Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 23rd February 2026.

Present: Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Carol Clark, Cllr Eileen Johnson, Cllr David Reynard, Cllr Mick Stoker and Cllr Marcus Vickers

Officers: Andy Bryson, Andrew Barber and John Devine

Also in attendance:

Apologies:

AGC/28/25 Evacuation Procedure

The Evacuation Procedure was noted by Members.

AGC/29/25 Declarations of Interest

There were no declarations of interest.

AGC/30/25 Minutes

The Minutes of the meetings held on Monday 29th September 2025 and Monday 24th November 2025 were agreed as a true record.

AGC/31/25 Hotel Annual Reports and Accounts

Members were presented with the Directors Report, Independent Auditors Report and Financial Statements for the year ended 31 March 2025 for both Stockton Borough Holding Company Limited (SBHC) and Stockton Hotels Limited (SHC) provided to the to the shareholder (Stockton on Tees Borough Council).

The Officer recommendations set out in the report was to Note the information presented in the annual report and financial statements for the year ending 31st March 2025 for SBHC and SHC. And to note the publication of the full set of accounts on the Councils website.

Members asked the following questions of Officers following the presentation of the report.

What stress tests had been undertaken on the Hotels ability to repay any long-term loans that it had taken. Officers informed members that they would be able to share exact information following the meeting.

Members then asked what the current trading losses of the hotel were and was there a timeline for the hotel to break even. Officers informed Members that financial year ending 31st March 205 showed a profit for the hotel of £365,903 (after tax), and that previous year’s financial reports were available online.

Members also asked what procedures were in place for the FF&E (furniture, fixture, fittings and equipment) accounts that sit with the Council. Officers informed Members that the FF&E reserves were held by the Council on behalf of the Hotel Company. This reserve would be available for the Hotel to draw down to replace, substitute and add to the FF&E used in connection with hotel business. But as of 31st March 2025 the balance of the fund totalled £491,739. There had also been no drawdown from the reserve to fund FF&E.

Members AGREED to note the report and discussion.

AGC/32/25 Company Governance – Shareholder Agreement

Officers presented the Company Governance - Shareholder Agreement report to members, the report provided Members with an update on the development of a consolidated shareholders' agreement covering Stockton Borough Holding Company Ltd (HoldCo) and Stockton Hotels Company Ltd (HotelCo).

As stated in the report the agreement formalises and strengthens governance, transparency, financial oversight and assurance arrangements between the Council (as sole shareholder) and its wholly owned companies.

Officers highlighted several sections of the report to members these were as follows:

- The agreement confirms that shareholder functions remain the executive functions exercised by Cabinet in accordance with the Councils Constitution.
- Routine shareholder matters are delegated and continue to be exercised by the Section 151 Officer under delegation.
- The Agreement introduces enhanced financial discipline including rolling three-year business planning, stress testing, liquidity safeguards linked to lease exposure, quarterly management reporting and early warning requirements.
- The Agreement requires the companies to provide information necessary for the Council to comply with statutory transparency obligations including the Freedom of Information Act 2000 and the enhanced transparency reporting agreed by Full Council.

Officers welcomed any comments from Members on the report before it was presented to Cabinet.

Members AGREED to note the report.

AGC/33/25 Group Accounts

Members were presented with a proposal to exclude the Group Accounts element from the Council's Annual Statement of Accounts from the 2025/26 financial year. Officers spoke on a number of sections in the report which are detailed below.

- Since 2018/19 the Council has produced Group Accounts due to its 100% subsidiary holdings in Stockton Hotel Company Limited and Stockton Holding Company Limited.

- Forvis Mazars in their commentary about the Group Audit in the Audit Strategy Memorandum report presented to the Committee in June 2025 they note the component transactions are expected to be around 1% of the group.
- The Audit Strategy Memorandum report presented by Forvis Mazars also noted that their audit fee will be increased to £376k for their work on 2024/25 financial statements and the Public Sector Audit Appointments (PSAA) have noted that this fee will rise to £382k for the 2025/26 financial year. This fee includes a charge of approximately £10,500 for the work on the group element of the accounts. If agreed with Forvis Mazars and with PSAA then these fees would be saved in the future.
- Delays in the audit of the Councils and Group Annual Statement of Accounts (linked to pension fund assurance and audit back log arrangements) in previous years has impacted on the reporting and filing requirements within the relevant deadlines.
- The accounts for both companies (HoldCO & HotelCO) which are both provided to Company's House on an annual basis were also now included on the Councils website for full transparency and accountability. These accounts provided more detailed information on the financial position on the companies than is required within the Group Accounts of the authority. The accounts which are more meaningful to the readers were also separately and fully audited by a local private firm of accountants for which a separate fee is charged.
- The production of the annual statement of accounts was a complex and time-consuming document to produce. The removal of the requirement to produce group accounts would save a significant amount of officer time in its production, reduce the length the document and make it easier to understand for the reader.

Members AGREED to note the report.

AGC/34/25 External Audit - Audit Completion Report

Officers from Forvis Mazars presented the Audit Completion Report to Members, in it they highlighted Officers audit findings and conclusions for the Audit Completion Report for the year ended 31 March 2025.

Officers reported that at the time of issuing of this report and subject to the satisfactory conclusion of the remaining audit work, Forvis Mazars anticipated issuing an unqualified opinion, without modification. This would be subject to the Pension Fund Assurance from the Teesside Pension Fund Auditors with no matters that affect the Council's audit opinion. If that position changed members of committee would be notified through a follow-up letter.

There were no anticipated significant weaknesses in arrangements to report to members in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.

Members expressed their frustration at the delay from the Pension Fund which had caused Forvis Mazars to be delayed through no fault of their own.

Members AGREED to note the report.

AGC/35/25 Annual Statement of Accounts 2024/25

Officers presented to Members the Councils Annual Statement of Accounts for 2024/25. The report stated that it was a statutory requirement of the Accounts and Audit Regulations 2015 (as amended) that the audited 2024/25 Statement of Accounts were approved by Members of the Committee and published on the Council's website on or before the backstop date of 27th February 2026. In order to comply with the regulations, the Deputy Chief Executive & Director of Finance, Transformation and Performance and Chair of the Committee are required to sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

Officers informed members that as stated in the Forvis Mazars draft Audit Completion Report for 2024-2025, which was included in the meeting agenda papers, they were anticipating issuing an unqualified opinion on Stocktons (and group) accounts for the 2024/25 financial year.

Subject to receiving the Pension Fund Assurance from the Teesside Pension Fund Auditor's, with no matters that affect the Councils audit opinion. If that position changed Members of the committee would be notified through a follow-up letter from Forvis Mazars.

The recommendation outlined the report was for the Deputy Chief Executive & Director of Finance, Transformation and Performance and Chair of the Committee sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

Members Agreed the recommendation in the report.

AGC/36/25 Annual Governance Statement

Members were presented with the Annual Governance Statement for 2024/25, this report would be included alongside the Annual Statement of Accounts 2024/25 when they were published online.

Members had previously been presented with a draft version in June 2025, Officers advised that there had been no changes made to the document since then.

Members asked about the whistleblowing policy review mentioned in the report, and Officers explained that the policy was still in place but under review for improvements.

Members AGREED to approve the Annual Governance Statement.

AGC/37/25 Annual Report of the Audit Committee (Final)

Members were presented with a report which informed the Committee of the work of the Audit and Governance Committee during the 1st October 2024 to 30th September 2025 period. The Annual Report produced by the Chairman of the Audit and Governance Committee had been prepared in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018.

The report demonstrated how the Audit and Governance Committee had fulfilled its key functions and how it was fully committed to helping to improve the Council's governance and control environments. Members noted the report however the Chairman requested that Members contact him or Democratic services prior to the next scheduled meeting of the Audit and Governance Committee should they have any comments/queries.

RESOLVED that the report be noted.

AGC/38/25 Risk Management Update

Officers were presented with the Risk Management Update report, the purpose of the report was to inform members of the current status of the Council's strategic risks. The strategic risk registers primarily focussed on the achievement of objectives over the longer-term and could take a number of years to materialise.

Assessment was based on information currently available and was used to evaluate the potential for future risk and as such would be regularly reviewed as more information became available. The assessment of the risk should not be used as an indication of current performance it was just one element considered as part of the wider assessment of risks, other examples included financial certainty or potential changes that may be outside of the Councils control.

Officers highlighted that there were five risk areas with a red status they were as follows:

- Risk of failure to deliver transformation projected had entered a new phase and was expected to drop down from red quickly.
- Risk of not supporting SEND Children was undergoing a full audit to try and bridge the funding gap all members would be aware of.
- Risk of failure to effectively manage and maintain Council owned land and property assets, this was explained through the Council having a number of assets that required maintenance but would hopefully be able to move those assets quickly.
- Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP, Members were all aware of the budget strains that the Council was experiencing. And the work that was taking place to change that.
- Risk of not supporting children in our care to achieve appropriate outcomes in care.

Members enquired about the other risks listed in the report and if they corresponded to how likely they were to move into the red zone. Officers explained that Risks were grouped by the department or owner of the risk section.

Members AGREED to note the report.

AGC/39/25 Internal Audit Activity Report

Officers presented the Internal Audit Activity Report to members and noted that it would be the last time it would be presented in this format. A new system would be in place for the next meeting; Members were pleased to note that the switch would require no downtime for the system.

Audit testing results break down work undertaken in the previous period to provide members with an update on where audit resources had been employed and the results of that work. This would highlight any concerns raised in the period.

There had been 5 Red controls identified in the period. Members were reminded that testing frequencies were adjusted based on their status, controls rated as red were reviewed every 3 months. This may give the impression that the same issues were being raised each quarter whilst recommendations were actively being implemented, Officers monitored progress of implementation. The controls rated as Red in the period relate to NFI progress in Council Tax, DBS rechecks within one team in the council, Retention of Fit Notes and Children's Social Care referral rates. Work had already begun to improve the areas identified in the report.

Members AGREED to note the report.

AGC/40/25 Internal Audit Charter

Members were presented with a report which advised the Committee of the Internal Audit Charter and proposed approach to delivering the audit service for the coming financial year 2026 – 2027.

The Audit & Risk Manager reaffirmed to Members how the Audit Service would be delivered and confirmed the rights of access to Council documents. The Council met all the standards as set out in the statutory guidance.

RESOLVED that the report be noted.

AGC/41/25 Any Other Business

Members discussed the dates for the next municipal years meetings. It was agreed that due to a change in deadline that the May 2026 meeting would be moved to June 2026.

AGREED

Chair: ....