - unable to secure future resources	4	5	**20**	2	4	**8**	2	3	**6**	Adoption of culture of performance management at all levels		As senior posts recruited to, adoption of performance management
																	Review next update quarter
															Adoption of easy-to-use corporate performance management system - power BI		Review of baseline indicators complete. Collating government funding outcomes and reporting requirements
															Identify appropriate measures to monitor performance		Outcomes framework in development
															Themed reporting for organisational leadership, including risk, finance and on key programmes through programme management arrangements		To be developed through updated strategic programme plan

HEYCA/SR05	Failure to avoid Health and Safety major accident or injury	Chief Executive Officer	Reputational	A major accident or injury occurs which involves HEYCA staff or assets and is a result of HEYCA staff or a failure of HEYCA owned asset.	Adverse impact on health of workforce, budgets and reputation of the Hull and East Yorkshire Combined Authority	**4**	**4**	**16**	**3**	**3**	**9**	**2**	**3**	**6**	Health and safety policy, procedures and standards in place.			
															Training to be provided to all staff		Need to put in place appropriate training	Ongoing
															Standard Contracts of employment for HEYCA staff include sections on H&S and behaviour.		External HR partner appointed with effect on 1st April 2026.	End of July 26
															Contractual arrangements are in place to ensure that leased office facilities are fit for purpose.		Current arrangement includes break clause Oct 26, work underway to find a permanent head office. A report will be submitted to the board by the end of May 26	Oct-26
															Monitoring of incidents, accidents and near misses undertaken. Reports presented to SLT on a quarterly basis.		Appointment of HR support was achieved from 1/4/26.	Review monthly

HEYCA/SR06	Failure to effectively deliver the Gameplan actions relating to the 'Affordable Homes' priority	Programme Director – Housing and Regeneration	Contractual and Partnership	- No resource allocation - Disengagement with key stakeholders and partners - Lack of or late devolution of funding streams - Constant review cycle of regulations and legislation/ policies from central government - Lack of alignment between HEYCA strategic framework and constituent authorities planning policies	- Reputational damage - Fewer homes delivered and the associated costs involved e.g., increase homelessness - Intervention from government - Reduction in skilled workforce and economic growth	**4**	**4**	**16**	**2**	**3**	**6**	**2**	**2**	**4**	Advert currently out for Programme Director for Housing		Achieved/ Implemented immediately	Simon Bishop appointed, start date: 31st May 2026.
															HEYCA has presence and is engaged in regional and sectoral forums on housing such as, HEY Housing Partnership and Northern Housing Consortium			
															Housing pipeline has been produced		Overview and Scrutiny have been sighted on this and no challenges have been made	
															Preparation of handover for incoming Programme Director		Work underway, not expected to present any issues	Review next update quarter
															Strategic Place Partnership (SPP) has progressed to memorandum of understanding		Progressing through the legal process	Jun-26

HEYCA/SR07	Failure to deliver the HEYCA Gameplan with regards to the delivery of Economic growth and jobs	Chief Executive Officer	Financial	The Gameplan is the key corporate plan which presents the Mayors prospectus for activity. This is underpinned by associate strategies including the HEYCA Local Growth Plan, Get Hull and East Yorkshire Working Plan, Transport Strategy and Spatial Framework. A failure to develop a clear and deliverable strategic underpinning for the operation of HEYCA will produce a risk of non-delivery of activity which can increase economic growth, Transport Connectivity, population health and development of key economic infrastructure.	- Reduced and ineffective programme delivery - Loss of confidence in the combined authority to deliver by Government and local stakeholders - Local economy growth not maximised - MHCLG would hold us to account for non-delivery	**4**	**4**	**16**	**3**	**4**	**12**	**2**	**2**	**4**	Delivery of business and sector support		Longer term strategic approach to commissioning of business support. SLT need to approve approach. Engagement to understand local capacity for delivery	Oct-26
															Attraction of inward investment to the region		Improve outward marketing effectiveness. Focus on key sectors outlined in the Local Growth Plan	Nov-26
															Staff requirements across all directorate functions		Approval of staffing structure is needed. Effective integration of TUPE business and investment staff	Nov-26
															Development of effective programme management systems for external funding including Mayoral investment fund		Need to develop an effective pipeline of projects. Need to ensure resource is allocated to appraise projects. Investment Board needs to be running effectively to make recommendations. Requires S73 officer in post	Sep-26
															Delivery of Local Growth Plan			
															Business Innovation support		Recruit staff to develop the innovation approach	Jul-26

HEYCA/SR08	Failure to retain stron g relationships with all political stakeholders	Head of Mayoral Office	Compliance and Regulatory	- This risk arises from operating in a high-profile political environment with differing ideologies, priorities and legacy relationships, combined with the early establishment of the new governance arrangements. - Perceptions of imbalance in attention, funding or programme focus between Hull and East Riding may emerge, particularly where delivery decisions create perceived winners and losers - Diary pressures and capacity constraints can limit the frequency or consistency of engagement, while communications sequencing or timing may lead to stakeholders feeling briefed late or bypassed - Routes for raising concerns or influencing priorities are still bedding in, against a backdrop of low trust from previous arrangements	Strained relationships with political stakeholders could reduce trust, limit effective collaboration and slow decision-making, leading to challenges in securing support for priorities, funding or delivery. This may result in increased public or political criticism, reputational impact for the Mayor and the Combined Authority, and reduced confidence in governance and leadership arrangements.	**4**	**4**	**16**	**3**	**3**	**9**	**2**	**2**	**4**	The MPO operates a clear and consistent engagement and diary management approach on behalf of the Mayor, ensuring political stakeholders are handled through a single coordinated route, with consistent messaging, fair access, and clear follow-up, in place and operating from Jan 2026			
															Clear escalation routes are used by the MPO where political sensitivities or disputes arise, including early involvement of senior officers or the Monitoring Officer where appropriate, ensuring issues are managed constructively and in line with governance arrangements, in place and actively used from January 2026.			
															The MPO maintains a structured stakeholder engagement and relationship overview for key political stakeholders, supporting regular, planned touchpoints and visibility of engagement coverage, reviewed on an ongoing basis from January 2026.			
															The MPO coordinates and quality-assures political communications and engagement sequencing, working with colleagues to avoid stakeholders feeling bypassed or briefed late, and reinforcing the Mayor's place-first, collaborative approach, operating from January 2026.		Agree and implement a simple communications and engagement sequencing protocol for politically sensitive activity, including early MPO sign-off on timing and messaging. This will be coordinated through the MPO in collaboration with the Press Officer, with arrangements to be reviewed once permanent communications	Jun-26

																	leadership is in place. Lead: Corey Garner (Mayoral Office)	
															Plans developed for engagement with any newly elected members post the Hull City Council elections Mar 26		Develop and deliver a structured engagement approach for newly elected political stakeholders following the Hull elections. This will include the production and circulation of a Combined Authority Briefing Pack, summary materials and introductory communication from the Mayoral Office, supported by optional briefing sessions with appropriate officers. Lead: Corey Garner (Mayoral Office)	Post-election implementation - review next update quarter

HEYCA/SR09	Failure to effectively in embed good governance and control throughout the entire organisation	Strategic Director of Legal & Governance and Monitoring Officer (Interim)	Financial	Inadequate training and systems Inadequate information awareness Not developing and propagating what 'good' looks like Lack of clarity on RACI Inadequate/ inappropriate investment Cutting corners - too much, too quickly Failure to move at pace with appropriate support	Reputational damage Legal proceedings Declarations Failures and wasted costs Project termination Delays Duplication Adverse findings through a judicial process Less than helpful peer reviews	**4**	**5**	**20**	**3**	**3**	**9**	**2**	**2**	**4**	Suite of documents including constitution, forward plan of key decisions, policies			
															Scrutiny - Internal and external auditors, legal requirements such as FOI act, exposure to the press and public			
															Trained and experienced professionals		Currently in the process of recruiting monitoring officer role deferred until end of July	1st August 26
															SLAs and key officers from constituent authorities		Review and completion of SLAs required	End June 26
															Implementing systems such as end-to-end procurement system		Consideration of systems required are underway including Modgov via Civica	01-Sep-26
															Any governance or internal control failures will be documented with learnings noted to mitigate any future failures		Lessons learned will be a standing item on Audit on Governance	End July 26

HEYCA/SR10	Failure to ensure robust financial governance arrangements	Executive Director of Finance	Financial	- Lack of understanding/clarity over costs during development of organizational structure, responsibilities and delivery arrangements. - Lack of clarity over budgetary responsibilities as the organisational structure evolves. - Reliance on constituent authorities to fulfil HEYCA responsibilities including compliance with funding arrangements.	- Lack of financial stability and resilience, - Inability to deliver organisational priorities. - Qualified external audit opinion on annual accounts and Value For Money arrangements. - Poor reputation. - External intervention.	**4**	**5**	**20**	**3**	**4**	**12**	**2**	**3**	**6**	Financial regulations			
															Balanced budget and financial plan with regular monitoring and reporting arrangements			
															Robust funding agreements with delivery partners		Funding agreements conversations have taken place but further work is required	End June 26
															Financial procedure rules		Whilst key rules and processes are established and are operating, a complete suite of financial procedure rules is currently in draft and needs to be finalised.	01/07/2026
															Clear budget responsibilities within the organisation		These exclusively sit with the Chief Executive, Monitoring Officer and Section 73 Officer at the current time whilst key staff start in post following appointments being made to the agreed organisational structure. A framework for delegated budget responsibilities needs to be developed on appointment to director roles.	01/07/2026
															Financial systems		The organisation is currently reliant on the SLA with ERYC for its financial systems and processes. It needs to procure its own financial systems.	30/09/2026

HEYCA/SR11	Failure to maintain effective third party and partnership interactions	Strategic Director of Legal & Governance and Monitoring Officer (Interim)	Contractual and Partnership	Failure to deliver either from third party to deliver to HEYCA or vice versa Breach of contract Constituent authority financial pressures impacting HEYCA Breakdown in relationships Overreliance on third parties for core functions such as cyber severity, data protection etc.	Organisational failure Relationship breakdown Lower access to government funding Lower confidence in the authority Unable to carry out duties without partners	4	5	**20**	4	3	**12**	**2**	**2**	**4**	Effective contract management		Training, guidance has been delivered. Systems have been procured and further consideration to other systems is underway. Further training and formalisation of contract management and project management is required	End 2026
															Effective relationship management		A differing strategy of engagement is needed either at officer or member level with constituent authorities	End Sept 26 review
															Using technology around CRMs		Caseworker software in place to monitor. Evolutive CRM system procurement consideration underway. An integrated ERP solution is currently being scoped	End Sept 26 review
															Engagement with partners/ collaborators/ contractors that's meaningful and regularly		Connect to Work engagement successfully landed. Work continues with other partners	Review next update period
															Assurance process for contract development and delivery		Atomis platform has been procured and requires metrics being established	Ongoing, review next update period
															Developing commercial expertise such as targets and KPIs, maximising systems and processes to aid us with this		Skillset requires developing within HEYCA	Ongoing, review next update period

HEYCA/SR12	Failure of the Combined Authority to gain public understanding of the Combined Authorities purpose, leading to reputational damage and ensuring Community Engagement	Head of Mayoral Office	Contractual and Partnership	This risk arises because the Combined Authority is newly established and the devolution model is not yet widely understood locally, leading to confusion about roles and responsibilities between HEYCA, constituent councils, MPs and other public bodies. Early delivery has been uneven while governance and capacity bed in, contributing to a perception of unclear impact. Communications have at times been policy-heavy, inconsistent or insufficiently tailored to different audiences, limiting public understanding. As a visible regional figurehead, the Mayor can also become associated with service issues or national decisions outside HEYCA's control, while misinformation or hostile narratives may fill gaps where proactive, accessible public storytelling is still developing.	Loss of public trust and credibility for the Mayor and organisation. Reduce mandate to deliver, harder to convene partner and influence decision. Lower up take of delivery partners on programmes and funding offers diminish, poorer outcomes and values for money. Higher complaint volumes and casework, reputational drag and capacity strain. Negative media coverage and persistent wate of money framing. Increased scrutiny from government, auditors, public funders, risk to future developed deals or flexibility. Political opposition gains traction, destabilising governance and partnerships. Staff moral and recruitment hit, harder to build a high-performing organisation.	4	4	**16**	3	3	**9**	2	2	**4**	A clear and agreed "purpose and powers" narrative is in place as a single source of truth, supported by plain-English explanations and FAQs, and applied consistently across public-facing channels on an ongoing basis			
															Inbound management arrangements are being implemented through the Mayor's Office, including automated inbox responses, defined response timescales, and structured website contact routes to improve signposting and manage expectations		The Combined Authority has assessed a rebranding strategy needs to be formalised which includes reviewing SLA with HCC to bring website development resource within to enable contact routes to improve signposting and capture queries and signpost efficiently via CRM systems.	End of Q2 2026
															Resident, stakeholder and community engagement is supported through responsive casework and correspondence handling via the CRM, with insight from recurring themes informing communications and policy development			
															Media handling and misinformation response arrangements are operating, with identified spokespeople, approval routes and clear separation between the Mayor's civic role and party politics, with further refinement ongoing			
															A consistent brand and core messaging framework is being embedded to support coherent communications across staff and partners, with further formalisation underway as capacity allows		Complete formalisation of the core messaging and brand framework, including plain-English lines and guidance for consistent use by staff and partners, led by the Chief of Staff in coordination with Communications colleagues.	End of Q2 2026

HEYCA/SR13	Failure to source and maintain a competent and capable workforce to deliver strategic priorities	Director of Human Resources	Workforce	- Lack of appropriate skill set in the local population - Perceptions of HEYCA as an employer - Changes in job market	- The Authority fails to meet its strategic objectives and legal obligations - Poor reputation as an employer of choice - Productivity not maximised - Increased cost of recruitment and training	**4**	**4**	**16**	**3**	**3**	**9**	**3**	**2**	**6**	Structures developed and agreed at all levels		SLT structure recruitment achieved. HoS structure being developed for MAG approval.	Jun-26
															Policy, Systems and processes for effective recruitment in place		Suite of HR policies approved by HEYCA board. External HR support contractor appointment	Apr-26
															Procurement of Employee benefit package		Further work required	Jul-26
															Learning and Development approach scoped		L&D Policy in draft. Next Executive Board not until June 26	Jun-26
															Workforce planning approaches agreed		Programme Directors, all of whom have been appointed, are preparing structures for MAG approval, which will enable the shifter population with structures at the lower levels.	31/07/2026
															TUPE processes undertaken effectively		Achieved/ Implemented immediately.	01/04/2026

HEYCA/SR14	Failure to maintain central government confidence	Chief Executive Officer	Compliance and Regulatory	Ensure that HEYCA effectively delivers central government policies and contracts in line with the HEYCA Gameplan and signed Devolution Deal. The organisation is currently in start-up mode with organisation and strategic development in progress.	- Loss of opportunities to the region in terms of further devolution - Negative reputational impact - Financial Impact of loss of funding	**4**	**4**	**16**	**2**	**4**	**8**	**2**	**3**	**6**	Engage with Government officials to shape local interventions and build trust in the organisation's strategy and delivery capability.		Further engagement with MHCLG officials has resolved initial concerns. Confidence and trust have been developed in the relations of strategies and delivery capabilities of HEYCA.	
															Building of HEYCA capacity and staffing resource		SLT structure has been fully recruited at Executive Director and Programme Director level. HoS structures are being developed by directors for MAG approval. Timeline: April 2026. Programme Directors: Employment, Skills & Healthy Communities, and Economy & Investment.	Review next update quarter
															Strong strategic partnerships build with Local Authorities and other key delivery partners.		Work is progressing with const. authorities and other key delivery partners: voluntary community sector, ICB, PCC/police, F&RS. HEYCA will monitor and adapt to the outcome of the Hull Local Elections	Jun-26