

Date:

Monday 29 September 2025 at 4.00 pm

Venue:

Conference Room 1 & 2, Dunedin House, Columbia Drive, Thornaby TS17 6BJ

Cllr Barry Woodhouse (Chair)

Cllr Stefan Houghton (Vice-Chair)

Cllr Carol Clark, Cllr Eileen Johnson, Cllr Mohammed Mazi, Cllr Ross Patterson, Cllr Mick Stoker, Cllr Emily Tate and Cllr Laura Tunney

Agenda

1. **Evacuation Procedure** (Pages 7 - 8)
2. **Apologies for Absence**
3. **Declarations of Interest**
4. **Minutes** (Pages 9 - 12)
5. **Internal Audit Activity Report** (Pages 13 - 16)
6. **Risk Management Update** (Pages 17 - 20)
7. **External Audit Progress Report September 2025** (Pages 21 - 36)
8. **Treasury Management Strategy Outturn Report 2024-25** (Pages 37 - 50)
9. **Any Other Business** (Pages 51 - 54)
Health & Safety Report
10. **Forward Plan** (Pages 55 - 56)

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting, including the opportunities available for any member of the public to speak at the meeting; or for details of access to the meeting for disabled people, please.

Contact: John Devine, Democratic Services Officer on email john.devine@stockton.gov.uk

Key – Declarable interests are :-

- Disclosable Pecuniary Interests (DPI's)
- Other Registerable Interests (ORI's)
- Non Registerable Interests (NRI's)

Members – Declaration of Interest Guidance



Table 1 - Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2 – Other Registrable Interest

You must register as an Other Registrable Interest:

a) any unpaid directorships

b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority

c) any body

(i) exercising functions of a public nature

(ii) directed to charitable purposes or

(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management

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Evacuation Procedure for Dunedin House

The Fire alarm is a continuous ring and flashing lights. While the Bomb alarm is the same as the fire alarm however it is an intermittent ring.

If the fire or bomb alarm should sound, please exit by the nearest emergency exit.

If either alarm sounds all meeting attendees should make their way to the assembly point which is back left of the overflow car park, designated as D1.

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Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 30th June 2025.

Present: Cllr Barry Woodhouse (Chair), Cllr Carol Clark, Cllr Eileen Johnson, Cllr Ross Patterson and Cllr Mick Stoker

Officers: Michael Henderson, Andy Bryson, Andrew Barber, Suzy Lloyd,

Also in attendance: James Collins, Nora Natova, Cllr Norma Stephenson

Apologies: Cllr Mohammed Mazi, Cllr Emily Tate and Cllr Laura Tunney

AGC/1/25 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/2/25 Declarations of Interest

There were no declarations of interest.

AGC/3/25 Minutes

RESOLVED that the minutes be confirmed as a correct record and signed by the Chair.

AGC/4/25 Annual Governance Statement 2024/25

Members considered the Council's Annual Governance Statement for 2024/25

A self-assessment of the Council's governance, internal controls, and risk management had been undertaken. It reported no significant issues unaddressed and confirmed systems were effective.

Key developments included:

- Strengthened performance and risk frameworks.
- Action plan to address CQC and Ofsted findings.

Members noted the governance framework outlined and the positive opinion from internal audit.

Members queried the implications of new national cyber security standards and received assurance about recent improvements in ICT.

Discussion also covered new governance arrangements for the hotel company and upcoming reviews of whistleblowing and officer code of conduct.

RESOLVED that the draft Annual Governance Statement for 2024/25 be endorsed.

AGC/5/25 Annual Financial Statements - Draft

Members received the Council's Draft Statement of Accounts for the financial year ending 31 March 2025.

Discussion and Key Points

- It was noted that the unaudited accounts showed a year-end deficit of £7.447m, offset by planned use of reserves.
- Capital expenditure of £56.568m was reported, with increases in both short-term borrowing and net asset position.
- Members discussed the impact of the Teesside Pension Fund valuation on the Council's reported pension assets.
- Questions were raised around public accessibility of the statements and how reserve levels were communicated externally.

RESOLVED that the financial information and unaudited Statement of Accounts 2024/25 be noted, including the arrangements for public inspection and external audit.

AGC/6/25 External Audit Strategy Memorandum for the 24/25 Audit

Members considered the external audit strategy for 2024/25 audit.

Focus areas included:

- Pension assets/liabilities and property valuations.
- Risk of management override.
- Value for Money (VfM) arrangements.
- Audit would examine governance, economy, efficiency, and effectiveness in resource use.
- Group audit included council-owned companies.

Discussion included:

- An explanation of what 'significant' meant in audit terms was provided and members noted that it related to a higher-risk area, requiring more intensive testing.
- It was noted adult and children's services made up 60%+ of spending – auditors acknowledged that this was a high-risk area.

RESOLVED that the update and discussion be noted.

AGC/7/25 Internal Audit Annual Report & Opinion Statement

Consideration was given to a report that summarised audit work over the past year and gave an overall "effective" opinion on governance, risk, and controls.

Audit found an overall effective control environment.

Discussion:

Members praised fraud prevention and internal audit resilience.

RESOLVED that the report and Head of internal Audit's opinion on the Council's control environment and the performance of the Internal Audit Section be noted.

AGC/8/25 Strategic Risk Update

The update presented current high-level risks and mitigation work.

The Council continued to refine its risk management process, aligning risk assessments with wider assurance and audit intelligence. No specific new critical threats had been noted, but key strategic risks remained under close watch.

Risks reduced from red to amber:

- Waste & recycling.
- Children in care outcomes.
- Medium Term Financial Plan.

All linked to improvements under Powering Our Future.

Members were assured that risks were being monitored, and actions were being taken to manage those risks.

RESOLVED that members note and endorse the changes in risk following assessment and indicated that they were assured that risks were being effectively managed.

AGC/9/25 Health & Safety Report

Members considered a Health and Safety Report and noted

- Positive trends in training delivery, reduced accident/assault rates.
- Successful recruitment of Health & Safety Manager.
- New H&S policy and updated online incident reporting tools implemented.

RESOLVED that the current position be noted

Chair:

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AGENDA ITEM**REPORT TO AUDIT &
GOVERNANCE COMMITTEE
29 SEPTEMBER 2025****REPORT OF HEAD OF
INTERNAL AUDIT****INTERNAL AUDIT ACTIVITY REPORT****SUMMARY**

To inform members of the progress of audit testing to date and present a forward plan of testing and the resources available to meet the plan to support the assessment of risk.

RECOMMENDATIONS

It is recommended that:-

1. The results of audit activity is noted and agree that the work for the next quarter be prioritised using the audit risk assessment methodology as outlined in the Audit Charter.

DETAIL

1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. To support this, audit work the results of audit work are an integral part of the assurance framework in place to assess the current risk status.
2. The overall summary shows a summary of audit results against each theme.

Theme	Red	Amber	Green	Total	Assurance
Application for a Service/Support		9	26	35	85.03
Application for an Approval/Permission		2	26	28	95.41
Assets	2	2	21	25	85.44
Business Continuity	1	3	26	30	90.83
Corporate Governance	3	13	54	70	87.12
Finance	3	4	107	114	94.82
ICT			26	26	100.00
Information Governance	1	2	27	30	91.67
People	3	12	30	45	75.96
Performance Management	1	2	6	9	77.50
Procurement/Contracts	1	3	22	26	93.46
Regulatory Services			16	16	100.00
Total	15	52	387	454	89.68

3. Audit testing results breaks down work undertaken in the previous period to provide members with an update on where audit resources have been employed and the results of that work. This will highlight any concerns raised in the period. There have been 5 Red controls identified in the period. Members are reminded that testing frequencies are adjusted based on their status, controls rated as red are reviewed every 3 months. This may give the impression that the same issues are being raised each quarter whilst recommendations are actively being implemented, we monitor progress of implementation. There is currently only one Red control that has previously been reported in relation to the Joint Strategic Needs Assessment, this is a large piece of work and good progress has been made to date. The remaining 4 Red controls highlighted in the quarter are in relation to the completion of information governance training (Community Services and Children's Services), a backlog in Primary Bridge Inspections and Annual Maintenance Plans for Council Owned Buildings.

Theme	Red	Amber	Green	Total
Application for a Service/Support		4	5	9
Application for an Approval/Permission			3	3
Assets	2		3	5
Business Continuity		1	3	4
Corporate Governance		3	10	13
Finance		1	10	11
ICT			5	5
Information Governance			2	2
People	2	2	5	9
Performance Management	1		1	2
Procurement/Contracts		2	4	6
Regulatory Services			1	1
Total	5	13	52	70

4. Planned work identifies the areas to be examined in the next period as required by the Public Sector Internal Audit Standards. Members are reminded that each control is risk assessed to determine the frequency of testing, audit work is planned and undertaken a rolling programme which prioritises controls with the highest risk rating in accordance with this methodology. I am required to report any concerns I may have that would impact on the independence of the audit service or the adequacy of resources, I can confirm that I have no concerns in either regard.
5. Quality Assurance and Improvement shows a balanced scorecard for the delivery of the audit service. The majority of indicators will be reported annually but the ones shown provide an update on progress against agreed work to date. The level of adequate resources is calculated after staff time is adjusted to allow for Annual Leave, Bank Holidays and a reasonable amount of Admin Time. We fell short of our target for completion of work; however the summer months are notoriously difficult to complete audit work due to annual leave within the team and also across the council. I have prepared a brief comparison with previous years to provide members with a degree of comfort that we are still on track to

deliver the required amount of work during the year to provide an opinion. Productivity levels are marginally lower than expected, this is partly due to maternity leave. Whilst we have been able to balance workloads sufficiently to manage the maternity leave we are unable to plan for our 15 day contingency therefore any additional work identified will require a delay in some other work, this will be managed on a risk basis.

Analysis of completion rates during the months June, July & August.

Year	Controls Tested
2023	19
2024	51
2025	61

- 6. In addition the team has been additionally involved in a number of one-off pieces of work that sit outside of the planned work including a full review of SEND systems and processes as a result of an Ombudsman Public Interest Letter which is currently on-going.

Quality, Assurance & Improvement Process

Period Covered	November 2024	to	January 2025
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Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	0
Portfolio Coverage (Period)	82	70
Presentation of Annual Report (Annual)	June	*
Presentation of Activity Report	Qtrly	*

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	*
Fraud Strategy Review	31/03/2025	*
Client Satisfaction	TBC	*
Recommendation Implementation	TBC	*

Process		
Measure	Target	Performance
Self assessment against standards (Annual)	March	*
External Assessment (Every 5 Years)	March 2023	*
Staff Meetings Held (Period)	8	13
Up to Date Audit Manual	March 2023	*

People		
Measure	Target	Performance
Productivity (Period)	75%	74%
Training (Per Financial Year)	20	*
Code of Conduct (Annual)	100%	*
Appraisals (Annual)	100%	*

* - To be reported as part of annual report

- NFI Progress – An update on this work will be reported alongside the revised Anti-Fraud and Corruption Strategy which is due to be presented in November..

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

This is a summary of the Council's risk environment.

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION

N/A

Name of Contact Officer: Andrew Barber, Audit & Risk Manager

Telephone No: 01642 526176

Email Address: a.barber@stockton.gov.uk

AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 29 SEPTEMBER 2025

REPORT OF DIRECTOR OF CORPORATE SERVICES

RISK MANAGEMENT UPDATE REPORT

SUMMARY

The purpose of this report is to inform members of the current status of the Council's strategic risks. The strategic risk register primarily focusses on the achievement of objectives over the longer-term and could take a number of years to materialise.

Assessment is based on the information currently available and is used to evaluate the potential future state of the risk and as such will be regularly reviewed as further information becomes available. The assessment of the risk should not be used as an indication of current performance as it is just one element considered as part of the wider assessment of risks, other examples include financial certainty or potential changes that may be outside of the council's control.

RECOMMENDATIONS

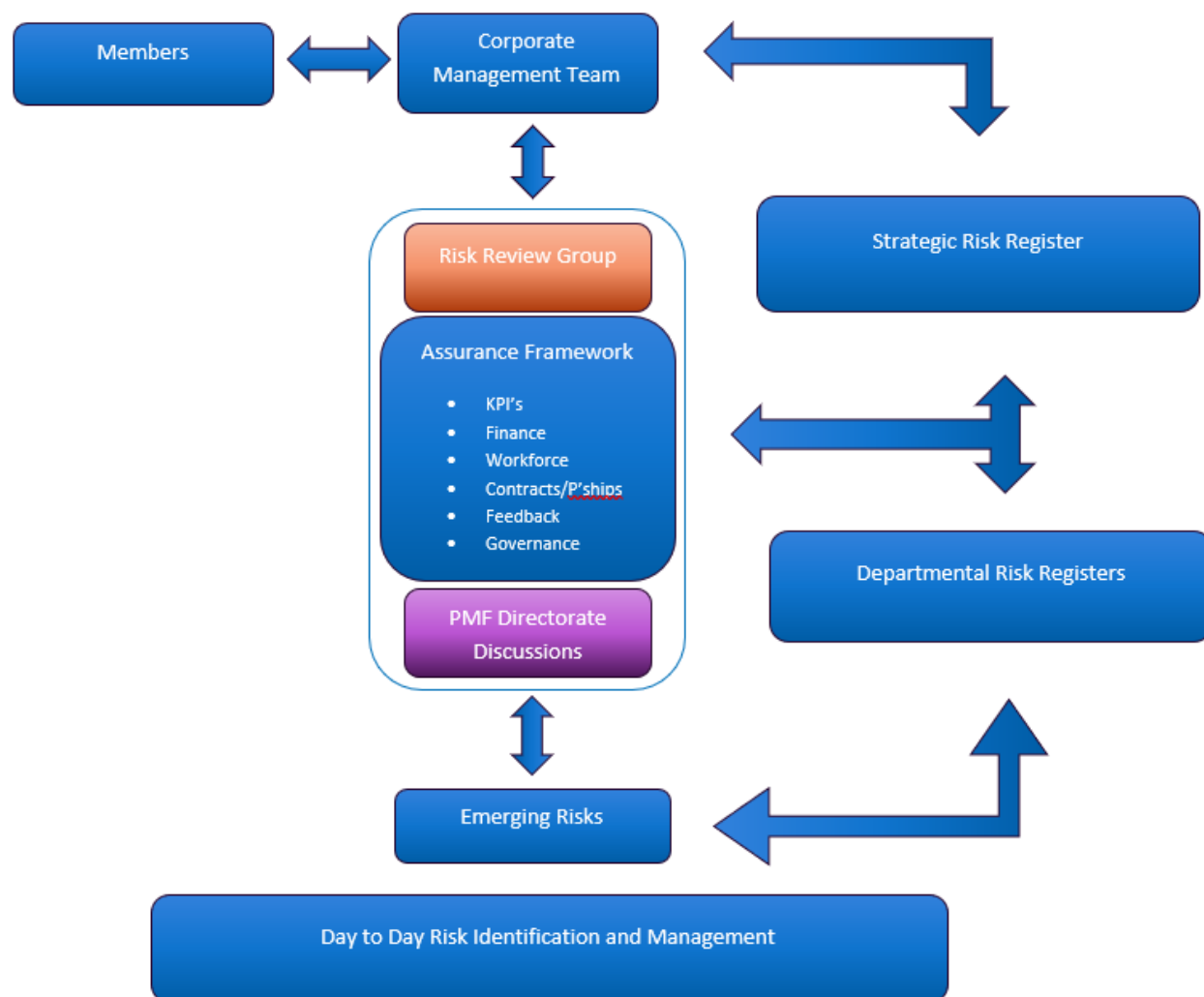
It is recommended that:-

1. Members note the current position with the strategic risk register and take assurance that risks are being effectively monitored and actions are being taken to manage these risks over the long-term.
2. Members note the changes in risk and the reasons for those changes.

DETAIL

1. Effective risk management is a core component of effective corporate governance. It is a planning tool that can be used to evaluate future events and make effective decisions to develop mitigating actions to reduce the impact and/or probability of those risks occurring.
2. The strategic risk register and the current status of those risks is shown below. Members are reminded that risk assessment is not a measure of actual performance. Risk management as a process is future focused and should be considered in the context of what may happen in the future. This enables actions to be taken now to mitigate those future risks.
3. As this is a strategic risk register it covers broad themes borough wide. The implication of this is that the council are not solely responsible for mitigating actions. There may be factors outside of the council's control that impact on the current risk level and as such the council alone may not be able to completely mitigate risks.

4. A key feature the revised approach is a simplification of the way in which the current risk status is assessed. Risks are rated using a RAG rating:
 - Red - Current concerns over the achievement of future objectives, actions must be developed to mitigate some of those concerns in the short-term, in order that we are able to meet future objectives.
 - Amber - Concerns identified that may impact on the future achievement of objectives, actions required but these can be planned over the medium term
 - Green - No current concerns
5. The focus of this report is to update members on changes in risk levels since November:
 - 563 Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands. Risk has moved from Amber to Red. The primary cause of the change is a number of processes and procedural issues identified during the Ombudsman's investigation of a complaint. A full review of processes is being undertaken as part of actions agreed with the Ombudsman.
 - 714 Risk of failure to effectively deliver services within agreed budget and to maintain a balanced MTFP. Risk has increased back to Red from Amber. Although some good progress has been made in reducing the MTFP gap as a result of positive outcomes from the Powering our Future programme forecasts at Qtr 1 are suggesting an overspend in the current year. Steps are being taken to manage this in-year.
6. Appendix A provides a full list of strategic risks and their current status.
7. As a reminder to members the framework for assessing the current risk score is outlined below:



8. A revised Risk Management Strategy will be presented to members at a future meeting.

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

This is a summary of the Council's risk environment.

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION






























N/A

Name of Contact Officer: Andrew Barber, Assurance Manager

Telephone No: 01642 526176

Email Address: andrew.barber@stockton.gov.uk

Full Strategic Risk Register

Risk ID	Risk	Overall Status
714	Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP	 Red
599	Risk of failure to support vulnerable households to find suitable accommodation (including homelessness, care leavers, LD)	 Red
563	Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands	 Red
742	Failure to plan and deliver large scale capital projects - Regeneration Strand	 Amber
560	Risk of delivering effective strategies that support care leavers to achieve appropriate outcomes	 Amber
725	Risk of failure to deliver a waste service which reduces the amount of waste to Energy From Waste whilst increasing levels of recycling.	 Amber
703	Risk of failure to deliver transformation projects	 Amber
710	Risk of failure to effectively manage and maintain Council owned land and property assets	 Amber
705	Risk of failure to effectively support our workforce to enable them to meet the challenges faced by the council and our residents	 Amber
621	Risk of failure to enable a growing economy to maximise business growth	 Amber
623	Risk of failure to enable effective highways and transport infrastructure	 Amber
567	Risk of failure to improve outcomes that support people to live happy and healthy lives and reduce health inequalities	 Amber
565	Risk of failure to manage and deliver good quality, sustainable care and support to vulnerable adults	 Amber
723	Risk of failure to maximise the use of Council owned vehicles and transport assets	 Amber
715	Risk of failure to operate good corporate governance	 Amber
731	Risk of failure to plan and deliver large scale capital projects	 Amber
740	Risk of failure to plan and deliver large scale capital projects - CSEC Strand	 Amber
724	Risk of failure to reduce carbon emissions and contribute to reducing the impact of global warming	 Amber
745	Risk of failure to retain control of local decisions regarding the built environment due to external intervention	 Amber
732	Risk of failure to support those who are experiencing poverty and work with communities to reduce the impact of poverty	 Amber
562	Risk of not supporting children maximise their potential in education	 Amber
488	Risk of not supporting children who need help and protection	 Amber
600	Risk of people not feeling safe in their communities	 Amber
559	Risk of supporting children in our care to achieve appropriate outcomes in care	 Amber
743	Failure to deliver services to support business growth through developing appropriate skills within the borough	 Green
737	Risk of failure to communicate effectively with residents, communities and partners	 Green
564	Risk of failure to establish and maintain safe systems of care for adults	 Green
741	Risk of failure to plan and deliver large scale capital projects - Adult's & Children's Strand	 Green
704	Risk of failure to provide robust and resilient ICT infrastructure and systems, making effective use of new/emerging technologies	 Green



Audit Progress Report

Stockton-on-Tees Borough Council

September 2025

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- 02 Publications and other updates

Audit progress

Audit progress

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Stockton-on-Tees Borough Council 2024/25

Accounts

The Council published draft accounts before the 30 June 2025 deadline.

As previously reported, the national backlog arrangement in respect of local authority financial reporting and local audit means the backstop date for the financial year 2024/25 is 27 February 2026.

Our audit of the Council's financial statements commenced in August and we expect to complete our work before the backstop date. The exact timing of the receipt of the assurances required from the auditors of the Teesside Pension Fund assurance is still uncertain, but expected to be received in the new year. If any additional risks arise, members will be notified accordingly.

The first technical review of the Council's Statement of Accounts has been completed which raised a number of comments on the accounts where disclosures needed to be improved or were incomplete. The majority of those related to the first year implementation of IFRS 16 Leases. The Council is currently working through those and will provide updated working papers and relevant disclosures to address those points.

There are no material matters to report at this stage.

Value for money (VFM) arrangements

We are awaiting the Council's Self- Assessment of it's arrangements to support our work on the Value for Money work.

We will draft and present our VFM commentary before the end of November in our Draft Auditor's Annual Report.

At this stage there are no additional matters we wish to raise with Members.

02

Publications and other updates

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National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy ('CIPFA')		
1	CIPFA Better Reporting Group consultation	CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting. For information only.
2	CIPFA Advisory Note: Statement of Responsibilities	CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. For information only.
Ministry of Housing, Communities and Local Government ('MHCLG') (formerly the Department for Levelling Up, Housing and Communities ('DLUHC'))		
3	Local audit reform: Government response to the consultation to overhaul local audit in England	Government response to consultation on reforms to the local audit system. For information only.
4	MHCLG Addressing the local audit backlog in England: Non-compliance lists	MHCLG has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024. For information only.
National Audit Office ('NAO')		
5	NAO insight: Financial management in government: monitoring and forecasting	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on monitoring and forecasting for better financial management in government. For information only.
6	NAO insight: Government's approach to technology suppliers: addressing the challenges	This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. For information only.
7	NAO Report: Good practice in annual reporting	The NAO has published its insight guide on Good practice in annual reporting. For information only.
8	NAO report: Local government financial sustainability	The NAO has published its report Local government financial sustainability. For information only.
9	NAO Insight: Managing the commercial lifecycle	The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. For information only.
10	Local Audit Reset & Recovery Implementation Guidance (LARRIG) 06	Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions

	Publication/update	Key points
Other		
11	Major Local Audits Reports	The FRC have published their annual report on their inspection findings of Audit Quality Reviews of Major Local Audits. For information only.
12	Forvis Mazars - Annual Local Government Risk Report 2025/26	The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans. For information only.
13	Forvis Mazars – Public Sector in Focus Report	Forvis Mazars report for the public and social sector outlining the top priorities and risks shaping the future of the sector. For information only.

1. CIPFA Better Reporting Group consultation

CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting either through proposing amendments to the Code of Practice on Local Authority Accounting for the United Kingdom (the Code) or assisting to develop practical guidance to enhance its application.

[Better Reporting Group](#)

2. CIPFA Advisory Note: Statement of Responsibilities

CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. The advisory note applies to all local government bodies in the UK.

The note draws from lessons learnt from recent examples and a roundtable with CFO's and reinforces good practice principles that local government bodies in the UK should adopt. The CIPFA Practice Oversight Panel expects all local government bodies to be aware of the lessons learnt and therefore auditors may wish to ensure the bodies they audit are aware of this latest guidance.

[Statement of Responsibilities](#)

3. Local audit reform: Government response to the consultation to overhaul local audit in England

The government consulted on proposals to reform the local audit system. This published response to the consultation sets out the feedback on the specific measures proposed and the government's response. This includes the setting up of a Local Audit Office to be the system leader and the remit of the LAO.

[Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK](#)

4. MHCLG Addressing the local audit backlog in England: Non-compliance lists

The Ministry of Housing, Communities and Local Government (MHCLG) has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024.

[Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

5. NAO insight: Financial management in government: monitoring and forecasting

Good financial management is critical in the public sector. For public services to be efficient and productive, the effective management of public finances is essential. This guide outlines how finance leaders across government can monitor budgets and their performance and ensure forecasting is effective. It focuses on three principles:

- Promote a culture of accountability – leadership emphasises the importance of budget holders being accountable for monitoring financial performance and ensuring forecasts are accurate and realistic.
- Develop the right skills and capabilities – finance professionals possess the skills and capabilities to monitor effectively and forecast with precision and leverage these to elevate the quality of the organisation's decision-making.
- Make the best use of data and information – high-quality data and information is used to enable better monitoring and more accurate forecasting, helping decision-makers respond to events quickly and effectively.

[Financial management in government: monitoring and forecasting - NAO insight](#)

6. NAO insight: Government's approach to technology suppliers: addressing the challenges

This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. The NAO focus on major procurement of technology to support business change, including the digital transformation of government and planning for technology of the future. The report examines:

- the scale of the challenge of undertaking digital procurement in a way that supports the modernisation of the public sector to make it more efficient and effective, and government's response to that challenge;
- how the centre of government can adopt a more strategic approach to how it works with digital and technology suppliers; and
- how departments can better understand and manage the complexities of digital procurement, including making full use of their digital expertise.

[Government's approach to technology suppliers: addressing the challenges - NAO insight](#)

7. NAO Report: Good practice in annual reporting

The NAO has published its insight guide on Good practice in annual reporting which showcases real-world examples of good practice for annual reporting from organisations from the public sector who are leading the way. The examples are laid out in relevant sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2024-25. Note that Great Ormond Street Hospital annual report and accounts 2023-24 features for use of graphics to support narrative and demonstrate performance regarding net zero for estate-based emissions.

[Good practice in annual reporting - NAO insight](#)

8. NAO report: Local government financial sustainability

The NAO has published its report Local government financial sustainability. The Ministry of Housing, Communities & Local Government, (MHCLG) is responsible for the accountability framework for local government and distributes core funding to local authorities. It leads on oversight of financial risk in individual local authorities and the system overall while responsibility for the services local authorities deliver is spread across government departments.

This report focuses on MHCLG as the department responsible for the framework within which local authorities operate, and provides transparency over the current position of local government finances. By examining the current finance system and context for local government finances, the NAO aims to help inform MHCLG's consideration of future reforms.

The report considers:

- the context of local government finances in 2024;
- service and financial pressures; and
- the government's approach to local government financial sustainability.

The report concludes that funding for local government has increased in recent years, reversing the long-term downward trend of the previous decade. However, while real terms funding has grown by 4% between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support.

Proposed reforms of the local government finance system have been repeatedly delayed. Some services are showing the strain, and more local authorities are requesting financial support, some due to the increasing costs of delivering essential frontline services such as homelessness and social care. Despite short-term measures to address acute funding shortfalls, there has been insufficient action to address the systemic weaknesses in local government financial sustainability.

As the government turns its attention to local government reforms, it is essential that this is part of a whole-system, cross-government approach to ensure local authorities are financially sustainable and can continue to provide essential services. This approach needs to ensure effective local accountability for the service and financial performance of each local authority, including robust independent assurance.

[Local government financial sustainability - NAO report](#)

9. NAO Insight: Managing the commercial lifecycle

The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. It reflects upon findings and recommendations drawn from 200 reports concerning over 300 commercial arrangements that have been published over the past 20 years.

The ‘commercial lifecycle’ means the entire process starting with the identification of a requirement that may be delivered by a supplier to government through to the selection and appointment process, contract management activity, and ending with contract termination or transition to alternative arrangements.

This is a revised and condensed edition of commercial good practice guidance that has been updated regularly since 2008. It remains essential reading for policy and commercial staff involved at all levels of public procurement and commercial activities – including senior leaders and non-executive board members of public authorities. The guidance is presented in ten sections, addressing both strategic and procedural considerations.

To support this guidance, the NAO also updated its guide on the Commercial Audit Framework, which highlights the key questions at each of the ten key stages of procurement. Whether it’s the commercial strategy for public procurement, the publication of good-quality, relevant information on a timely basis, or deciding whether to extend the contract or re-procure.

[Managing the commercial lifecycle - NAO insight](#)

10. Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06

The NAO has published the 6th Local Audit Reset and Recovery Implementation Guidance note to auditors. The LARRIG sets out guidance to auditors of English local authorities in circumstances 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. It provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to make a timely return to being able to determine that, based on sufficient appropriate audit evidence, the financial statements are free from material misstatement.

[LARRIG 06](#)

11. Major Local Audits Reports

The FRC publish an annual report on the inspection findings of Audit Quality Reviews of major local audits in England, which includes large health and local government bodies. The audit of a relevant authority becomes a major local audit if it:

- has total income or expenditure of at least £500 million; or
- administers a local government pension scheme with at least 20,000 members or assets over £1,000 million.

In the 2023/24 inspection cycle, the FRC inspected six NHS and two local government audits. The results of these inspections are included in this report. The FRC acknowledge the unprecedented circumstances facing the local audit sector and have updated their regulatory approach to the monitoring of audit quality to support the reset measures and recovery period.

[Major Local Audits Reports](#)

12. Forvis Mazars - Annual Local Government Risk Report 2025/26

The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans.

[Annual Local Government Risk Report for 2025/26 - Forvis Mazars - United Kingdom](#)

13. Forvis Mazars – Public Sector in Focus Report

Forvis Mazars have issued a report for the public and social sector, Public sector in focus: Charting the road ahead. With over 390 responses from across the UK public and social sector, the study reveals the top priorities and risks shaping the future of the sector.

[Public sector in focus: Charting the road ahead - Forvis Mazars - United Kingdom](#)

Forvis Mazars

James Collins

Director

james.collins@mazars.co.uk

Forvis Mazars
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF
Tel: 0191 383 6300
<http://www.forvismazars.com/uk/en>

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AGENDA ITEM.

REPORT TO AUDIT & GOVERNANCE COMMITTEE

29th SEPTEMBER 2025

REPORT OF THE CHIEF FINANCE OFFICER

TREASURY MANAGEMENT STRATEGY – ANNUAL REPORT 2024/25

SUMMARY

This report informs Members of the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2024.

REASONS FOR PRODUCING THIS REPORT

The Council operates under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Introduction

The Council's Treasury Management Strategy for 2024/25 was approved at Council on the 21st February 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 21st February 2024.

External Context

The Council's treasury management advisors Arlingclose have provided the following commentary on the external context.

Economic background: Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four

subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions.

After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%. The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year, but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%.

Financial markets: Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of

the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements and their potential impact.

The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

Credit review: In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2025 the Council had net borrowing of £111.43m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Actual £m	2024/25 Movement £m	31.3.25 Actual £m
General Fund CFR	189.99	5.87	195.86
Less: Other debt liabilities	(5.55)	(3.60)	(9.15)
Borrowing CFR	184.44	2.27	186.71
Less: Usable reserves	(103.50)	17.35	(86.15)
Less: Working capital	5.67	5.20	10.87
Net Borrowing / (Investments)	86.61	24.82	111.43

The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. At the year end the Council had an under borrowed position of £36m.

The treasury management position on 31st March 2025 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24	2024/25	31.3.25
	Balance	Movement	Balance
	£m	£m	£m
Long-term borrowing	89.75	(3.68)	86.07
Short-term borrowing	18.64	46.07	64.71
Total borrowing	108.39	42.39	150.78
Long-term investments	13.03	0.25	13.28
Short-term investments	0.00	0.00	0.00
Cash and cash equivalents	8.75	17.32	26.07
Total investments	21.78	17.57	39.35
Net Borrowing / (Investments)	86.61	24.82	111.43

During the year long term loans decreased by £3.68m. This net position was due to the repayment of two LOBO loans totalling £21m and other long-term debt maturities. This was offset by a £20m 15-month loan, agreed in February 24 to aid with the authority's cash flow during the year end period and in preparation of a loan maturing in early April 2025. Details of the new loan are shown in the table below.

Table 2a: Long-dated Loans borrowed

Long-dated Loans borrowed	Amount	Rate	Period
	£m	%	(Months)
PWLB EIP Loan - Feb 2025	20.0	4.85	15
Total borrowing	20.0		

Short term loans increased by £46.07m during the year. As noted in the mid-term treasury management report to this Committee in November 2024 the authority repaid two LOBO loans totalling £21m. These had an original maturity date of 2077 and to reduce future interest rate risk and cost to the authority these were repaid. The authority has funded these by securing short-term loans in the local-to-local market. Also, for cash flow purposes and as noted above in preparation for the repayment of other loan maturities, a medium-term loan was entered into during the last months of the financial year.

Overall total borrowing increased from £108.39m as on 31st March 2024 to £150.78m as at 31st March 2025.

Total investments increased during the year rising £17.57m from £21.78m at the end of 2023-24 to £39.35m at the end of 2024-25. Funds secured and held at year end to fund maturities during early April 2025.

Dedicated Schools Grant

There is a statutory override in England (capital finance regulation 30L) that requires local education authorities that incur expenditure on their schools budget in excess of the Dedicated Schools Grant (DSG) received to charge this deficit to an unusable reserve instead of their revenue account. Cash is therefore leaving authorities' bank accounts on schools expenditure without revenue cash coming in to pay for it. Other things being equal, this creates a cash shortfall.

At the end of the 2024/25 financial year the Council had an overall accumulative deficit of £6.7m on its DSG. The Council has to cash flow this deficit and any borrowing requirements and costs associated with borrowing incurred include this deficit. The cost of borrowing cannot be charged to the DSG under current regulations, so these are charged to the Councils general fund. The cost of this borrowing in year was up to £300k.

Borrowing Update

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

The Authority currently holds £18.322m in commercial investments (2023-24 £17.970m) that were purchased prior to the change in the CIPFA Prudential Code. The Authority as part of the updated code in the future will need review the options for exiting these investments if there is an economical case to do so.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the majority of the period short term interest rates have been higher than long term interest rates.

After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans from 4.88% to 5.88%.

For most of the year the cost of short-term borrowing from other local authorities closely tracked Base Rate at around 5.00% - 5.25%. However, from late 2024 rates began to rise, peaking at around 6% in February and March 2025.

At 31st March 2025 the Council held £150.78m of loans, an increase of £42.39m from the previous year. The year-end borrowing position and the year-on-year change is shown in Table 3 below.

Table 3: Borrowing Position

	31.3.24 Balance £m	2024/25 Movement £m	31.3.25 Balance £m	Average Rate %	31.3.25 WAM* years
Public Works Loan Board	55.13	18.26	73.39	4.78%	4.4
Banks (LOBO)	37.00	-21.00	16.00	4.87%	12.4
Local Authorities	16.26	45.12	61.38	5.10%	0.0
Banks (fixed-term)	0.00	0.00	0.00	0.00%	0.0
Total borrowing	108.39	42.39	150.78	4.81%	3.6

*Weighted average maturity

On 1st April 2024 the Authority held £37m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

As market rates rose during the year the Council received call options by the lenders on two of the LOBO loans held. On assessment of the LOBO portfolio by the Authority's treasury advisor, these loans presented restructuring opportunities with substantial value from a negotiated settlement with the lenders. The risks and benefits, including restructuring savings, were assessed and £21m LOBOs were repaid which has also helped reduce exposure to medium/long-term optionality. Details of these loans are shown in the table below;

Table 3a – LOBO's

	Amount £m	Rate %	Final Maturity	Action taken by Authority
Loan 1 FMS Wertmanagement	15	4.71	2077	Repaid at no cost and refinanced by short-term loans
Loan 2 FMS Wertmanagement	6	4.81	2077	Repaid at no cost and refinanced by short-term loans
Total	21			

Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances fluctuated due to timing differences between income and expenditure. The year-end investment position is shown in Table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance	Net Movement	31.3.25 Balance	31.3.25 Income Return
	£m	£m	£m	%
Banks & building societies	0.40	0.17	0.57	3.80
Government (incl. LA's)	0.00	0.00	0.00	0.00
Money Market Funds	8.30	14.00	22.30	4.10
Pooled Property funds	13.03	0.25	13.28	4.43
Total investments	21.73	14.42	36.15	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income

Bank Rate reduced from 5.25% to 5.00% in August 2024, again to 4.75% in November 2024 and again to 4.5% in February 2025 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.45% and 5.185% and money market rates between 4.5% and 5.3%.

The progression of credit risk and return metrics for the Council's investments managed in-house are shown in the extracts from Arlingclose quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31.03.2024	4.89	A+	100%	1	5.07%
30.06.2024	4.76	A+	100%	1	5.17%
30.09.2024	4.78	A+	100%	1	5.10%
31.12.2024	4.68	A+	100%	1	4.85%
31.03.2025	4.58	A+	87%	2	4.28%
Similar LA's (31.03.25)	4.63	A+	73%	81	4.56%
All LAs (31.03.25)	4.56	A+	62%	10	4.66%

*Weighted average maturity

Externally Managed Pooled Funds: £13.28m (based on 31.3.25 valuation) of the Council's investments are held in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a dividend return of £0.664m (4.43%) (£0.683m 2023-24) which is used to support services in year.

Having had a challenging time since 2022, UK commercial property generally experienced a recovery during the period, with improved investment activity, capital values stabilising or improving, particularly towards the end of the period, and income remaining relatively robust.

The change in the Authority's funds' capital values and income earned over the 12-month period is shown in Table 4.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

Statutory Override: Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council also held £18.551m of such investments in;

- directly owned property £18.322m
- loans to local businesses £0.025m
- other £0.204m

These investments generated £0.931m of investment income for the Council after taking account of direct costs in 2024/25 representing a rate of return of 5.02%.

MRP Regulations

On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). Most of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be

used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance

The Chief Finance Officer reports that the majority of all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6 below.

Table 6: Debt and the Authorised Limit and Operational Boundary

	2024/25 Maximum	31.3.25 Actual	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied
Borrowing	150.78	150.78	204.80	219.80	
PFI & finance leases	9.15	9.15	6.50	6.50	
Total debt	159.93	159.93	211.30	226.30	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for 0 days during 2024/25. Compliance with specific investment limits is demonstrated in Table 7 below.

Table 7: Investment Limits

	2024/25 Maximum	31.3.25 Actual	2024/25 Counterparty Limit	2024/25 Financial Limit	Complied
The UK Government	£36.9m	£3.2m	Unlimited	N/A	✓
Local authorities & other government entities	£0m	£0m	£5m	Unlimited	✓
Secured investments	£0m	£0m	£5m	Unlimited	✓
Banks (unsecured)	£2.5m	£0.57m	£2.5m	Unlimited	✓
Building societies (unsecured)	£0m	£0m	£2.5m	£5m	✓
Registered providers (unsecured)	£0m	£0m	£2.5m	£12.5m	✓
Money market funds	£25m	£22.3m	£5m	Unlimited	✓
Strategic pooled funds	£13.28m	£13.28m	£15m	£25m	✓
Real estate investment trusts	£0m	£0m	£5m	£12.5m	✓
Other investments	£0m	£0m	£2.5m	£5m	✓

** see table 4 above for actual values with individual counterparties as at 31st March 2025.*

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.25 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	43%	25%	0%	x
12 months and within 24 months	18%	40%	0%	✓
24 months and within 5 years	9%	60%	0%	✓
5 years and within 10 years	8%	80%	0%	✓
10 years and above	22%	100%	0%	✓

Due to the strategy of only taking out short term loans the upper limit indicator for the percentage of total loans under 12 months was breached. As noted above the authority entered into a number of short-term loans during the year to repay the LOBO loans and in advance of other loans maturing. This meant that this indicator was breached at year end. Once longer-term interest rates reduce the authority will replace short term loans with longer term loans.

Long-Term Treasury Management Investments: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25	2025/26	2026/27
Actual principal invested beyond year end	£13.3m	£13.3m	£13.3m
Limit on principal invested beyond year end	£60m	£50m	£40m
Complied	✓	✓	✓

Prudential Indicators Outturn 2024/25

Introduction: The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the 2021 Prudential Code sets out the following indicators that must be set and monitored each year.

The Authority measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

Capital Expenditure: The Council's capital expenditure and financing is summarised as

follows.

Capital Expenditure and Financing	2024/25 Estimate £m	31.03.25 Actual £m	Difference £m
Total Expenditure	87.84	56.6	(31.27)
Capital Receipts	3.17	0.09	(3.08)
Grants & Contributions	67.1	46.37	(20.72)
Revenue	2.2	7.03	4.85
Borrowing	15.4	3.08	(12.33)
Total Financing	87.84	56.57	(31.27)

Capital Financing Requirement: The 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 minimum revenue provisions (MRP).

Capital Financing Requirement	2024/25 Estimate £m	31.03.25 Actual £m	Difference £m
General Fund	201.76	195.86	(5.90)

There was a difference of £5.9m on the CFR from the original estimate due to a variance against the in year spend profile within the capital programme.

Actual Debt: The Council's actual debt at 31st March 2025 was as follows:

Debt	31.03.25 Estimate £m	31.03.25 Actual £m	Difference £m
Borrowing	150.77	150.78	0.01
Finance leases	2.09	5.39	3.30
PFI liabilities	2.45	3.76	1.31
Total Debt	155.31	159.93	4.62

As you will notice in the table total borrowing was in line with original projections. The increase in Finance Leases and PFI liabilities related directly to new accounting requirements in relation to IFS16 related to leases.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below

shows the position as at 31st March 2025;

Debt and CFR	31.03.25 Estimate £m	31.03.25 Actual £m	Difference £m
Total debt	155.31	159.93	4.62
Capital financing requirement	201.76	195.86	(5.90)
Headroom / (Under Borrowed)	(46.45)	(35.94)	10.52

Total debt during the year remained below the CFR. At the 31st March the Council was under borrowed by £35.94m

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary and Total Debt	31.03.25 Boundary £m	31.03.25 Actual Debt £m	Complied
Borrowing	204.80	150.78	
Other long-term liabilities	6.50	9.15	
Total Debt	211.30	159.93	✓

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the *Local Government Act 2003*. It's the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit and Total Debt	31.03.25 Limit £m	31.03.25 Actual Debt £m	Complied
Borrowing	219.80	150.78	
Other long-term liabilities	6.50	9.15	
Total Debt	226.30	159.93	✓

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. The table below shows the position as at 31st March 2025.

Ratio of Financing Costs to Net Revenue Stream	31.03.25 Estimate %	31.03.25 Actual %	Difference %
General Fund	3.8%	2.3%	-1.5%

Name of Contact Officer: Andy Bryson
Post Title: Chief Accountant
Telephone No.: 01642 528850
Email Address: andy.bryson@stockton.gov.uk

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Agenda Item 9

AGENDA

REPORT TO
AUDIT & GOVERNANCE
COMMITTEE
30 JUNE 2025

REPORT OF DIRECTOR OF
CORPORATE SERVICES

HEALTH AND SAFETY REPORT

SUMMARY

This report provides an update on the health, safety and wellbeing performance of the Council for the period 1 June 2025 – 31 August 2025.

RECOMMENDATION

1. The current position as identified in the report is noted.

DETAIL

1. The service has always reported based on activity, it is important that H&S risks are understood and as such reports moving forward will be more aligned to understanding how well H&S risks are being managed.
2. There is a project underway within the team to align the work being undertaken by the team to these core H&S risks to facilitate an assessment of the risks faced by the Council. As the revised programme of H&S audit work is completed, we will gain a better understanding of the current status of risks.
3. Reports during this implementation period will continue to develop to include more information and a robust method of assessing risk. During this period the assessment of risks will have some limitations.

Health & Safety Risks

4. Below is a summary of the main H&S Risks:

Risk	Audit Assurance	Incidents Recorded	Training Delivered	Other Comments
Asbestos Management	100%			
Culture	100%			
Construction				
Display Screen Equipment			456	All staff have undertaken the refresher
Electrical Safety	92%			
Equipment, Machinery & Plant			See Comments	Training is delivered via on-site monitoring and “toolbox” talks, numbers currently not recorded.
Fire Safety	72%		9	Revised approach to fire risk management has been proposed in response.
Open Water and Flooding				
Gas Safety				
Hazardous Substances	100%		21	
Violence & Aggression		34		
Legionella	85%		7	

Lone Working				
Noise				
Manual Handling		4		
Working at Height	100%			
Vibration				
H&S Risk Assessment		33		

Current Audit Programme

5. The revised programme of audit work is now being bedded in and the first results are shown in the table above. The team is now at full capacity with a replacement H&S Advisor starting at the beginning of September.

Health & Safety Advice

6. The team continue to support services with their risk management arrangements by providing ad-hoc H&S advice and guidance. Work has begun on reviewing all of our H&S related policies and guidance.

FINANCIAL AND LEGAL IMPLICATIONS

Financial - None

Legal - The Health and Safety team enable the Authority to comply with Regulation 7 of the Management of Health and Safety at Work Regulations 1999, to assist in complying with the requirements and prohibitions imposed under relevant statutory provisions.

RISK ASSESSMENT

The activity of the Health and Safety Team in conjunction with Line Manager's support, contribute to the effective identification and mitigation of a broad range of occupational health and safety risks.

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION

N/A

Name of Contact Officer: Andrew Barber,
Assurance Manager
Telephone No: 01642 526176
Email Address: andrew.barber@stockton.gov.uk

Background Papers: Health and Safety Policy 2025

Ward(s) and Ward Councillors: None

Property Implications: None

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Audit Committee Programme 2024/2025

Diary of Meetings & Work Programme

Date	Work Programme
24-Feb-25	Annual Report of the Audit Committee (Final) Constitutional Update if required External Audit - Audit Progress Report Risk Register Update and Audit Activity Internal Audit Charter Work Programme 2024 - 2025

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