

Date:

Monday 28 September 2026 at 4.00 pm

Venue:

Council Chamber, 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 David Reynard, Cllr Mick Stoker and Cllr Marcus Vickers

Agenda

1. Livestreaming

This meeting will be filmed for live and / or subsequent broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items, and the footage will be on the website for 12 months. A copy of it will also be retained in accordance with the Council's data retention policy.

If you attend and make a representation to the meeting, you will be deemed to have consented to being filmed. When admitted to the Council Chamber you are also consenting to being filmed and to the possible use of those images and sound recordings for livestreaming and / or training purposes. If you do not wish to have your image captured, please contact Democratic Services prior to attending the meeting.

If there are any technical difficulties with the livestreaming, the meeting will still proceed.

2. Evacuation Procedure (Pages 07 - 08)

3. Apologies for Absence

4. Declarations of Interest

5. Minutes (Pages 09 - 14)

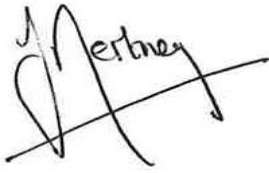
To approve the minutes of the last meeting held on Monday 29th June 2026.

6. Internal Audit Activity Report (Pages 15 - 22)

7. Risk Register Management Report (Pages 23 - 28)

8. Treasury Management Outturn Report 2025/26 (Pages 29 - 42)

9. External Audit Progress Report 25/26 (Pages 43 - 52)



Jonathan Nertney
Head of Democratic Services
Friday 18 September 2026

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

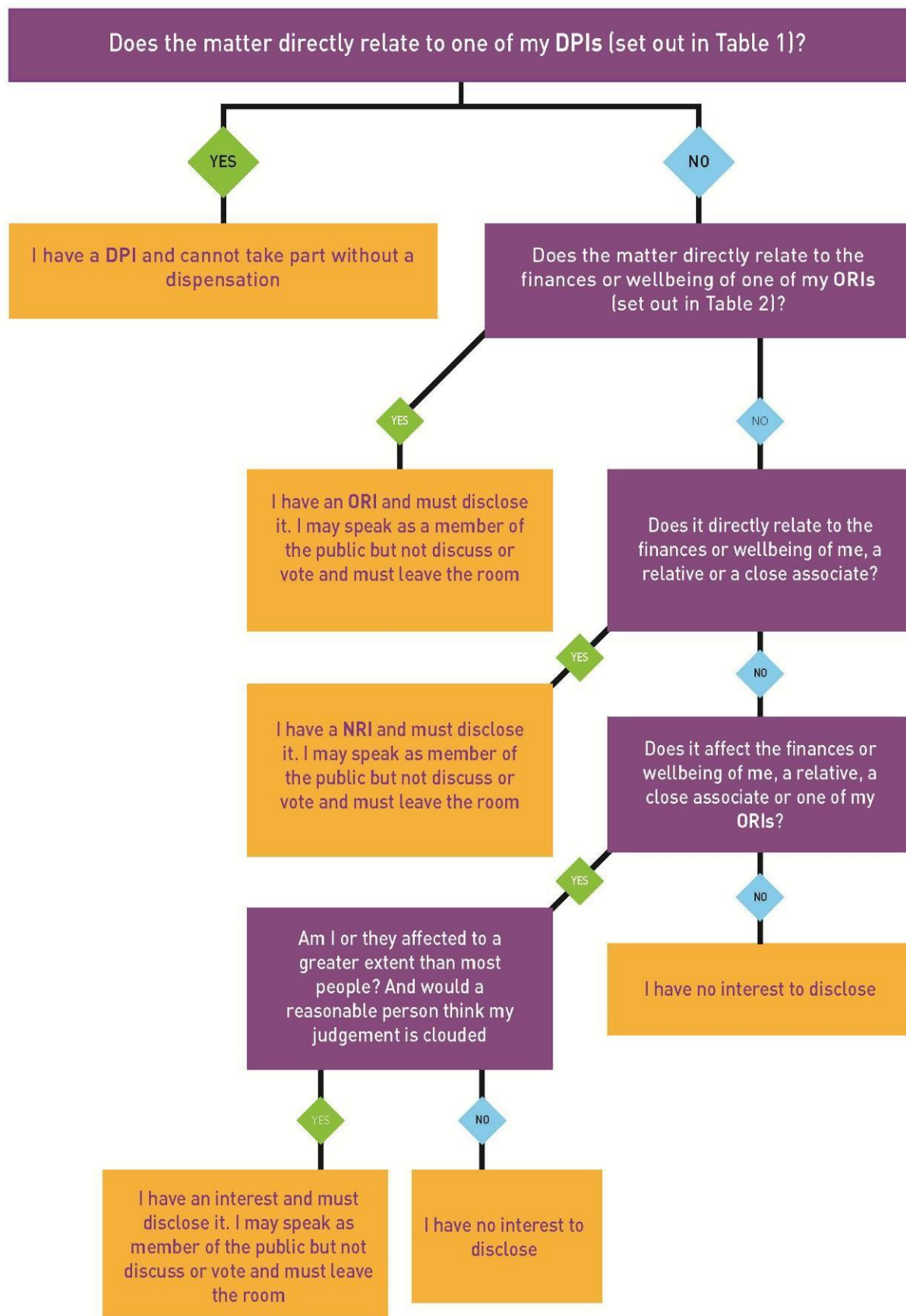


Table 1 - Disclosable Pecuniary Interests

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

Dunedin House Emergency Evacuation Procedure

In the event of an emergency alarm activation, everyone should immediately leave by the nearest available signed Exit route.

The main evacuation assembly point is the overflow car park, located across the road from Dunedin House.

Once there await further instructions.

- Do not re-enter the building under any circumstances without an “all clear” which should only be given by the Incident Control Officer.
- And please do not leave the area without permission.

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Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 29th June 2026.

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

Officers: Andy Bryson, Andrew Barber James Collins (Forvis-Mazars) and John Devine

Also in attendance: NA

Apologies: NA

AGC/1/26 Evacuation Procedure

The Evacuation Procedure was noted by Members.

AGC/2/26 Declarations of Interest

There were no declarations of interest.

AGC/3/26 Minutes

The minutes of the last meetings held on Monday 23rd February 2026 were agreed as a true record.

AGC/4/26 Risk Register Management Report Update

Members 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 three risk areas with a red status they were as follows:

- Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands. The primary cause of the change was a number of processes and procedural issues identified during the Ombudsman's investigation of a complaint and the high cost of placements. A full review of processes was being undertaken as part of actions agreed with the Ombudsman.

- Risk of failure to effectively deliver services within agreed budget and to maintain a balanced MTFP. Although some good progress had been made in reducing the MTFP gap as a result of positive outcomes from the Powering our Future programme, the future budget gap remained.
- Risk of supporting children in our care to achieve appropriate outcomes in care. This risk has increased from Amber to Red, primarily due to the costs of placing children exceeding the budget provision in the MTFP.

Members thanks Officers for the report and AGREED to note the update.

AGC/5/26 Health & Safety Report

The Health & Safety Report provided an update to Members on the e health, safety and wellbeing performance of the Council for the period 1 January 2026 – 31 May 2026. Officers highlighted the new layout of the report to Members; this had been done to make the data more easily understandable.

The main areas of concern were highlighted to members, the issue around Fire Risk was a long standing one which members were aware of from previous updates. It had occurred due a change in regulations, the Authority had completed the necessary inspections on those high-risk building since the last update. Two members of staff had also started training to enable the authority to complete all outstanding inspections.

Another section that was highlighted to members was the slight increase in the number of recorded accidents, there was no single reasons outlined in the report, but Officers believed that it linked to the new system being easier to report on.

Members supported that training of staff to undertake the Fire Risk inspections in future.

Members AGREED to note the report.

AGC/6/26 Internal Audit Annual Report

The Internal Audit Annual Report was presented to the Committee as required by the Global Internal Audit Standards (GIAS). The report included the Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. As such it formed an integral part of the formulation of the Council's Annual Governance Statement.

This report encompassed the reporting requirements specified in Standard 2060 & 2450 of the GIAS.

The report showed the current position in respect to progress against the 2025/26 planned work and the results of said work that had been undertaken. The Audit opinion had been prepared on the completed testing to date, and Officers were satisfied sufficient work had been completed to support an overall opinion to be given.

Officers also stated that they were satisfied that they had sufficient resources to support the planned audit work for the next 12 months.

Members AGREED to note the report.

AGC/7/26 Draft Annual Governance Statement

Members were presented with the Draft Annual Governance Statement. The Accounts and Audit Regulations 2015 require all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement to accompany its Statement of Accounts. The deadline for completion of the draft Statement of Accounts for 2025/26 is 31 January 2027 at which point they are subject to the external audit process.

The final Annual Governance Statement would be presented for approval by the Audit & Governance Committee alongside the Audited Statement of Accounts.

AGREED that the draft Annual Governance Statement for 2025/2026 be endorsed.

AGC/8/26 Draft Annual Statements of Accounts 2025/2026

Members received the Council's Draft Statement of Accounts for the financial year ending 31 March 2026.

The Council was required by law to produce a detailed Statement of Financial Accounts, which provided information to all stakeholders. The Statement explained in detail how the Council used its resources and, the net value of the Council (in terms of its assets, liabilities, and reserves).

The accounts had been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2025/2026" which was prepared under International Financial Reporting Standards.

The Accounts and Audit Regulations (England) 2015 came into effect on 1st April 2015. The regulations changed the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement. The Accounts and Audit (England) Regulations 2015 - Regulation 15, as amended by The Accounts and Audit (Amendment) Regulations 2021 required the council to publish the unaudited Statement of Accounts for the financial year ending 31 March 2026 by 30 June 2026.

The audited accounts deadlines for England were subject to backstop dates brought in to deal with the backlog of local audits. For the 2025/26 this date had been set as the 31st January 2027.

For the Publication of the unaudited statement of accounts, the requirement in the Accounts and Audit Regulations 2015 (as amended) was for the public inspection period to be commenced by 1 July. However, this commencement can only happen at the earliest the first working day after the unaudited accounts (and other specified documents) were published.

Based on the updated regulations it was the intention that following this meeting the period in which electors and interested persons have the right to examine the accounts, question the auditor and to make objections at audit would be set. This would be a period of 30 working days which will commence on 1st July and will end on 11th August 2026.

AGREED that the financial information and unaudited Statement of Accounts 2025/26 be noted, including the arrangements for public inspection and external audit.

AGC/9/26 External Audit Certificate Update 24/25

Officers from Forvis-Mazars explained to members that when the Accounts for 2024/2025 were signed off they had been unable to sign off the Audit Certificate. Forvis-Mazars had waiting for confirmation from the National Audit Office which had been received prior to this meeting, this would now enable them to sign off the Audit Certificate in the following weeks. There were no concerns to bring to members attention, only the update on the certificate sign off.

Members AGREED to note the update.

AGC/10/26 External Audit Strategy Memorandum 25/26

Members were taken through the External Audit Strategy Memorandum 2025/26 by Forvis-Mazars Officers, the report provided an overview of the planned scope and timing of the external audit, including the significant and enhanced audit risks Forvis-Mazars had identified. In addition, as it was a fundamental requirement that Forvis-Mazar were, and had been seen to be, independent of the Council this report also summarised Forvis-Mazars considerations and conclusions on their independence.

Officers took Members through the Audit scope, approach and timeline section of the report. It outlined the planning and risk assessment portion of the audit had begun in April/June 2026, with fieldwork being completed in July – October 2026. The next section was communication in October/November 2026 which would be when Forvis-Mazars would progress any issues that had arisen or share any identified significant weaknesses if not already highlighted. The completion section of the timetable was given as December/January 2027 but that was dependant on getting the pension fund assurance on time.

The Value for Money section of the report touched on the financial sustainability in Adult and Children's services. Forvis-Mazars had raised this in their 2024/2025 Auditors Annual Report highlighting the ongoing pressures and need to manage the 2025/26 with the revised MTFP. The Councils Powering Out Future Programme had already identified significant opportunities to deliver services in a more efficient manner which could deliver up to £9.9m in savings.

Members acknowledged the nation-wide strain on Adult and Children's services and supported the Councils actions to adhere to the revised MTFP.

AGREED to note the report.

AGC/11/26 Any Other Business

There was no other business to bring to the Committees attention.

AGC/12/26 Exclusion of the Press and Public

Members AGREED that under Section 100A of Part 1 of Schedule 12A of the Local Government Act 1972, the press & public were excluded from the meeting on the grounds that it is likely to discuss exempt information as defined in Paragraph 3 of the Act.

AGC/13/26 Internal Annual Report Supplementary Work Appendix

This item was restricted due to information relating to the financial or business affairs of the Authority by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Chair:

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 28 SEPTEMBER 2026

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 is shown in Appendix A to this report. The report is distilled into 5 sections:
 - Results of recent work, for this report it displays all results since 1 June 2026.
 - Overall Summary, this considers all of our results.
 - High, these are the results of testing considered high impact
 - Medium, these are the results of testing considered medium impact
 - Low, these are the results of testing considered low impact
3. The results of testing provides assurance that controls on the whole continue to be operating effectively. Where weaknesses have been identified we have confidence that improvements will be made as we have evidence that supports risks decreasing during follow-up work. There are currently no obvious trends in terms of root causes or themes that indicate any fundamental underlying issues with the control environment.
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 achieved our target completion rate for the period.

Quality, Assurance & Improvement Process

Period Covered	June 2026	to	September 2026
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Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	10
Presentation of Annual Report (Annual)	June	*
Presentation of Activity Report	Qtrly	*

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	*
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	8
Up to Date Audit Manual	March 2023	*

People		
Measure	Target	Performance
Productivity (Period)	70%	72%
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. A change in legislation introduces a new offence of “Failure to Prevent Fraud” which places some additional requirements specifically on the Anti-Fraud and Corruption Strategy and work is continuing to understand the changes required.

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

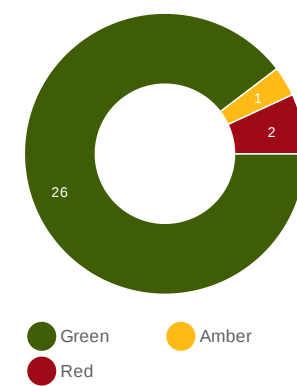
Email Address: andrew.barber@stockton.gov.uk

Internal Audit Update - Appendix A

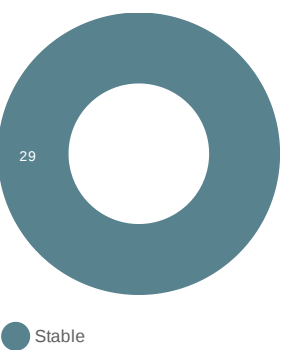
Report Commentary

There have been 2 Red Controls. The first relates to an on-going issue regarding the uploading of fit notes to the payroll system. Despite reminders being sent they are still not being uploaded, however when managers were contacted they were able to produce the documentation. The second relates to waste and recycling targets being achieved, the changes made to the waste collection process are not currently recognised in the figures that are available, improvement is expected. These are both considered low impact controls. The amber control is in relation to the planning of school places, at present we have good planning system and sufficient capacity generally however the concern is around the make-up of capacity with SEND requirements currently outstripping availability, there are projects in place to increase capacity for this type of placement.

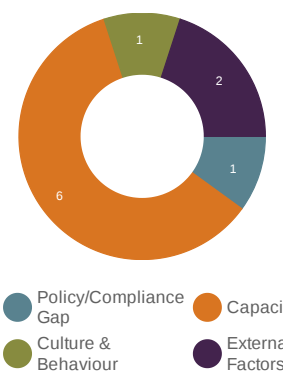
Recent Results - RAG



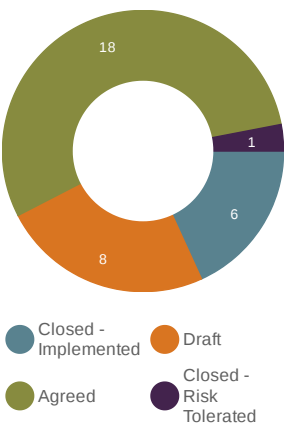
Recent - DoT



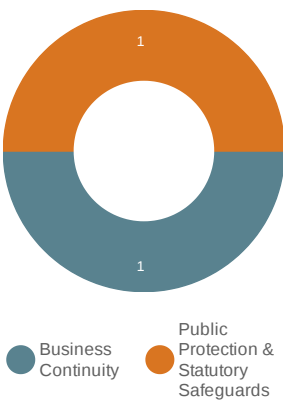
Recent - Root Cause



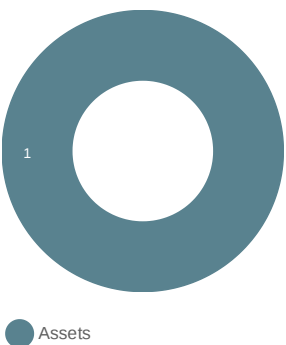
Recent - Recommendations



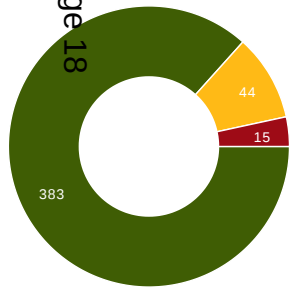
Recent - Red by Theme



Recent - Amber by Theme

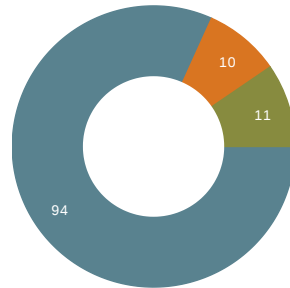


Overall



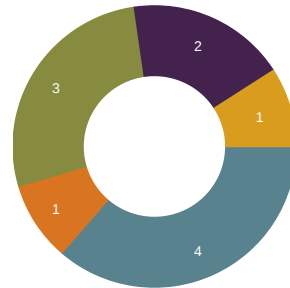
Green
Amber
Red

Direction of Travel



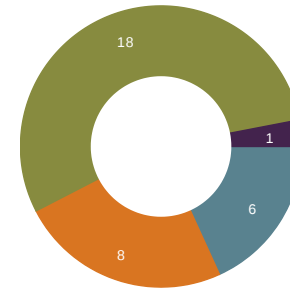
Stable
Risk Increasing
Risk Decreasing

Root Causes



Capacity & Resources
Policy/Compliance Gap
Culture & Behaviour
External/Environmental Factors
Training & Awareness

Recommendations

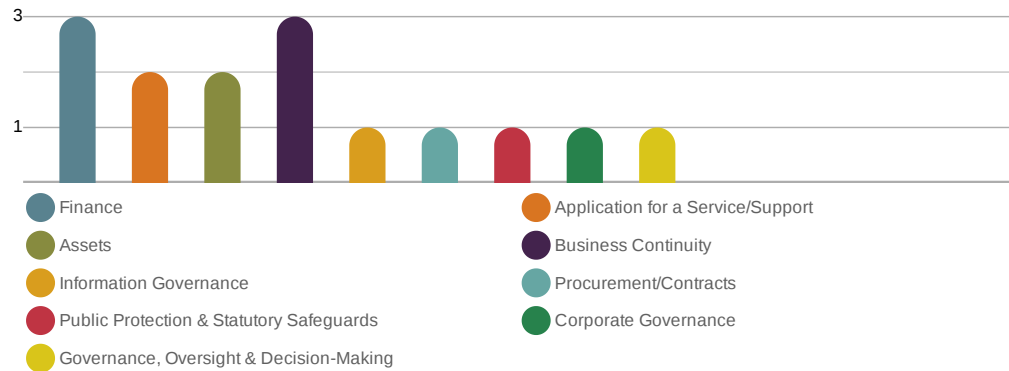


Closed - Implemented
Draft
Agreed
Closed - Risk Tolerated

Report Commentary

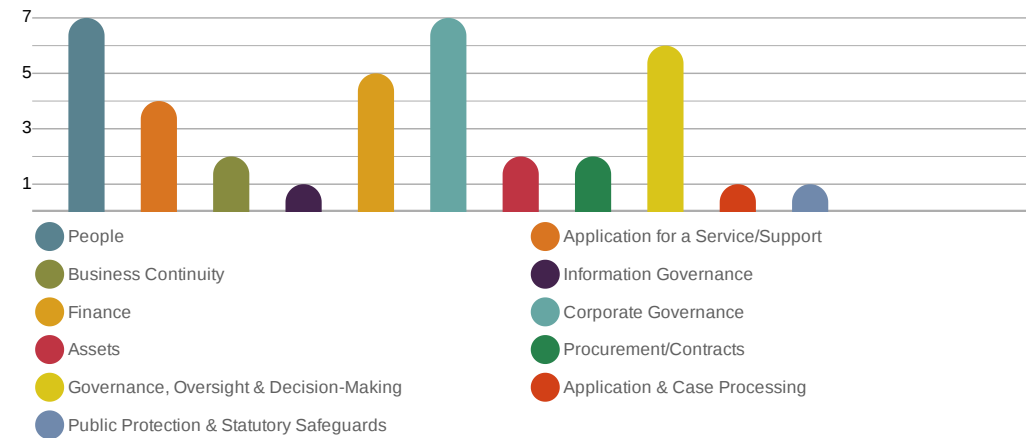
On the whole good levels of assurance are present. What the direction of travel tells us that action is being taken to reduce the levels of risk as issues are raised and whilst other risks have increased we have a degree of confidence that these will be addressed. What the root cause analysis and category breakdown are telling us that there are no clear singular causes for changes in the risk environment. This suggests there are no underlying fundamental issues which need to be brought to the attention of the committee at this time.

Red by Category



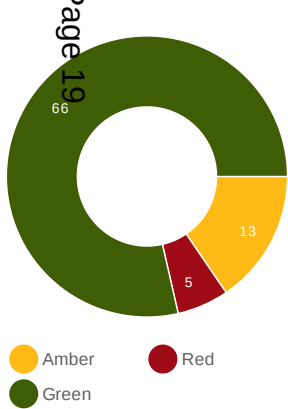
Finance
Assets
Information Governance
Business Continuity
Application for a Service/Support
Procurement/Contracts
Public Protection & Statutory Safeguards
Corporate Governance
Governance, Oversight & Decision-Making

Amber by Category

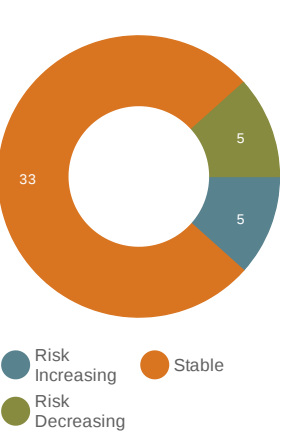


People
Business Continuity
Finance
Information Governance
Application for a Service/Support
Corporate Governance
Assets
Procurement/Contracts
Governance, Oversight & Decision-Making
Application & Case Processing
Public Protection & Statutory Safeguards

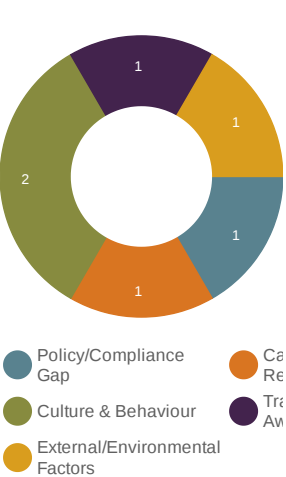
High Impact - RAG



Direction of Travel



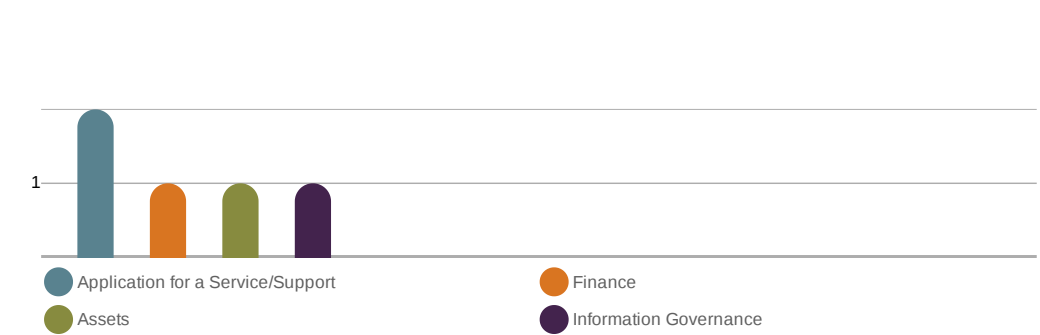
Root Causes



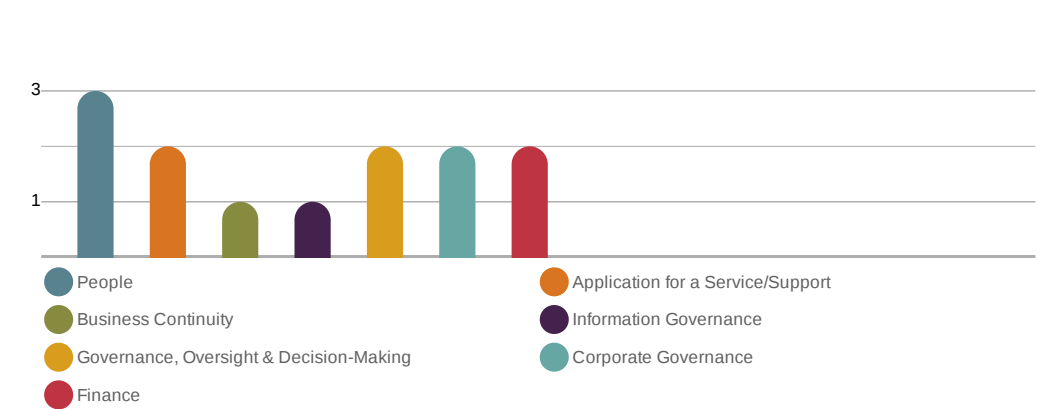
Report Commentary

Three of the Red controls are linked to findings relating to SEND discussed at the previous meeting, work is on-going to review processes and put plans in place to manage the Dedicated Schools grant deficit that currently exists. The remaining two relate to some delays in completing full bridge inspections, progress is due to be reviewed again in the next 6 months and the other relates to out of date internal documentation, the documents haven't been updated to reflect some data sharing arrangements however the relevant data protection controls are in place.

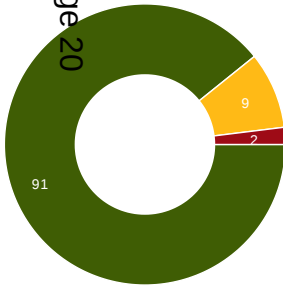
High Impact by Category - Red



High Impact by Category - Amber

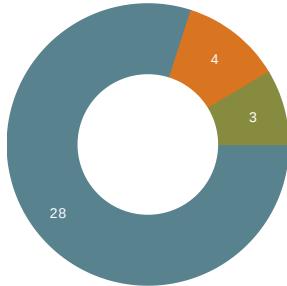


Medium Impact - RAG



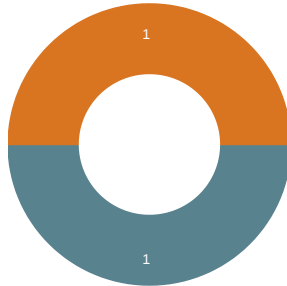
Green
Amber
Red

Direction of Travel



Stable
Risk Decreasing
Risk Increasing

Root Causes



External/Environmental Factors
Case Related

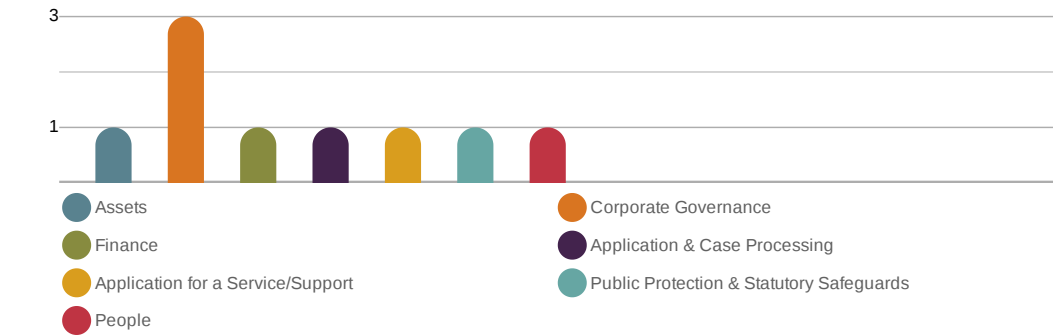
Report Commentary

In terms of the medium impact controls we have two reds. The first relates to the completion of mandatory information governance training in Children's services, the risk is decreasing and the completion numbers are increasing but they are still below the target. The second relates to the issues faced by Children's in being able to source suitable placements, which is a market level issue.

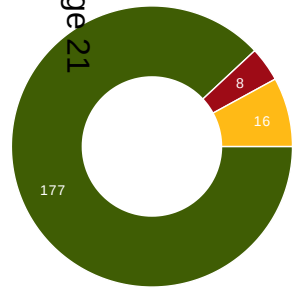
Medium Impact by Category - Red



Medium Impact by Category - Amber

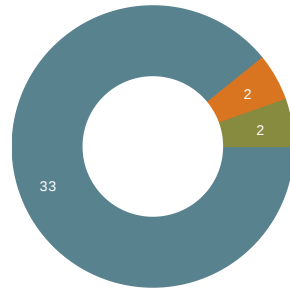


Low Impact - RAG



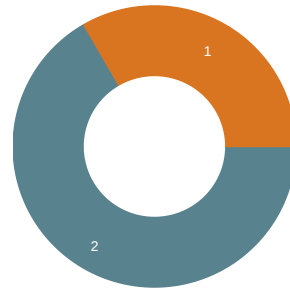
Green
Amber
Red

Direction of Travel



Stable
Risk Decreasing
Risk Increasing

Root Causes

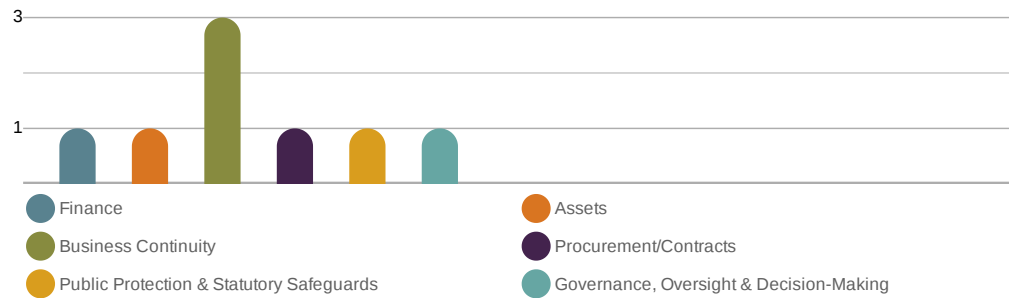


Capacity & Resources
Culture & Behaviour

Report Commentary

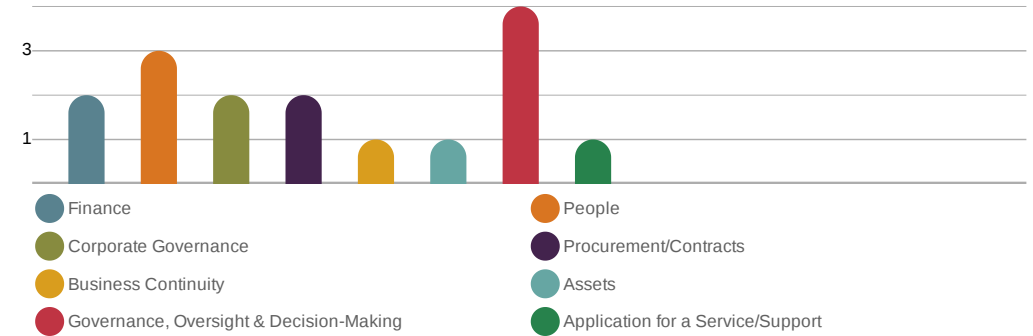
Other than what has already been discussed there are no issues to raise with members at this time. Generally controls in this impact category are more administrative in nature.

Low Impact by Category - Red



Finance
Assets
Business Continuity
Procurement/Contracts
Public Protection & Statutory Safeguards
Governance, Oversight & Decision-Making

Low Impact by Category - Amber



Finance
People
Corporate Governance
Procurement/Contracts
Business Continuity
Assets
Governance, Oversight & Decision-Making
Application for a Service/Support

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 28 SEPTEMBER 2026

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.

The risk rating reflects an assessment of whether current approaches are sufficient to manage future exposure. This sits alongside an explicit consideration of current performance pressures, incidents or service impacts, and inform the overall judgement

RECOMMENDATIONS

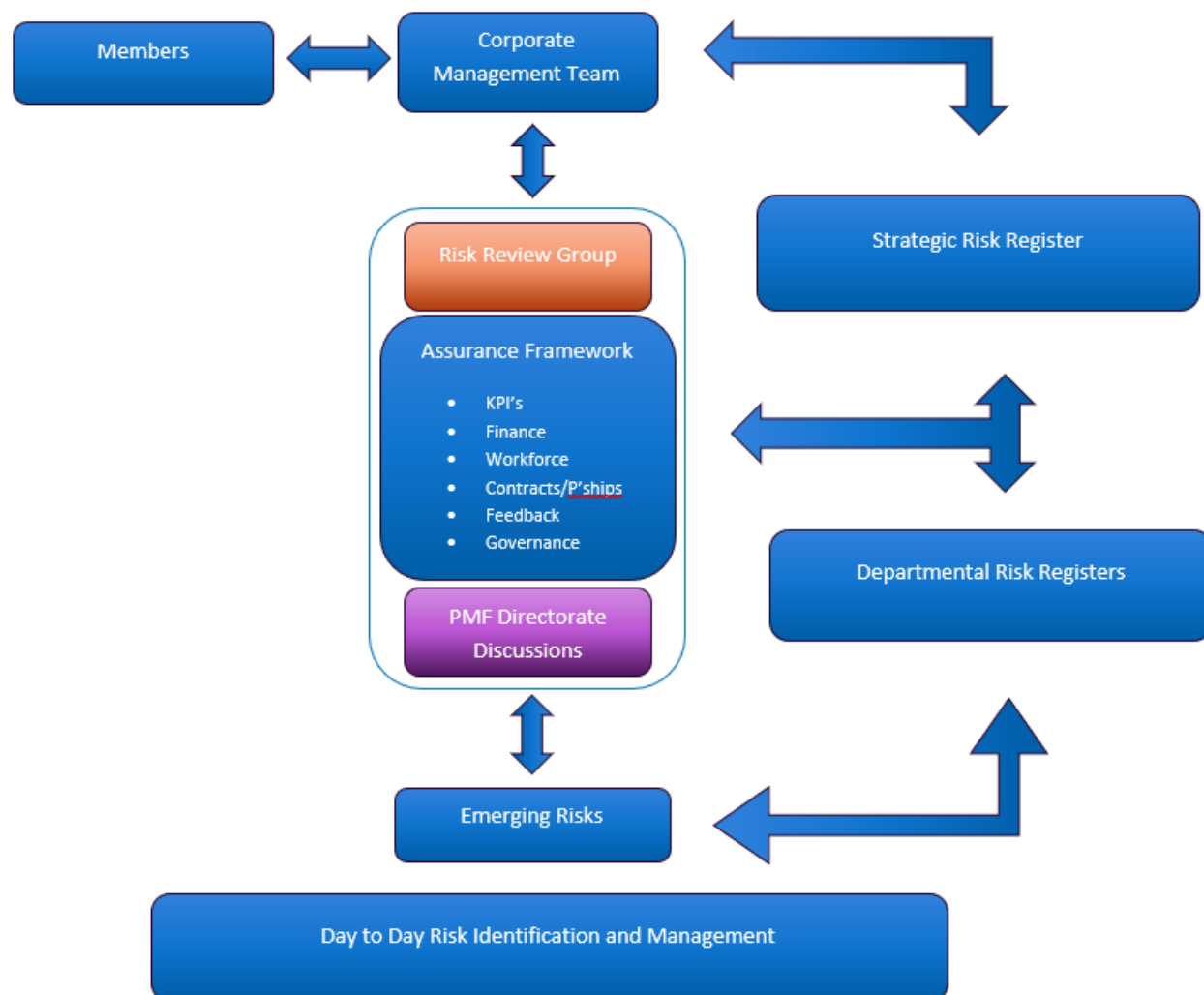
It is recommended that:-

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 the Council's strategic risks are long-term and structural in nature. These risks are expected to remain on the register and may not routinely be assessed as green. This does not represent failure; rather it reflects the continued relevance of these risks and the need for ongoing leadership oversight and assurance.
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 – There is a high degree of confidence that the current approach will not deliver the intended future outcome. Significant or immediate change is required to reduce future exposure, and failure to act would materially increase the impact or likelihood of adverse outcomes.
 - Amber – Based on current information, continuation of the existing approach may not be sufficient to achieve the intended future outcome. Change is likely to be required to reduce future exposure, but the nature, scale or timing of that change is still being developed or planned.
 - Green – The risk remains inherent but is well understood and actively managed. Controls and mitigations are effective, there are no significant gaps in assurance, and no escalation is required at this time.
5. The focus of this report is to update members on changes in risk levels since February:
 - 563 Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands. The primary cause of the change is a number of processes and procedural issues identified during the Ombudsman's investigation of a complaint and the high cost of placements. 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. Although some good progress has been made in reducing the MTFP gap as a result of positive outcomes from the Powering our Future programme, the future budget gap remains.
 - 559 – Risk of supporting children in our care to achieve appropriate outcomes in care. This risk has increased from Amber to Red, primarily due to the costs of placing children exceeding the budget provision in the MTFP.
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

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Full Strategic Risk Register

Page 26

ID	Description	Overall RAG	Direction of Travel
62	Risk of not supporting children in our care to achieve appropriate outcomes in care		Stable
65	Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands		Stable
79	Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP		Stable

ID	Description	Overall RAG	Direction of Travel
61	Risk of not supporting children who need help and protection	●	Stable
63	Risk of not delivering effective strategies that support care leavers to achieve appropriate outcomes	●	Stable
64	Risk of not supporting children maximise their potential in education	●	Stable
68	Risk that the effectiveness of public health leadership, commissioning and partnership working is insufficient to support sustained improvement in population health outcomes and reduction in health inequalities.	●	Stable
69	Risk of failure to support vulnerable households to find suitable accommodation (including homelessness care leavers LD)	●	Stable
71	Risk of failure to enable a growing economy to maximise business growth	●	Stable
72	Risk of loss of local control over planning and built environment decision-making due to failure to adopt and maintain an effective Local Plan.	●	Risk Decreasing
73	Risk of failure to enable effective highways and transport infrastructure	●	Stable
74	Risk of failure to deliver transformation projects	●	Risk Decreasing
76	Risk of failure to effectively support our workforce to enable them to meet the challenges faced by the council and our residents	●	Stable
77	Risk of failure to effectively manage and maintain Council owned land and property assets	●	Risk Decreasing
80	Risk that governance, accountability and assurance arrangements are insufficient to maintain public trust, regulatory confidence and effective organisational oversight.	●	Stable
81	Risk of failure to maximise the use of Council owned vehicles and transport assets	●	Risk Increasing
82	Risk that the effectiveness of climate leadership, policy implementation and partnership activity is insufficient to reduce carbon emissions and mitigate climate impacts.	●	Stable
83	Risk of failure to deliver a waste service which reduces the amount of waste to Energy From Waste whilst increasing levels of recycling.	●	Risk Decreasing

ID	Description	Overall RAG	Direction of Travel
66	Risk of failure to establish and maintain safe systems of care for adults		Stable
67	Risk of failure to manage and deliver good quality sustainable care and support to vulnerable adults		Stable
70	Risk of people not feeling safe in their communities		Stable
75	Risk of failure to provide robust and resilient ICT infrastructure and systems making effective use of new/emerging technologies		Stable
84	Risk of failure to plan and deliver large scale capital projects		Stable
88	Risk of failure to communicate effectively with residents communities and partners		Stable
90	Failure to deliver services to support business growth through developing appropriate skills within the borough		Risk Decreasing

AGENDA ITEM.

**REPORT TO AUDIT &
GOVERNANCE COMMITTEE**

28th SEPTEMBER 2026

**REPORT OF THE CHIEF
FINANCIAL OFFICER**

TREASURY MANAGEMENT STRATEGY – ANNUAL REPORT 2025/26

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 2025.

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 2025/26 was approved at Council on the 19th February 2025. 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 19th February 2025.

External Context

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

Economic background: The financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff 'Liberation Day' in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.

After the initial fallout from US trade tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK, this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the government's fiscal position and autumn Budget saw 'term premia' rise as investors demanded a higher return for holding gilts.

The Budget itself was more muted than had been expected. Despite a weak economic outlook, this helped UK markets perform better with gilt yields trending downwards, inflation easing, and expectations for cuts in Bank of England (BoE) Bank Rate increasing.

The end of February 2026 saw the start of the war between US/Israel and Iran. The conflict caused oil and other commodity prices to rise sharply as the shipping lanes in the region became effectively closed, restricting global oil supply. At the end of the period, the economic outlook remained highly uncertain in terms of its impact on inflation as well as countries' fiscal and monetary policy conditions around the globe.

Prior to the start of the war, headline UK consumer price inflation (CPI) had generally been trending downwards, albeit the 3% in February 2026 was unchanged from January. Core CPI also stayed put at 3.1%. Inflation was expected to fall further over the coming months to the BoE's 2% target, but the war changed this. Inflation is now expected to rise again, but how quickly and by how much depends on the duration of the war and how long commodity prices are elevated.

The Office for National Statistics (ONS) reported the UK economy expanded by 0.1% in Q4 2025. This followed previous modest gains of 0.2% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP showed no growth in January 2026. As this is from before the war started the impact on growth will not be seen formally in the data for a couple more months.

While the most recent labour market figures were slightly better than expected, the general trend has been one of persistent weakness. In the three months to January 2026, the unemployment rate rose to 5.2% (from 5.1%), while the employment rate held at 75.1%. Despite inflation being expected to rise in the coming months, labour market conditions remain loose and so any upward pressure on wages from general inflation is likely to be tempered by the weaker labour market environment.

After cutting Bank Rate to 3.75% in December 2025, the BoE's Monetary Policy Committee (MPC) voted 5-4 to hold rates in February 2026 and then unanimously to do so again in March. Until the war started, financial markets were expecting Bank Rate to be cut to 3.5% at the March meeting. However, the conflict in the Middle East quickly changed this. The MPC noted the risks to both inflation and growth and indicated they could move rates either up or down depending on the conditions. Financial markets quickly responded to this by pricing in rate hikes.

Following the March MPC meeting, Arlingclose, the authority's treasury adviser, revised its central interest rate view and now predicts Bank Rate will be held at 3.75%. However, the conflict makes the outlook for rates highly uncertain. In the short-term the risks are to the upside with the chance of higher Bank Rate should the MPC decide it wishes to quickly quash potential second-round effects from higher inflation. Further out, if Bank Rate is hiked quickly, the pace and magnitude of subsequent cuts could take it far lower than was previously anticipated as policymakers add significant stimulus to a much weaker economic growth outlook.

Financial markets: After declining sharply early in the financial year following the announcement of US tariffs, sentiment in financial markets had improved but equity and bond markets remained volatile throughout. However, the latter part of the period was dominated by the US/Israel war with Iran, which saw equity markets fall sharply, and bond yields rise as concerns over the inflationary impact from sharply higher oil and other commodity prices outweighed the flight-to-quality into government bonds often seen in conflicts.

Equity markets had been registering gains after the declines during the April sell-off, but the war reversed this and markets saw another sharp drawdown. Both the FTSE 100 and 250 fell by around 10% over the month from the start of the conflict to the end of the financial year.

The period saw significant volatility in gilt yields. The 10-year UK benchmark gilt yield started the year at 4.65% and ended at 4.86%. However, over this time the 10-year yield hit a low of 4.23% and a high of 4.95% in the space of a month. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.45% with a low and high of 4.92% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.01% over the 12 months to 31st March.

Credit review: Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

After spiking in April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices had trended down before picking up modestly in October and November. After declining again in December and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

Financial market volatility is expected to remain, and CDS 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 2026 the Council had net borrowing of £138.32m 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

	31.3.25 Actual £m	2025/26 Movement £m	31.3.26 Actual £m
General Fund CFR	195.86	6.41	202.27
Less: Other debt liabilities	(9.15)	0.01	(9.14)
Borrowing CFR	186.71	6.42	193.13
Less: Usable reserves	(86.15)	(2.47)	(88.62)
Less: Working capital	10.87	22.95	33.82
Net Borrowing / (Investments)	111.43	26.89	138.32

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 £24m.

The treasury management position on 31st March 2026 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.25 Balance £m	2025/26 Movement £m	31.3.26 Balance £m
Long-term borrowing	86.07	7.56	93.63
Short-term borrowing	64.71	10.64	75.35
Total borrowing	150.78	18.20	168.97
Long-term investments	13.28	(0.00)	13.28
Short-term investments	0.00	0.00	0.00
Cash and cash equivalents	26.07	(8.70)	17.37
Total investments	39.35	(8.70)	30.65
Net Borrowing / (Investments)	111.43	26.89	138.32

During the year, long term loans increased by £7.56m and short-term loans by £10.64m. This along with the reduction in cash and cash equivalents of £8.7m resulted in a net increase in borrowing of £26.89m. Details of the new long-dated loans are shown in the table below.

Table 2a: Long-dated Loans borrowed

Long-dated Loans borrowed	Amount £m	Rate %	Period (Months)
PWLB EIP Loan - Oct 2025	20.0	4.57	48
PWLB Maturity Loan - Feb 2025	10.0	4.59	48
PWLB EIP Loan - Feb 2025	10.0	4.31	18
Total borrowing	40.0		

Overall total borrowing increased from £150.78m as on 31st March 2025 to £168.97m as at 31st March 2026.

Dedicated Schools Grant

There is a statutory override in England (capital finance regulation 30L) that requires local education authorities that incur expenditure on their school's 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 2025/26 financial year the Council had an overall accumulative deficit of £17.1m 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 costs are charged to the Council's general fund. The cost of this borrowing in year was up to £500k.

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 £14.890m in commercial investments (2024-25 £18.322m) 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 to 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.

Gilt yields slightly decreased over most of the period; reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK governments fiscal

position following tax rises in the autumn budget. Subsequent to the war in the Middle East however, gilt yields saw a rapid rise to above the yield at the beginning of the financial year.

The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.72% at the end. The lowest available 10-year maturity certainty rate was 5.13% and the highest was 5.88%. Rates for 20-year maturity loans ranged from 5.71% to 6.37% during the period, and 50-year maturity loans from 5.46% to 6.24%. The cost of short-term borrowing from other local authorities has been similar to or a little above Base Rate for most of the period, with interest rates between 4.0% and 4.5%. However, as is commonly seen, rates rose higher towards the end of the financial year, with rates of 5.0% - 7.0% being seen.

At 31st March 2026 the Council held £168.97m of loans, an increase of £18.19m 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

	31.3.25 Balance £m	2025/26 Movement £m	31.3.26 Balance £m	Average Rate %	31.3.26 WAM* years
Public Works Loan Board	73.39	37.77	111.16	4.74%	3.0
Banks (LOBO)	16.00	0.00	16.00	4.87%	11.4
Local Authorities	61.39	(19.58)	41.81	4.70%	0.0
Banks (fixed-term)	0.00	0.00	0.00	0.00%	0.0
Total borrowing	150.78	18.19	168.97	4.77%	3.3

**Weighted average maturity*

On 1st April 2025 the Authority held £16m 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 interest rates have risen, there is an increased probability of call options on the LOBOs being exercised by lenders

Treasury Management 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

	31.3.25 Balance	Net Movement	31.3.26 Balance	31.3.25 Income Return
	£m	£m	£m	%
Banks & building societies	0.57	-0.51	0.06	3.70
Government (incl. LA's)	0.00	0.00	0.00	0.00
Money Market Funds	22.30	-5.00	17.30	3.85
Pooled Property funds	13.28	-0.01	13.27	4.13
Total investments	36.15	-5.52	30.63	

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 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025 and to 3.75% in December 2025. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.78% and 4.20% and money market rates between 4.04% and 4.26%.

The progression of risk and return metrics are shown in the extracts from Arlingclose's 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
31.03.2025	4.58	A+	87%	2	4.28%
30.06.2025	4.58	A+	87%	2	4.48%
30.09.2025	4.69	A+	100%	1	4.36%
31.12.2025	4.67	A+	100%	1	4.41%
31.03.2026	4.69	A+	100%	2	4.16%
Similar LA's (31.03.26)	4.63	A+	78%	80	4.69%
All LAs (31.03.26)	4.60	A+	64%	10	4.46%

*Weighted average maturity

Externally Managed Pooled Funds: £13.27m (based on 31.3.26 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 £0.620m (4.13%) (£0.664m 2024-25) which is used to support services in year.

UK commercial property experienced a more stable backdrop than in the most difficult period following the sharp rise in yields in 2022 and 2023. Lower interest rate expectations and a firmer tone in markets for much of the year helped support valuations, although capital values were broadly flat overall. Income remained the main driver of returns, with rental income providing a relatively resilient contribution.

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 the Ministry for Housing Communities and Local Government (MHCLG) wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. The statutory override has been extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override does not apply to any new investments taken out on or after 1st April 2024. The Authority had set up a reserve to mitigate the impact of the statutory override not being extended. Given current budgetary pressures and the extension of the override, the authority decided to release £0.962m from this reserve in the prior financial year.

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) 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 £15.109m of such investments in;

- directly owned property £14.890m
- loans to local businesses £0.015m
- other £0.204m

These investments generated £0.917m of investment income for the Council after taking account of direct costs in 2025/26, representing a rate of return of 6.16%.

Compliance

The Chief Financial Officer reports that 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

	2025/26 Maximum	31.3.26 Actual	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied
Borrowing	168.97	168.97	224.50	239.40	✓
PFI & finance leases	9.14	9.14	9.20	9.20	✓
Total debt	178.11	178.11	233.70	248.60	✓

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 2025/26. Compliance with specific investment limits is demonstrated in Table 7 below.

Table 7: Investment Limits

	2025/26 Maximum	31.3.26 Actual	2025/26 Counterparty Limit	2025/26 Financial Limit	Complied
The UK Government	£32.9m	£0.0m	Unlimited	N/A	✓
Local authorities & other government entities	£0m	£0m	£5m	Unlimited	✓
Secured investments	£0m	£0m	£5m	Unlimited	✓
Banks (unsecured)	£1.82m	£0.057m	£2.5m	Unlimited	✓
Building societies (unsecured)	£0m	£0m	£2.5m	£5m	✓
Registered providers (unsecured)	£0m	£0m	£2.5m	£12.5m	✓
Money market funds	£25m	£17.3m	£5m	Unlimited	✓
Strategic pooled funds	£13.31m	£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

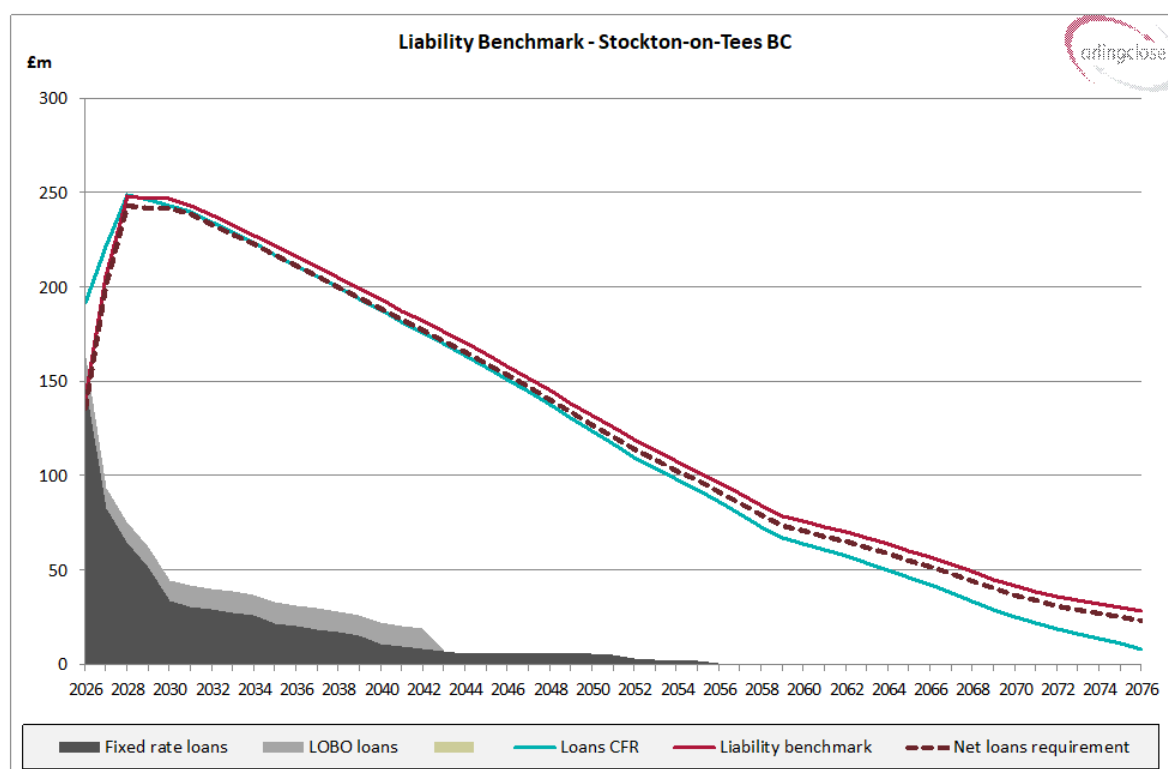
As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Maturity Structure of Borrowing: This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest

risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £5m required to manage day-to-day cash flow

	31.3.26 Actual £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	191.8	221.6	249.2
Less: Balance sheet resources	-55.9	-20.9	-5.8
Net loans requirement	135.9	200.7	243.4
Plus: Liquidity allowance	5	5	5
Liability benchmark	140.9	205.7	248.4
Existing borrowing	-166.5	-93.6	-75.8

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £249.2m a year, minimum revenue provision on new capital expenditure based on a 25 - 50 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



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:

	31.3.26 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	45%	50%	0%	✓
12 months and within 24 months	11%	60%	0%	✓
24 months and within 5 years	20%	70%	0%	✓
5 years and within 10 years	6%	80%	0%	✓
10 years and above	19%	100%	0%	✓

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:

	2025/26	2026/27	2027/28
Actual principal invested beyond year end	£13.28m	£13.28m	£13.28m
Limit on principal invested beyond year end	£60m	£50m	£40m
Complied	✓	✓	✓

Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Prudential Indicators Outturn 2025/26

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	2025/26 Estimate £m	31.03.26 Actual £m	Difference £m
Total Expenditure	94.53	51.2	(43.35)
Capital Receipts	2.62	0.62	(2.00)
Grants & Contributions	62.0	43.57	(18.46)
Revenue	6.8	0.07	(6.73)
Borrowing	23.1	6.93	(16.16)

Total Financing	94.53	51.19	(43.35)
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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	2025/26 Estimate £m	31.03.26 Actual £m	Difference £m
General Fund	209.28	202.27	(7.01)

There was a difference of £7.01m 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 2026 was as follows:

Debt	31.03.26 Estimate £m	31.03.26 Actual £m	Difference £m
Borrowing	181.47	168.97	(12.50)
Finance leases	6.75	6.59	(0.16)
PFI liabilities	2.45	2.55	0.10
Total Debt	190.67	178.11	(12.56)

Gross Debt and the Capital Financing Requirement: Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below;

Debt and CFR	31.03.26 Estimate £m	31.03.26 Actual £m	Difference £m
Total debt	190.67	178.11	(12.56)
Capital financing requirement	209.28	202.27	(7.01)
Headroom / (Under Borrowed)	(18.61)	(24.16)	(5.55)

Total debt during the year remained below the CFR. At the 31st March the Council was under borrowed by £24.16m.

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	31.03.26 Boundary £m	31.03.26 Actual Debt £m	Complied
Borrowing	224.50	168.97	✓
Other long-term liabilities	9.20	9.14	✓
Total Debt	233.70	178.11	✓

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	31.03.26 Limit £m	31.03.26 Actual Debt £m	Complied
Borrowing	239.40	168.97	✓
Other long-term liabilities	9.20	9.14	✓
Total Debt	248.60	178.11	✓

Proportion 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 2026.

Ratio of Financing Costs to Net Revenue Stream	31.03.26 Estimate %	31.03.26 Actual %	Difference %
Financing Costs £m	9.021	7.777	-1.244
Proportion of net revenue stream	3.2%	2.7%	-0.5%

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Audit Progress Report

Stockton-on-Tees Borough Council –Year ended 31 March 2026

September 2026

Contents

1. [Audit progress](#)
2. [National publications](#)

01

Audit progress

Audit progress

Purpose of this report

This report updates the Audit and Governance Committee on the progress made in delivering our external audit responsibilities for Stockton-on-Tees Borough Council.

- Section 1 outlines the current audit status and highlights the key areas under review as part of our ongoing risk assessment.
- Section 2 provides updates on developments during the current year, along with forthcoming accounting and other relevant issues.

Audit for the year ended 31 March 2026

We presented our Audit Strategy Memorandum for the Council in June. The Audit Strategy Memorandums set out our planned audit approach, including details of the risks we have identified in relation to the audit. We have completed our planning work and have identified no matters to indicate a change in our planned audit approach.

On receipt of the draft financial statements, we undertook a review to determine whether any changes were required to our planned audit approach, no changes have been identified. We also reviewed our materiality levels based on the draft financial statements:

	£000
Overall materiality	13,224
Performance materiality	9,918
Clearly trivial	397

Our accounts audit is currently in progress and at this stage, we have not identified any significant issues. We experienced delays in receiving responses from management on our valuation of land and buildings work (including judgements made and approach to indexation in line with the new amendments to the Code), we are currently working through the paper which was provided 9th September 2026 to assess the appropriateness of the approach taken by the Council.

We anticipate that the Teesside Pension Fund assurance will be received by the end of December 2026, with the backstop date being 31 January 2027.

We have been unable to progress our Value for Money work as we are currently awaiting the Council's Value for Money self-assessment.

02

National Publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1	Code Of Practice On Local Authority Accounting In The United Kingdom 2026/27	The 2026/27 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2026
2	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)
3	CIPFA Bulletin 23 – Closure of the 2025/26 financial statements	Bulletin covers the closure of accounts for 2025/26
Government		
4	Rewiring the State	Cabinet statement - On 31 July, the government released a policy paper entitled “Rewiring the State” that sets out government’s intention to transfer significant amounts of power and funding to local leaders.
5	Whole of Government Accounts (WGA) 2024/25	The C&AG has now certified the Whole of Government Accounts 2024/25 and issued a disclaimed opinion.
National Audit Office		
6	Devolution in England: funding and accountability	The NAO has published its report Devolution in England: funding and accountability which assesses whether the Ministry of Housing, Communities & Local Government (MHCLG) is implementing devolved arrangements.

National publications and technical updates

CIPFA

1. 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.

[CIPFA Code of Practice 2026/27 | CIPFA](#)

2. 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](#)

3. 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](#)

National publications and technical updates

Government

4. Rewiring the state – Cabinet Statement

On 31 July, the government released a policy paper entitled “Rewiring the State”. The paper sets out government’s intention to transfer significant amounts of power and funding to local leaders.

While the detail underlying the initial policy paper is yet to be announced, the changes are likely to impact of the funding and accountability structures for both central government and at a more local level..

[rewiring-the-state-cabinet-statement](#)

5. Whole of Government Accounts (WGA) 2024/25

The C&AG has now certified the Whole of Government Accounts 2024/25 and issued a disclaimed opinion. The basis for the disclaimed opinion is set out in the link above.

Audit certificates marking completion of local government audits for 2024/25 can now be issued where they have been left open because of awaiting confirmation from the C&AG regarding WGA 2024/25.

We issued the certificates closing the 2024/25 accounts for Middlesbrough Council on 29 June 2026.

National publications and technical updates

National Audit Office

6. Devolution in England: funding and accountability

The NAO has published its report *Devolution in England: funding and accountability* which assesses whether the Ministry of Housing, Communities & Local Government (MHCLG) is implementing devolved arrangements – with a particular focus on funding and accountability – in a way that supports improved outcomes for local people. It does not cover wider issues such as workforce skills, economic growth or local government reorganisation. The report is set out as follows:

- Part One sets out the recent history of English devolution and explains the further changes planned.
- Part Two examines devolved funding and powers.
- Part Three assesses the arrangements for accountability and scrutiny.

The report concludes that MHCLG and HM Treasury are implementing Integrated Settlement funding in a way that stakeholders regard as a significant step forward. Mayoral Strategic Authorities (MSAs) are starting to take the opportunity presented by this new approach to be more creative and to think in a longer-term way about the programmes they deliver. These arrangements have the potential to deliver better value for money as they are rolled out more widely.

At the same time, the reporting burden on MSAs to demonstrate what they have delivered with much of the Integrated Settlement funding they receive is currently greater than initially envisaged. And the way the current framework will address underperformance has not yet been tested. As a result, there are questions about future capacity, both within local and central government bodies, as new MSAs are brought on board and engage with government departments over their Integrated Settlements and Outcomes Frameworks.

The accountability mechanisms for central government funding are well established and important. But there is a clear tension between departments' responsibilities and the ambition of the English Devolution White Paper that central government should end the top-down micromanagement of decisions and approaches by local leaders and replace it with a principle of locally accountable autonomy.

This tension will need to be resolved, and local accountability arrangements substantially strengthened and tested, before the devolution of funding and accountability can be considered to be working effectively to support improved outcomes for local people.

[devolution-in-england-funding-and-accountability](#)

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