Stockton-on-Tees BOROUGH COUNCIL
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Audit and Governance Committee

Agenda

Date:
Monday 30 November 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

3. Apologies for Absence

4. Declarations of Interest

5. Minutes (Pages 07 - 10)

To approve the minutes of the last meeting held on Monday 28th September 2026.

6. Internal Audit Activity Report (Pages 11 - 18)

7. Risk Management Update (Pages 19 - 24)

8. Health & Safety Report (Pages 25 - 26)

9. Anti-Fraud and Corruption Report (Pages 27 - 42)

10. External Audit - Audit Progress Report (TO FOLLOW)

11. External Audit - Draft Auditor's Annual Report (TO FOLLOW)

12. Treasury Management Mid Term Review (Pages 43 - 54)

13. Annual Report of the Audit Committee (Pages 55 - 60)



Jonathan Nertney
Head of Democratic Services
Friday 20 November 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.

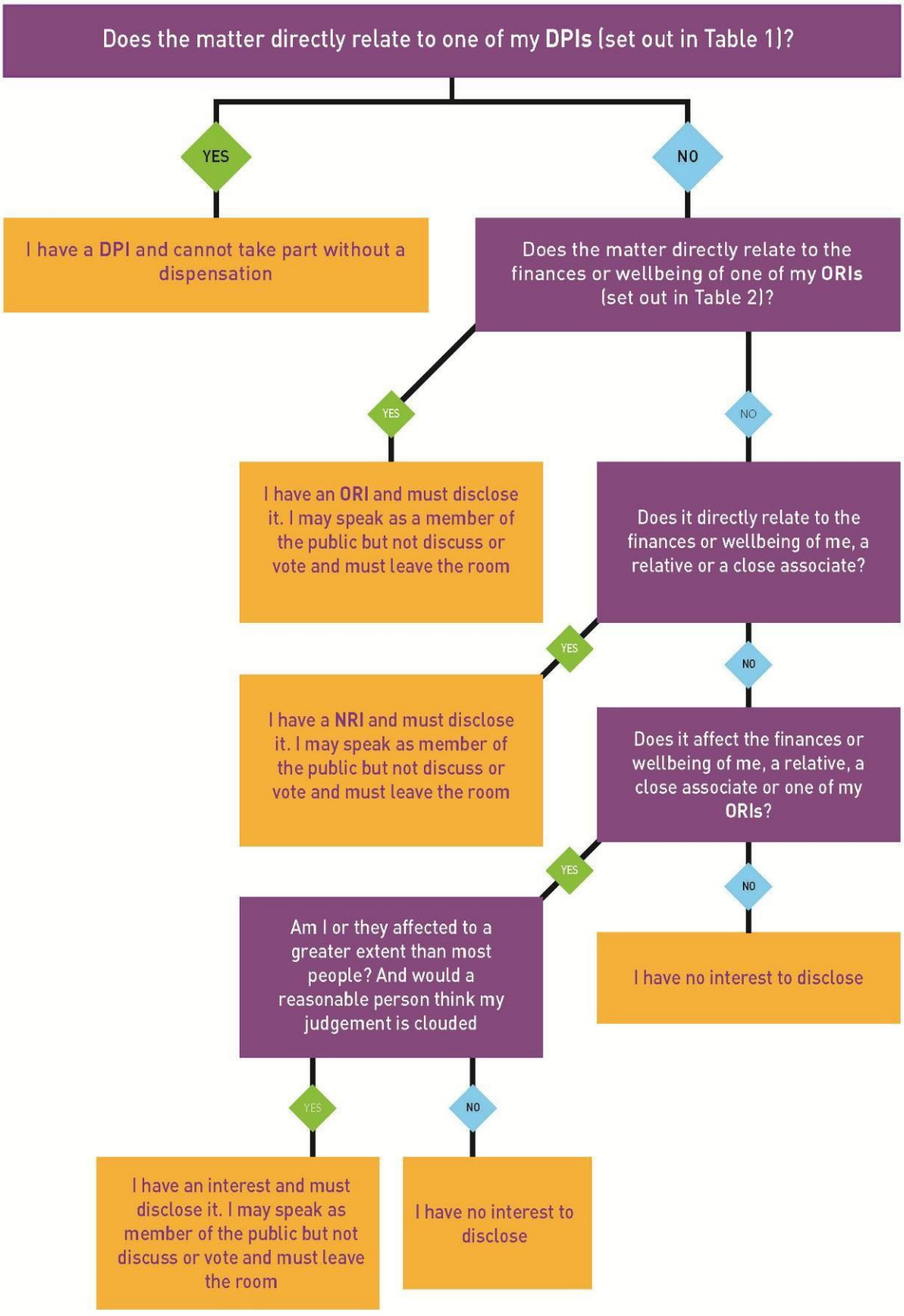
Contact: John Devine, Democratic Services Officer on email john.devine@stockton.gov.uk

Stockton-on-Tees BOROUGH COUNCIL

Key – Declarable interests are :-

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

Members – Declaration of Interest Guidance



Stockton-on-Tees BOROUGH COUNCIL

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 Registerable 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

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 28th September 2026.

Present: Cllr Barry Woodhouse (Chair), Cllr Stefan Houghton (Vice-Chair), Cllr Carol Clark, Cllr Mohammed Mazi, Cllr Mick Stoker, Cllr John Coulson (Sub for Cllr Vickers) and Cllr Barbara Inman (Sub for Cllr Johnson)

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

Also in attendance:

Apologies: Cllr Eileen Johnson, Cllr Ross Patterson and Cllr Marcus Vickers

AGC/14/26 Livestreaming

The Chair announced to those present that the meeting would be live streamed.

AGC/15/26 Evacuation Procedure

The Evacuation Procedure was noted.

AGC/16/26 Declarations of Interest

There were no declarations of interests.

AGC/17/26 Minutes

The Minutes of the previous meeting held on Monday 29th June 2026 were agreed as a true record and signed by the Chair.

AGC/18/26 Internal Audit Activity Report

Members were presented with the Internal Audit Activity Report that informed members of the progress of the audit testing and present a forward plan of testing and the resources available to meet the plan to support the assessment of risk.

Officers highlighted two red controls in the first section their report, they were related to an ongoing issue regarding the uploading of fit notes to the payroll system. The second related to waste and recycling targets being achieved. The fit note issue had been raised with managers who were able to produce the documents when requested but had not uploaded correctly. With regards to the waste and recycling targets that was due to the changed waste collection process that was not currently recognised in the figures that were available, Officers expected the figures to improve. Both red controls were considered as low impact.

The levels of assurance shown in the report to Members were mostly green across the board, this showed that actions had been taken to reduce levels of risk as they had

occurred. Officers were confident that those risk levels which had increased would be addressed. From the breakdown and root cause analysis it was clear that there were no singular causes for changes in the risk environment. This suggested that there were no underlying fundamental issues to be brought to the committee's attention.

Officers also discussed three red controls in the High Impact section of the report which had been highlighted in the report, the first was related to SEND which members would be aware of from previous meetings. The second related to some delays in completing full bridge inspections, progress had been made and would be reviewed again in six months and the third was due to out-of-date internal documentation. The documents hadn't been updated to reflect some data sharing arrangements however the relevant data protections were in place.

For the Medium Impact section there were two red controls. The first related to the completion of mandatory information governance training in Children's services, the risk was decreasing and the completion numbers were increasing but still below the target.

Members AGREED to note the report.

AGC/19/26 Risk Register Management Report

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 explained that there had been no changes since the last report presented to members, they reported that the highlighted risk were stable and were confident that improvements would be made through projects like "Powering Our Future".

Members AGREED to note the report.

AGC/20/26 Treasury Management Outturn Report 2025/26

Members were presented with the Treasury Management Strategy annual report for 2025/26. The purpose of the report was to inform members of the performance against the treasury management and prudential indicators set in the treasury management strategy approved by Council in February 2025.

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.

Officers informed members that as of 31st March 2026 the Council had net borrowing of £138.32m which arose from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes was measured by the Capital Financing Requirement (CFR), while usable reserves and working capital were the underlying resources available for investment.

The Authority pursued its strategy of keeping borrowing and investments below its 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.

Officers went on to state during the year; long term loans had 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. Overall total borrowing increased from £150.78m as on 31st March 2025 to £168.97m as of 31st March 2026.

The Dedicated Schools Grant was also discussed with Members, this was to explain the statutory override in England 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.

Part of the report was touched on the CIPFA's 2021 Prudential Code which states 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.

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.

Officers explained the total borrowing position of the Authority outlined in table 3 of the report. As of 31st March 2026, the Council held £168.97m of loans, an increase of £18.19m from the previous year.

The investment section of the report outlined the Authorities investment activity, 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 was shown in table 4 of the report, it showed that total investments had decreased from £36.15m on 31/03/2025 to £30.63m on 31/03/2026. The Council also held £15.109m in non-treasury

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

The Chief Financial Officer reported 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.

Members thanked Officers for their work on throughout the year and for the report.

Members AGREED to note the report.

AGC/21/26 External Audit Progress Report 25/26

Officers from Forvis Mazars presented an Audit Progress Report to Members, the purpose of the report was to provide an update to the Council on the 2025/26 Audit.

On receipt of the draft financial statements Forvis-Mazars had undertaken a review identified no matters to indicate a change in their planned audit approach. Their external audit was currently in progress and Officers stated that at this time there were no identified significant issues. Officers explained that they had experienced delays in receiving responses from management on Forvis-Mazars's valuation of land and buildings work ((including judgements made and approach to indexation in line with the new amendments to the Code). Officers were currently working through the paper which had been provided 9th September 2026 to assess the appropriateness of the approach taken by the Council.

Officers anticipated that the Teesside Pension Fund assurance would be received by the end of December 2026, with the backstop date being 31st January 2027. It was also noted that Officers were unable to progress their Value for Money work as they were currently awaiting the Councils Value for Money self-assessment.

Members AGREED to note the report.

Chair: .....

AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE
30 NOVEMBER 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 October 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. 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.

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

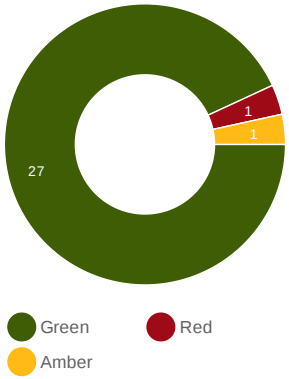
Name of Contact Officer: **Andrew Barber, Assurance Manager**
Telephone No: **01642 526176**
Email Address: **andrew.barber@stockton.gov.uk**

Internal Audit Update - Appendix A

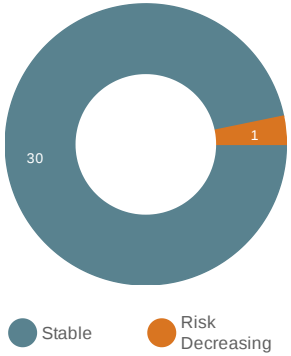
Report Commentary

As it has only been a short time since the last update there is little to bring to members attention. One control we are reviewing on a regular basis is in relation to bridge inspections which is the one currently showing as red. Some progress has been made to get the 2026/2027 programme back on track with inspections due to start in January 2027.

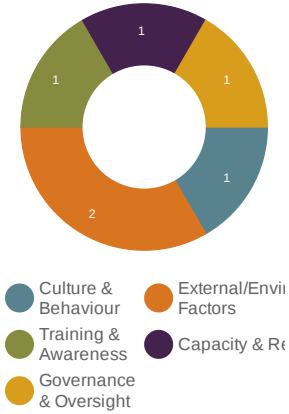
Recent Results - RAG



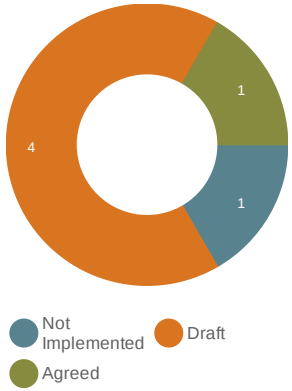
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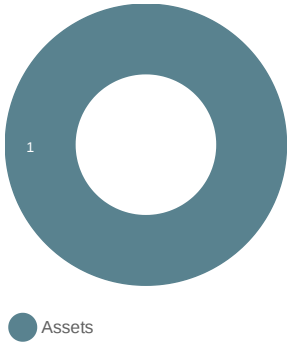
Recent - Root Cause



Recent - Recommendations



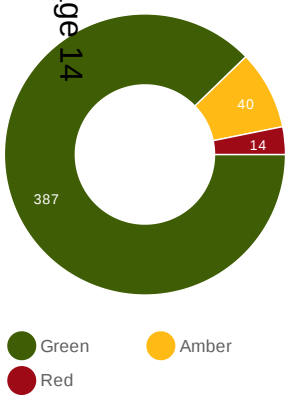
Recent - Red by Theme



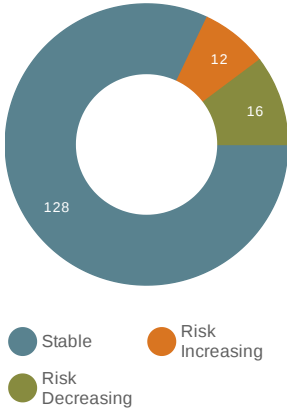
Recent - Amber by Theme



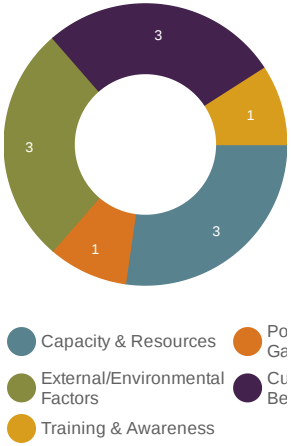
Overall



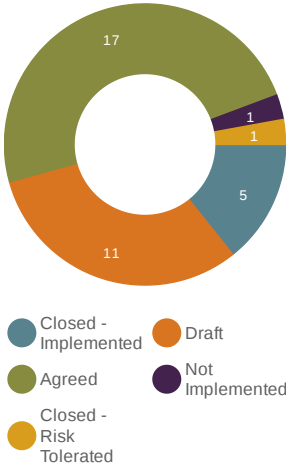
Direction of Travel



Root Causes



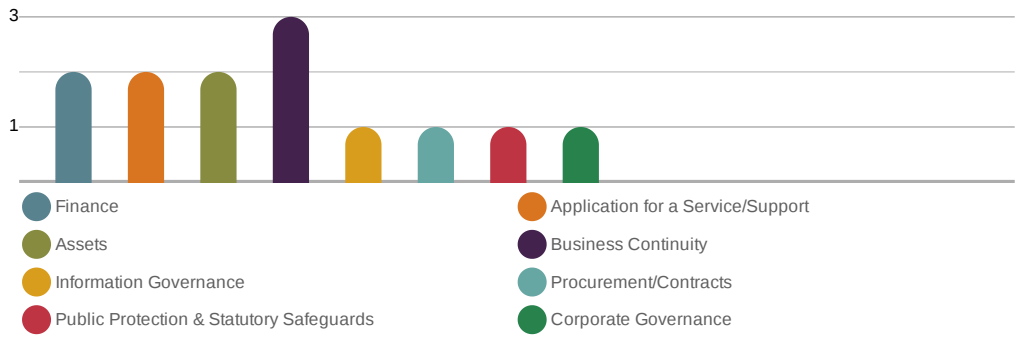
Recommendations



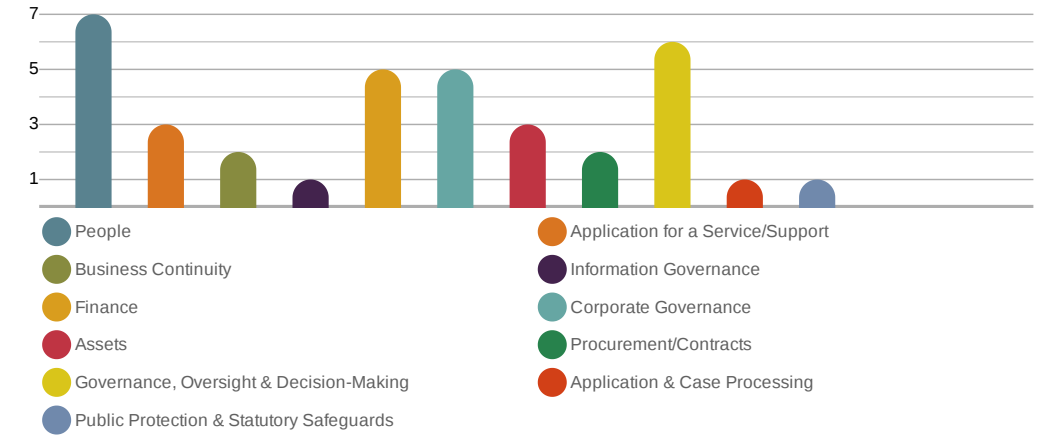
Report Commentary

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.

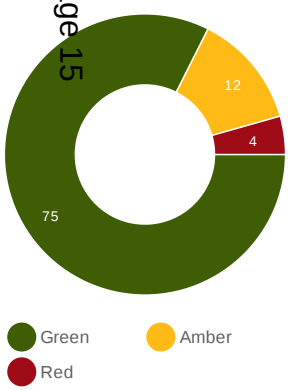
Red by Category



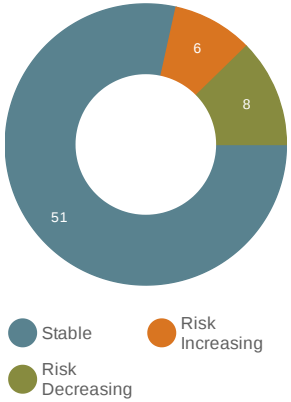
Amber by Category



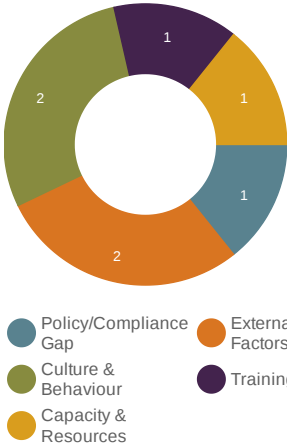
High Impact - RAG



Direction of Travel



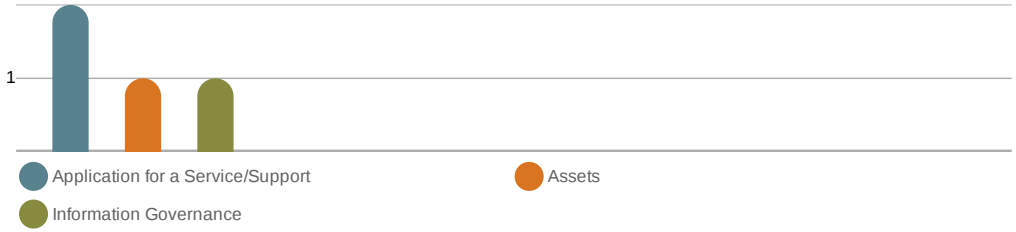
Root Causes



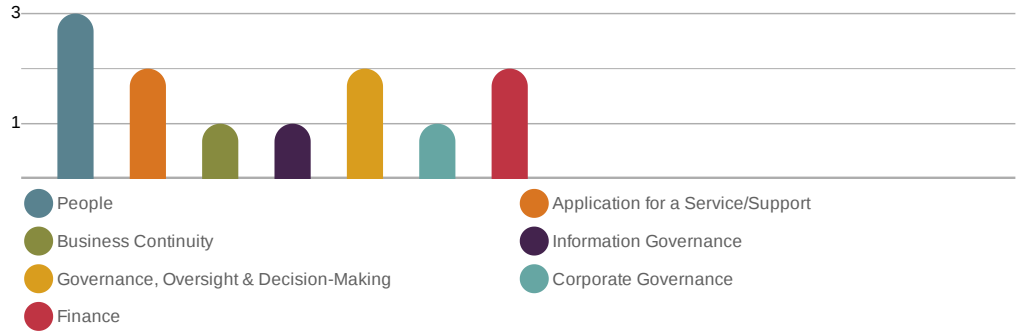
Report Commentary

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.

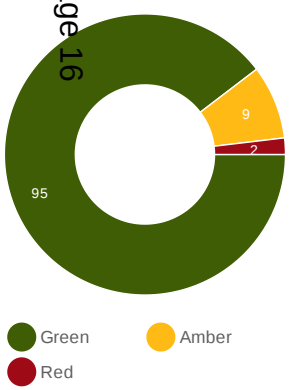
High Impact by Category - Red



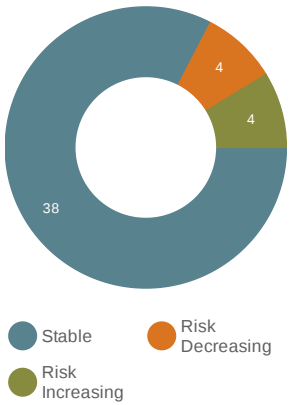
High Impact by Category - Amber



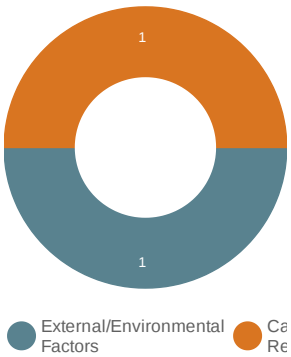
Medium Impact - RAG



Direction of Travel



Root Causes



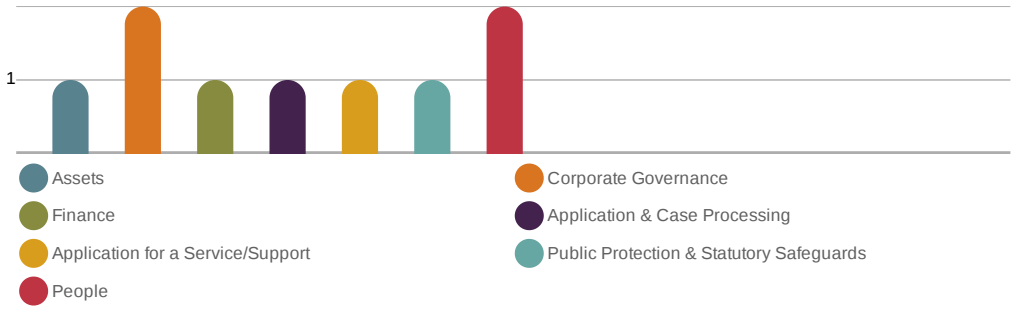
Report Commentary

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.

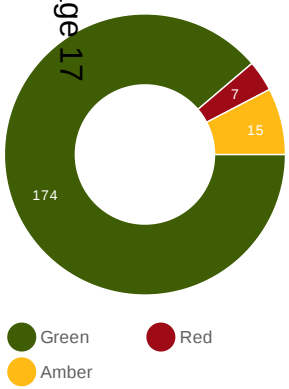
Medium Impact by Category - Red



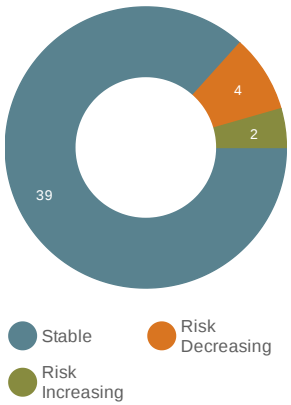
Medium Impact by Category - Amber



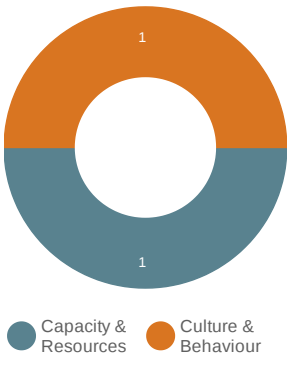
Low Impact - RAG



Direction of Travel



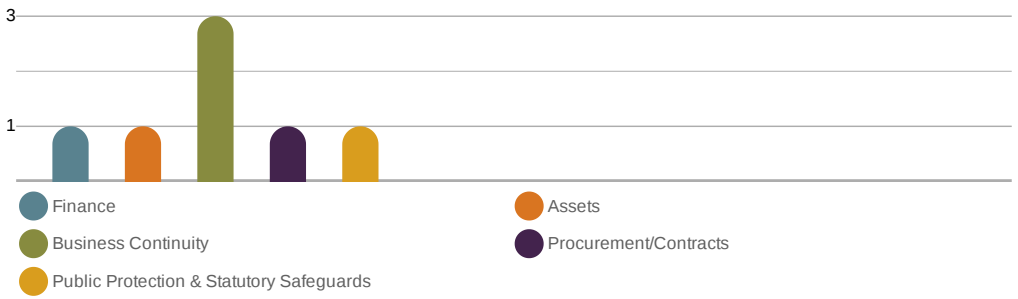
Root Causes



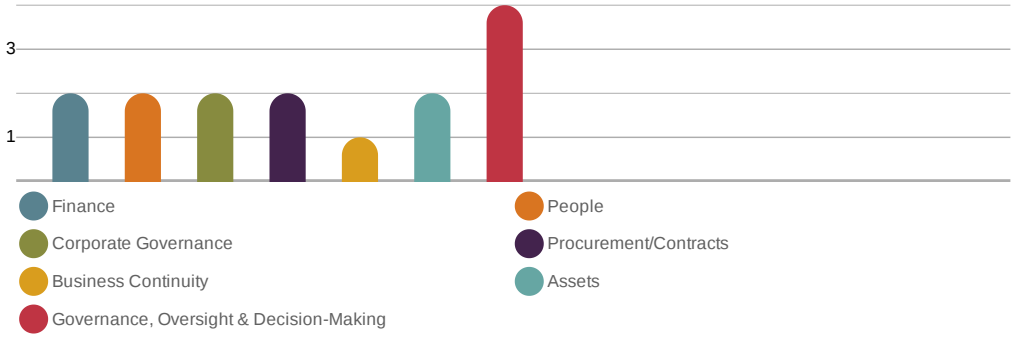
Report Commentary

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



Low Impact by Category - Amber



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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE
30 NOVEMBER 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 September, as there has been little movement since the last update I have produced a summary of the current Red rated risks:

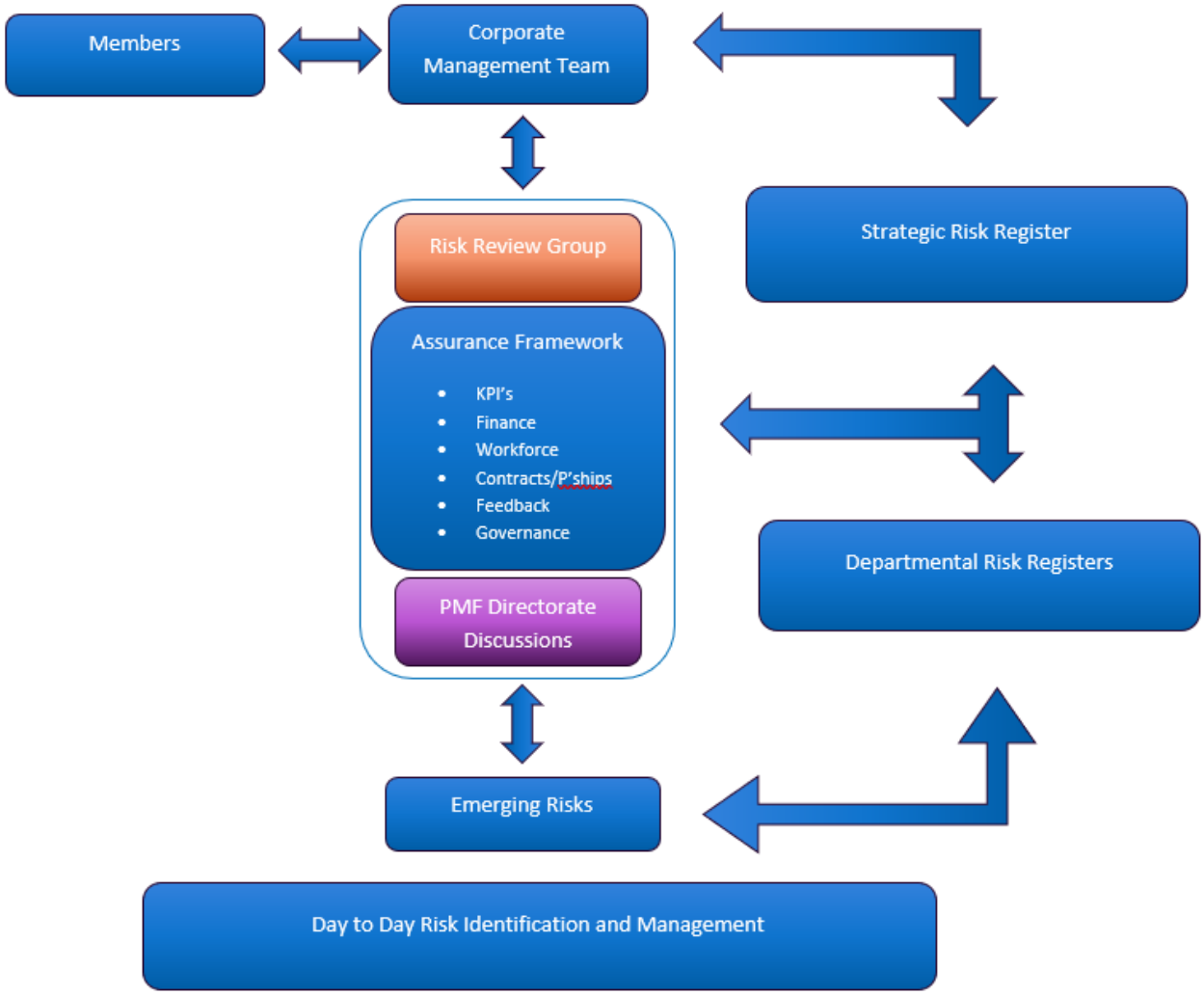
   - 563 Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands. The primary cause of the change is a number of processes and procedural issues identified during the Ombudsman's investigation of a complaint and the high cost 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

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

Full Strategic Risk Register

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
86	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

REPORT TO
AUDIT & GOVERNANCE COMMITTEE
30 NOVEMBER 2026

REPORT OF DIRECTOR OF CORPORATE SERVICES

HEALTH AND SAFETY REPORT

SUMMARY

This report provides an update on the health, safety and wellbeing performance of the Council for the period 1 June 2026 – 31 October 2026.

RECOMMENDATION

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

DETAIL

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

Health & Safety Risks

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

- The main area of concern relates to fire risks; this is a long-standing issue relating to capacity to complete fire risk assessments to a standard introduced in the Fire Safety Act 2021 which came into force May 2022. High risk buildings have been risk assessed and work continues to risk assess medium and low risk buildings.
- A recent increase in accidents has been reviewed, no singular cause has been identified, reminders have been issued via toolbox talks and the numbers will continue to be monitored. It should also be noted this increase does correspond with the introduce of an electronic reporting process.
- Assault numbers are relatively stable and there are no issues to raise at this time.

Current Audit Programme

5. The revised programme of audit work is now bedded in, reviews are completed on a thematic basis each quarter with the focus being on fire risk management to support the work being undertaken to improve our readiness in this area.

Health & Safety Advice

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

FINANCIAL AND LEGAL IMPLICATIONS

Financial - None

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

RISK ASSESSMENT

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

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION

N/A

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

Background Papers: Health and Safety Policy 2025

Ward(s) and Ward Councillors: None
Property Implications: None

AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE
30 NOVEMBER 2026

REPORT OF DIRECTOR OF CORPORATE SERVICES

RISK MANAGEMENT UPDATE REPORT

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RECOMMENDATIONS

It is recommended that:-

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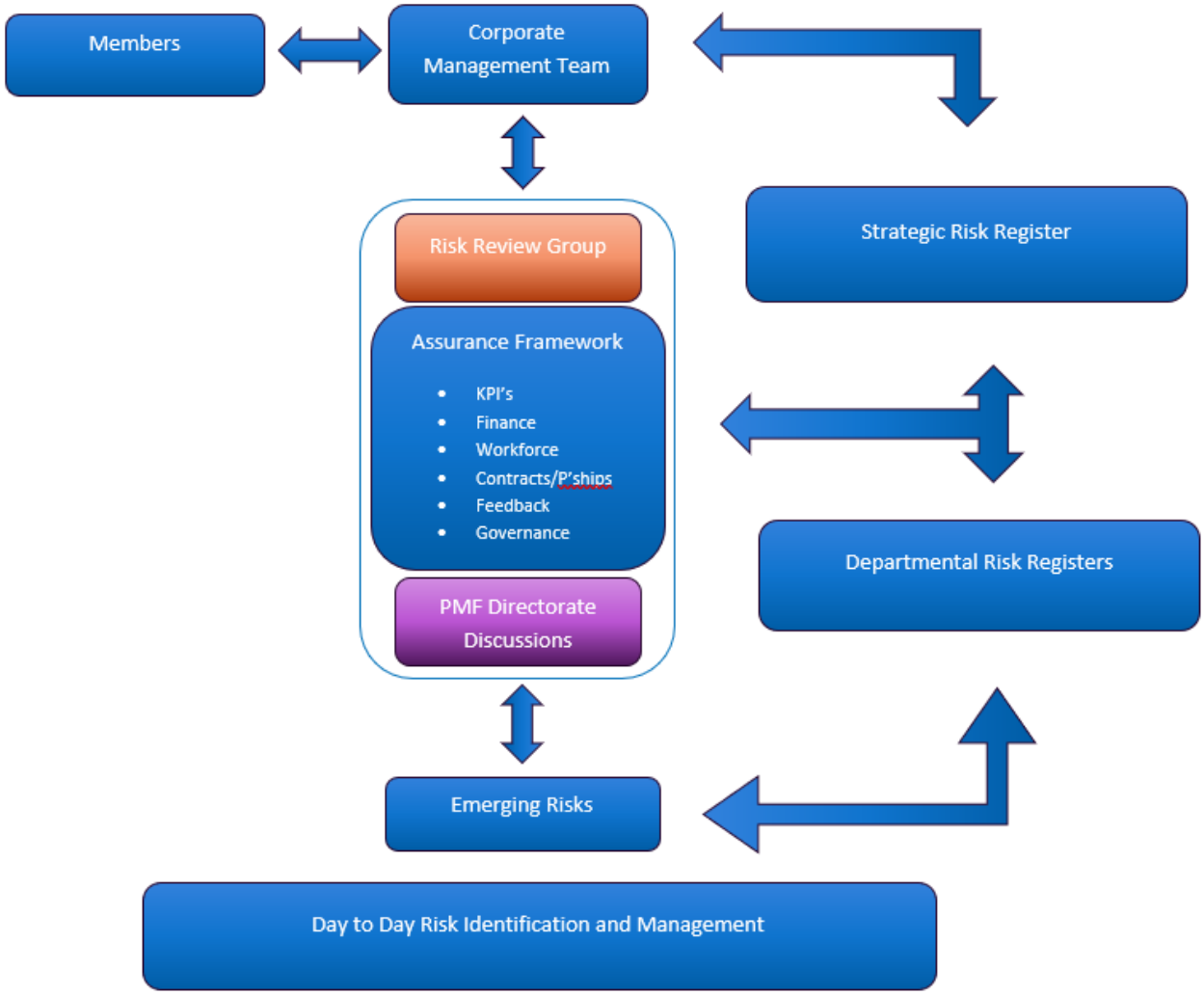
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RISK ASSESSMENT
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COUNCIL PLAN IMPLICATIONS
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CONSULTATION
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Anti-Fraud and Corruption

Strategy November 2025

Foreword

Clare Harper – Chief Finance Officer

Welcome to Stockton Borough Council's Anti-Fraud and Corruption Strategy. Fraud and corruption is estimated to cost the public sector £20.3bn a year in the UK with estimates in the region of £2.1bn in local government alone. Nationally, Council Tax Fraud continues to be an area where significant fraud occurs and Social Services and Procurement fraud have been identified as the areas of greatest risk. Clearly this is an unacceptable waste of taxpayers money and each of us has a role to play in preventing this waste and ensuring those funds are available to deliver services to our residents.

This document will outline some of the good work that is already taking place as well as looking at ways we can improve our systems and processes to prevent future waste. We have relatively low levels of fraud detected locally but we mustn't rest on our laurels and we will continue our work to tackle Council Tax fraud and will look to further develop the work we do to tackle fraud in nationally emerging areas such as Social Services and Procurement. With your help and support we can ensure all available resources are directed to the delivery of services rather than benefitting criminals.

Barry Woodhouse – Audit Committee Chair

As a councillor and chair of the audit committee I see every day the commitment of our staff to ensure services are delivered to the very best of our ability to our residents. It is disheartening that despite all of our efforts more could be done if funds were not being diverted away from vital services into the hands of criminals. We have in place a robust governance framework to help reduce the risk of fraud but as ever it is you, our staff who have the most vital role to play by being vigilant and conscious of the fact that fraud may be occurring. Together we can ensure funds are used in the right way to continue to deliver the very best services to our residents.

Fraud – this is defined by the Fraud Act 2006 "A person shall be guilty of fraud if he

- dishonestly makes a false representation, or
- dishonestly fails to disclose to another person information which he is under a legal duty to disclose, or
- occupies a position in which he is expected to safeguard or not to act against the financial interests of another person and dishonestly abuses that position

AND

- intends to make a gain for himself or another or to cause loss to another or expose another to a risk of loss"

The Council recognises that as well as causing financial loss, fraud is also detrimental to the provision of services, and damaging to the reputation of, and confidence in, the Council, public bodies in general and reputable businesses.

The Council is clear that it will not tolerate any impropriety by employees, elected Members or third party organisations.

Understanding the Fraud Risk

Current Status

The Council has a responsibility to protect public funds for which we are responsible. Fraud on public funds is unacceptable therefore the Council is committed to minimising the risk of fraud, corruption and misappropriation. Development of an anti-fraud culture is part of improving resilience to fraud, through raising awareness, clearly defined responsibilities, robust reporting mechanisms and a suitability resourced anti-fraud strategy.

The national picture suggests that whilst the number of cases per individual authority may be relatively low it is likely there are frauds in a number of the other categories where we have not detected any fraud to date. The highest level of fraud across the public sector relates to procurement, adult social care, insurance and council tax/business rates (excluding housing on the basis we do not have any housing stock). Welfare benefit fraud cases are referred to the Single Fraud Investigation Service for investigation. Instances of procurement fraud can be costly. Losses in relation to adult social care can also be financially significant, however the average value in the other areas tends to be relatively low. The Council does tend to focus its efforts in the areas where the highest numbers currently exist so the potential value of frauds not currently being actively pursued will be relatively low. A significant number of grants have been paid in relation to COVID there was an increased risk of fraud in relation to these grants however robust pre/post payment checks have been in place to minimise the risk. This was confirmed by BEIS during their verification checks.

The results from the last round of the National Fraud Initiative data matching exercise did not identify any cases of fraud.

A new offence came into law during the last year “Failure to Prevent Fraud”, which places an onus on organisations putting controls in place to prevent employees committing fraud on behalf of their employer. Many of the controls required to manage this risk have existed in the public sector for a number of years and are already incorporated into policies and procedures and are subsequently monitored by management and included in the audit plan. This has been factored into the current assessment of fraud risk and remains very low.

Current Risk		
Impact	Likelihood	Score
2	1	2

How we Tackle Fraud

Detection

We have well established systems and processes in place to detect fraud if it does occur..

- The Council will use all legal and cost effective means to detect fraud, corruption and bribery including working with other organisations in national data matching schemes e.g. the National Fraud Initiative, Housing Benefit Matching Service, HMRC Taxes Management Act Returns. This may require the lawful sharing of information.
- Risk based Internal Audit Plan that ensures areas with a high risk of fraud are reviewed at least annually.
- Elected Members, staff and external stakeholders are expected to report suspected fraud, corruption or bribery promptly in accordance with Section 7 of this Strategy.

Prevention

One of our core aims is to prevent fraud occurring in the first instance and have systems in place to prevent fraud.

- The establishment of adequate internal control systems to prevent fraud is the responsibility of Management.
- The Managing Director, Senior Management Team and Service Managers are responsible for assessing the effectiveness of internal control systems in relation to fraud, corruption and bribery.
- Internal Audit coverage is sufficient to provide annual assurance to the Council's Audit Committee and supports managers by assessing controls in relation to the prevention of fraud.
- Awareness raising with staff around the importance of maintaining adequate control systems.

Respond

We have plans and processes in place to respond to suspected fraud.

- All instances of suspected fraud must be notified to Internal Audit service to enable the completion of annual returns and to form evidence to support the Annual Governance Statement.
- Investigation will be conducted by the most appropriate section as detailed below:
    - Fraud involving employees will be investigated in accordance with the Council's Disciplinary Procedures by a nominated Investigation Manager with support from the Internal Audit Service. (See Appendix A)
    - Allegations of improper conduct made against members will be managed by the Monitoring Officer.
    - Other fraud committed against the council will be considered on a case by case basis to determine the most appropriate section to undertake the investigation.
- The Council will adhere to the provisions of the Regulation of Investigatory Powers Act (RIPA) and Money Laundering Legislation.
- Any decision to involve the Police in any investigation of fraud will be taken by the Section 151 Officer in consultation with the Chief Executive and the Monitoring Officer.
- The outcome of the investigation of fraud against the council will be reported appropriately to ensure systems and procedures are amended and to act as a deterrent.
- The Council recognises the need to ensure that its investigation process is not misused. Any abuse such as the raising of malicious allegations by officer/members will be dealt with as a disciplinary matter.

- Sanctions – Including recovery of proceeds (POCA, Civil Law, Pensions)

Policy Framework

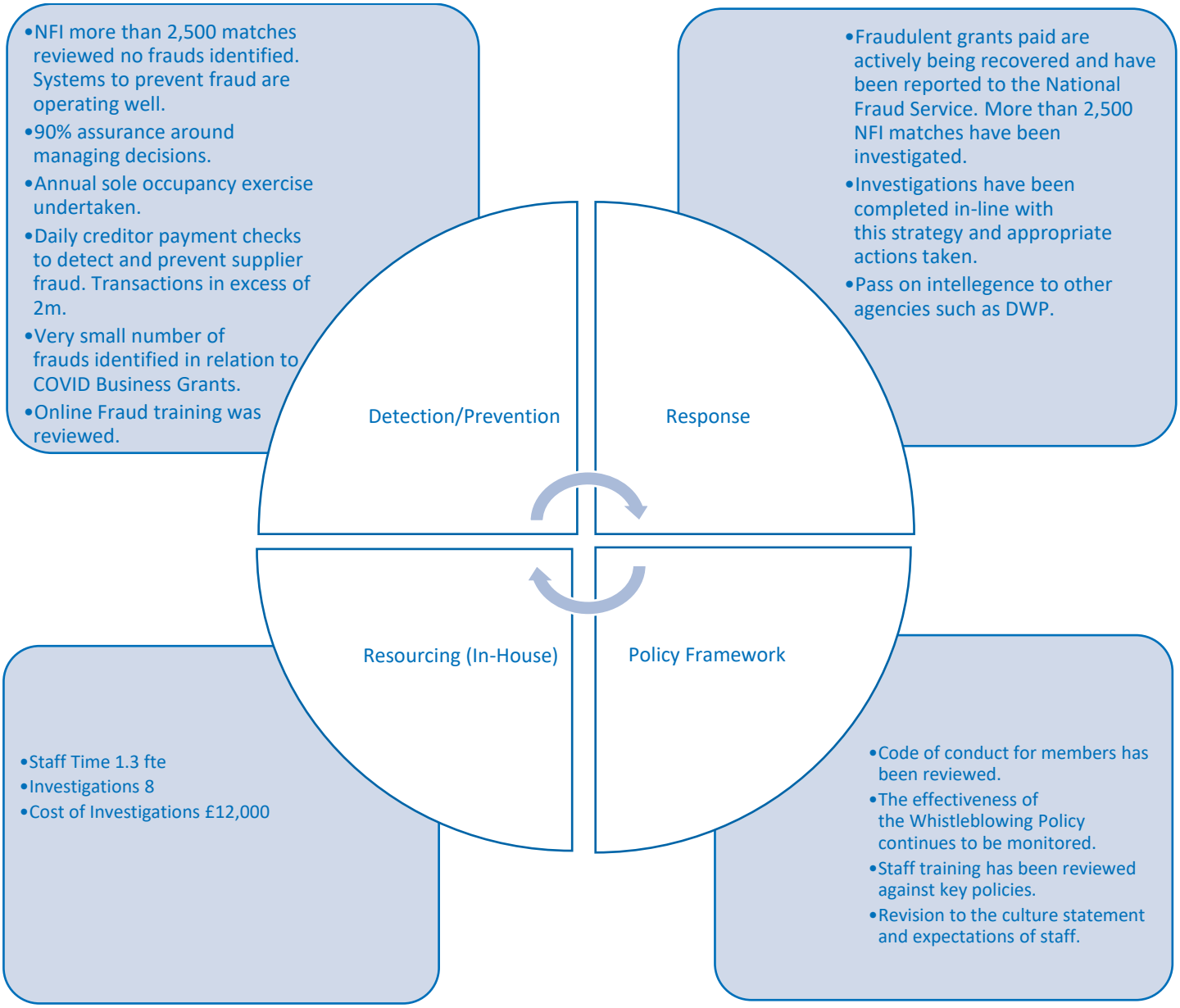
To support our efforts in tackling fraud we have in place a comprehensive policy framework.

- Codes of Conduct for Members and Employees;
- Protocol for members on Gifts and Hospitality;
- Confidential Reporting ("Whistleblowing") Policy and Complaints Procedures;
- Contracts Procedure Rules;
- Standing Orders and Financial Procedural Rules;
- ICT Security Policies;
- Robust internal control systems, processes and reliable record keeping;
- Effective Internal Audit;
- Effective Recruitment procedures;
- Disciplinary Policy and Procedures;
- The Regulation of Investigatory Powers (RIPA) Procedure;
- Induction and Training.
- Fraud Response Plan

Fraud Management in Action

What have we done?

The diagram below provides details on the actions that have been taken to manage the risk of fraud.



On-Going Actions

We have actions in place to ensure the risk of fraud is managed effectively and we have steps in place to improve our management of this risk further.

- Anti-Fraud Strategy
    - Anti-Fraud Strategy to be updated and presented to Audit Committee for approval.
    - Progress against the Anti-Fraud Strategy and Action Plan to be reviewed quarterly as informed by the risk assessment process.
    - Review related policies e.g. Confidential Reporting and ensure these are up to date and consistent with the Anti-Fraud Strategy.
    - Maintain an Internet and Intranet presence for the updated Anti-Fraud Strategy, linked policies and fraud reporting mechanisms
- Fraud Risk Assessment
    - Fraud and Corruption risk considered as part of the Strategic Risk Register.
    - Quarterly monitoring and update of identified controls, actions and current status.
    - Assess the extent to which Senior Management identify and monitor fraud risks and increase senior management ownership as necessary.
    - Reporting fraud risk to Members in line with the Risk Management policy.
- Data Matching
    - Participation in NFI data matching exercises and review of potential matches in high risk areas.
    - Increase resources available to review high priority matches identified.
- Continuous Audits and the Use of Data Analytics
    - Expand the use of IDEA and the programme of continuous auditing.
    - Fraud specific controls included in the programme of controls testing.
    - Increased sharing and matching of internal and/or cross boundary data to develop local counter fraud exercises.
- Audit Work
    - Results of the Fraud and Corruption risk assessment to inform the work of Internal Audit, including systems audit work, proactive fraud and corruption checks (compliance) and fraud awareness activities.
    - More probing and directed audits to be conducted in key areas of fraud risk.
    - Fraud Audits to consider management controls over fraud.
    - Consider fraud as part of every audit.
    - Issue annual audit opinion on the internal controls related to fraud.
- Awareness Campaigns
    - Review campaign materials available online e.g. “Take Five to Stop Fraud” and determine how we can use these locally.
    - Use of Briefings, KYIT to publish awareness campaigns, particularly during national fraud awareness weeks.

- Publication of Fraud Information
    - Maintain a register for recording fraud information.
    - In line with requirements of the Local Government Transparency Code 2015 the following should be reported on an annual basis:
        - Number of occasions the authority has used powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.
        - Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.
        - Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
        - Total amount spent by the authority on the investigation and prosecution of fraud.
        - Total number of fraud cases investigated.

Key Contacts

Internal Audit

Stockton on Tees Borough Council

Columbia Drive

Thornaby, Stockton-on-Tees

TS17 6BJ

01642 526176

internalaudit@stockton.gov.uk

Role:

Investigate employee fraud.

Investigate fraud in schools.

Collate statistics.

Maintain the Anti-Fraud & Corruption Strategy.

Co-ordinate NFI Exercise

Council Tax Support Investigation Team

Revenues & Benefits Service

PO Box 410

Stockton on Tees

TS23 2YD

0800 854 440 (Housing Benefit)

01642 393829 (Council Tax Support)

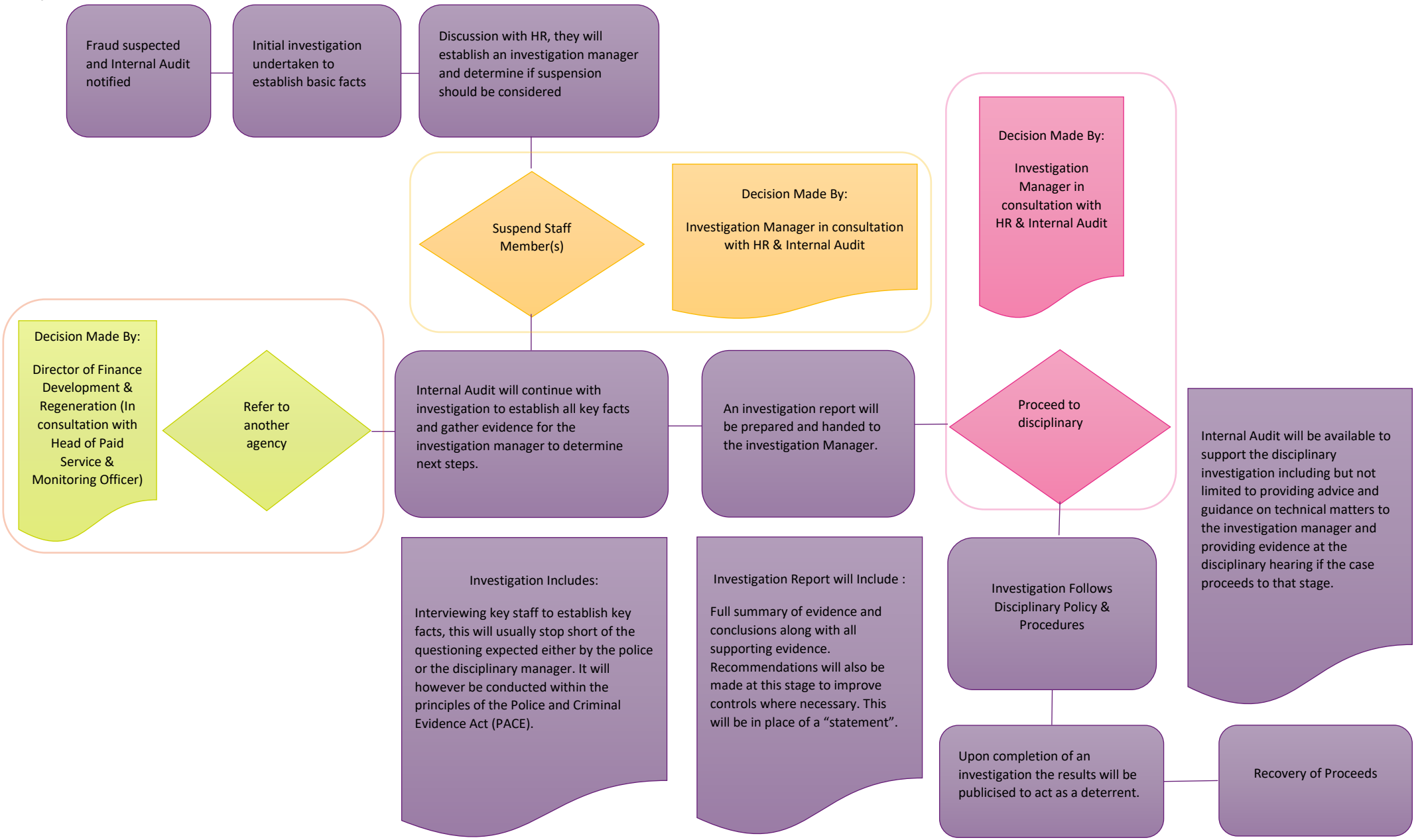
Benefits.Fraud@stockton.gov.uk

Role:

Investigate Council Tax Support Fraud.

Liaise with Department for Work and Pensions.

Internal Investigation Flowchart



AGENDA ITEM 12

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

30 NOVEMBER 2026

REPORT OF CHIEF FINANCIAL OFFICER

TREASURY MANAGEMENT STRATEGY MID YEAR REPORT 2026/27

SUMMARY

This report informs Members of the performance against the treasury management and prudential indicators set in the 2026-27 Treasury Management & Capital Strategy reports approved by Council in February 2026.

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's Treasury Management Strategy for 2026/27 was approved by Council on 18th February 2026. The Authority 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 Authority's treasury management strategy.

External Context

Arlingclose, Stockton's Treasury Management advisors, have provided us with the following commentary on the external environment.

Economic background: The key story remained the conflict in the Middle East and its impact on global energy prices and inflation. Although energy prices had shown signs of moderating towards the end of (calendar) Q2, the continuing conflict pushed oil and gas up sharply once again in Q3. Around mid-September, Brent oil and UK gas prices were over 30% and 70% higher respectively compared to the period preceding the Bank of England's (BoE) July Monetary Policy Report (MPR).

Given the inflationary impact of the previous energy shock from the Russia/Ukraine war, central bank policymakers remained alert to higher energy prices feeding into wider price and wage-setting behaviour ('second-round effects'). In the UK, higher fuel and energy prices were evident in headline inflation, but there was limited evidence of material second-round effects. At the same time, underlying wage pressures continued to moderate, and the labour market remained relatively loose.

The BoE's Monetary Policy Committee (MPC) maintained Bank Rate at 3.75% throughout the period. In April the MPC voted by 8-1 to leave rates unchanged, with one member wanting a 0.25% increase. The voting subsequently became more hawkish, moving to 7-2

in June and 6-3 in both July and September, with all dissenters preferring to increase Bank Rate to 4.00%. The change in voting patterns reflected increasing policymaker concern over the persistence of the energy shock and the risk that higher headline inflation could become embedded in domestic prices and wages.

At the September MPC meeting, the Committee judged the inflation risks were further to the upside compared to its July MPR. Energy prices had risen again and borrowing costs were materially higher than before the US/Iran conflict. Despite expecting inflation would rise further in the near-term, most members believed that a soft labour market, spare capacity and restrictive monetary conditions would reduce inflation over time. Moreover, the data showed there was still little evidence of material second-round effects, although the MPC emphasised that the risk of these effects would increase the longer elevated and volatile energy prices persisted.

UK headline consumer price inflation (CPI) initially declined, suggesting the initial energy shock was not spreading into a wider range of goods and services. However, later in the period inflation picked up again, with CPI rising from 2.6% in June to 3.1% in August due largely to higher transport costs. Core CPI was 2.6% in July and August, suggesting the divergence between that and headline inflation was due to energy rather than a broad increase in underlying inflation.

UK economic activity was somewhat stronger than initially anticipated over the period. GDP expanded by 0.6% in the first quarter of the calendar year and 0.5% in the second quarter, slightly stronger than the initial estimate of 0.4%. Monthly activity was more volatile, with a contraction of -0.1% in April, followed by gains of 0%, 0.3% and 0.4% in May, June and July respectively.

Labour market data continued to show softening employment conditions. The unemployment rate fell to 4.9% in April and remained at that level to July, against expectations it would tick up. Job vacancies also continued to decline, to 702,000 in the three months to July. Earnings growth moderated, with regular earnings at 3.5% in the three months to July and total earnings at 3.9%, suggesting weaker labour demand was continuing to restrain domestic wage pressures.

Arlingclose, the authority's treasury adviser, expects Bank Rate will stay at 3.75%. However, higher energy prices due to the ongoing conflict(s) and the government's Budget have increased the near-term upside risks. Moreover, stronger inflation projections, which accompanied the September MPC decision, shifted market expectations for Bank Rate higher. In addition, despite little evidence of second-round effects to date, the changing tone of the MPC minutes suggests it may not need something seismic to tip the Committee to increase Bank Rate.

Financial markets: After the sharp deterioration early in the period, financial market sentiment improved somewhat as there were ongoing hopes that the US/Iran war would be resolved. However, towards the end of the period, signs of any potential resolution appeared premature and oil prices rose alongside inflation and bond yields while equity market volatility increased as investors weighed conflict-related as well as AI-related concerns.

Bond yields in both the US and UK increased markedly over the period, with the gap between gilts and US Treasuries tightening towards the end of the period. While term premia are still embedded in gilt yields given the relatively uncertain fiscal outlook, a more hawkish Fed alongside persistent US inflation and fiscal concerns have pushed the yields on US Treasuries to their highest levels in years.

Over the period, the 10-year UK benchmark gilt yield started at 4.86% and ended at a high of 5.43%. The 20-year gilt yield starting at 5.45% and finished at 5.93%, another high for the period. The Sterling Overnight Rate (SONIA) averaged 3.73% over the period to 30th September.

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

During the period, Fitch upgraded numerous banks due to a rating methodology change, as well as the reference obligations used for Issuer Default Ratings and introduced more differentiated notching between deposits, senior preferred, senior unsecured and senior non-preferred debt ratings.

Later in the period, Moody's changed the outlook on HSBC to Positive from Stable, while also affirming its long-term deposit rating. This follows a similar action from S&P on HSBC's outlook a few months prior to this.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will continue to 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 Authority 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

	31.3.26 Actual £m
General Fund CFR	202.27
Less: Other debt liabilities	-9.14
Borrowing CFR	**193.13**
Less: Usable reserves	-88.63
Add: Working capital	33.82
Net Borrowing / (Investments)	**138.32**

The treasury management position at 30th September 2026 and the change over the six-month period is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.26 Balance £m	Movement £m	30.9.26 Balance £m
Long-term borrowing	93.63	-6.08	87.55
Short-term borrowing	75.35	-5.31	70.04
Total borrowing	**168.98**	**-11.39**	**157.59**
Long-term investments	-13.28	0.22	-13.06
Short-term investments	0.00	0.00	0.00
Cash and cash equivalents	-17.38	-5.59	-22.97
Total investments	**-30.66**	**-5.37**	**-36.03**
Net Borrowing	**138.32**	**-16.76**	**121.56**

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low 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 have been volatile, reflecting expectations of tighter monetary policy compared to previous expectations due to the war. Long-term gilt yields are very high, with investors lacking confidence in UK fiscal plans.

The PWLB certainty rate for 10-year maturity loans was 5.62% at the beginning of the period and 6.17% at the end. Rates for 20-year maturity loans moved from 6.13% to 6.61% during the period, and 50-year maturity loans from 6.01% to 6.37%. The cost of short-term borrowing from other local authorities has been above Bank Rate during the period at 3.8% to 5.5%: costs have risen throughout the period. This is primarily due to many local authorities avoiding more expensive long-term rates and relying more heavily on the short-term market. Low cash levels and the non-receipt of SEND grants are also likely to have contributed to a high borrowing demand.

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.

At 30th September 2026 the Authority held £157.59m of loans, a decrease of £11.39m since 31st March 2026. Details of outstanding loans on this date are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.26 Balance £m	Q2 Net Movement £m	30.9.26 Balance £m	30.9.26 Weighted Average Rate %	30.9.26 Weighted Average Maturity (years)
Public Works Loan Board	111.17	-26.39	84.78	3.59	8.94
Banks (LOBO)	16.00	-5.00	11.00	4.80	17.00
Local Authorities	41.81	20.00	61.81	4.34	1.70
Others (fixed-term)	0.00	0.00	0.00	2.50	0.73
Total borrowing	**168.98**	**-11.39**	**157.59**	**3.94**	**6.66**

The Authority's short-term borrowing increased by £20 million during the period as part of a deliberate treasury management strategy to replace maturing long-term debt with short-term borrowing whilst interest rates remain relatively high and borrowing options continue to be monitored. Notwithstanding this, total external borrowing decreased by £11.39 million over the six-month period. This reduction was driven by favourable in-year cash flows, resulting in a lower borrowing requirement at 30 September.

LOBO loans: At the 30th September the Authority held £11m 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 Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first six months of the year but a £5m loan did mature during this period.

Over the medium term it is estimated the authority, based on the current capital programme and the fact the authority has internally borrowed over the previous years will be required to undertake significant borrowing. In the higher rate environment that we are currently operating in this will mean higher costs of borrowing. Future borrowing requirements and financial requirements are currently being analysed, and information will be provided as part of future MTFP and Treasury reports.

Treasury Investment Activity

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

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

Table 4: Treasury Investment Position

	31.3.26 Balance £m	Net Movement £m	30.9.26 Balance £m
Banks & building societies (unsecured)	-0.06	0.01	-0.05
Government (incl. local authorities)	0.00	-3.60	-3.60
Property Fund	-13.28	0.22	-13.06
Shares / Cash	0.00	-0.01	-0.02
Money Market Funds	-17.32	-1.98	-19.30
Total investments	**-30.66**	**-5.36**	**-36.03**

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority'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 remained at 3.75% during the period. DMADF deposit rates were broadly stable between April and September 2026, reflecting a Bank Rate of 3.75%, with investment yields typically around 3.7% to 3.8% depending on maturity and money market rates between 3.7% and 4.9%.

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 %
31.03.2026	4.69	A+	100%	2	4.16%
30.06.2026	4.53	A+	85%	2	3.34%
30.09.2026	4.45	AA-	84%	1	3.50%
Similar LAs	4.64	A+	78%	73	4.51%
All LAs	4.58	A+	67%	10	4.16%

*Weighted average maturity

Externally Managed Pooled Funds: £13.06m of the Authority'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.

UK commercial property experienced some weakness in capital values over the period as higher gilt yields and interest rates continued to weigh on valuations. However, rental income remained relatively resilient. Property capital values had already undergone a significant adjustment following the rise in interest rates during 2022 and have recovered only modestly since, meaning recent falls have generally been relatively limited.

Income distributions from strategic pooled funds generally remained resilient over the period, despite the volatility in underlying asset prices.

The fund generated a return of £0.620m (4.13%) during 2025/26 and has generated £0.311m (4.20%) in dividend payments for the first six months of the year. This income is being used to support the medium-term financial plan.

Because the Authority's externally managed 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 investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

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

The Authority has set up a reserve of £1.000m to mitigate the impact of the statutory override not being extended and unrealised losses on pooled investment funds are required to be recognised.

CIPFA Consultation: During the period CIPFA consulted on potential changes to their Prudential and Treasury Management Codes and the associated guidance notes. If implemented there may be substantial changes to reporting requirements and indicators in the future.

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) and Welsh Government 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 the majority of the 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 in the tables 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

	Maximum in Year £m	30.9.26 Actual £m	2026/27 Operational Boundary £m	2026/27 Authorised Limit £m	Complied? Yes/No
Borrowing	173.11	157.59	216.00	231.00	Yes
PFI and Finance Leases	5.06	5.06	5.06	5.06	Yes
Total debt	**178.17**	**162.65**	**221.06**	**236.06**	

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.

Compliance with specific investment limits is demonstrated in table 7 below;

Table 7: Investment Limits

Sector	Counterparty limit	Sector limit	Maximum	30.9.26 Actual	Complied? Yes/No
The UK Government	Unlimited	n/a	£30,800,000	£3,600,000	Yes
Local authorities & other government entities	£5,000,000	Unlimited	£0	£0	Yes
Secured investments	£5,000,000	Unlimited	£0	£0	Yes
Banks (unsecured)	£2,500,000	Unlimited	£1,193,000	£50,000	Yes

Building societies (unsecured)	£2,500,000	£5,000,000	£0	£0	Yes
Registered providers (unsecured)	£2,500,000	£12,500,000	£0	£0	Yes
Money market funds	£5,000,000	Unlimited	£25,000,000	£19,300,000	Yes
Strategic pooled funds	£15,000,000	£25,000,000	£13,058,000	£13,058,000	Yes
Real estate investment trusts	£5,000,000	£12,500,000	£0	£0	Yes
Other investments	£2,500,000	£5,000,000	£0	£0	Yes

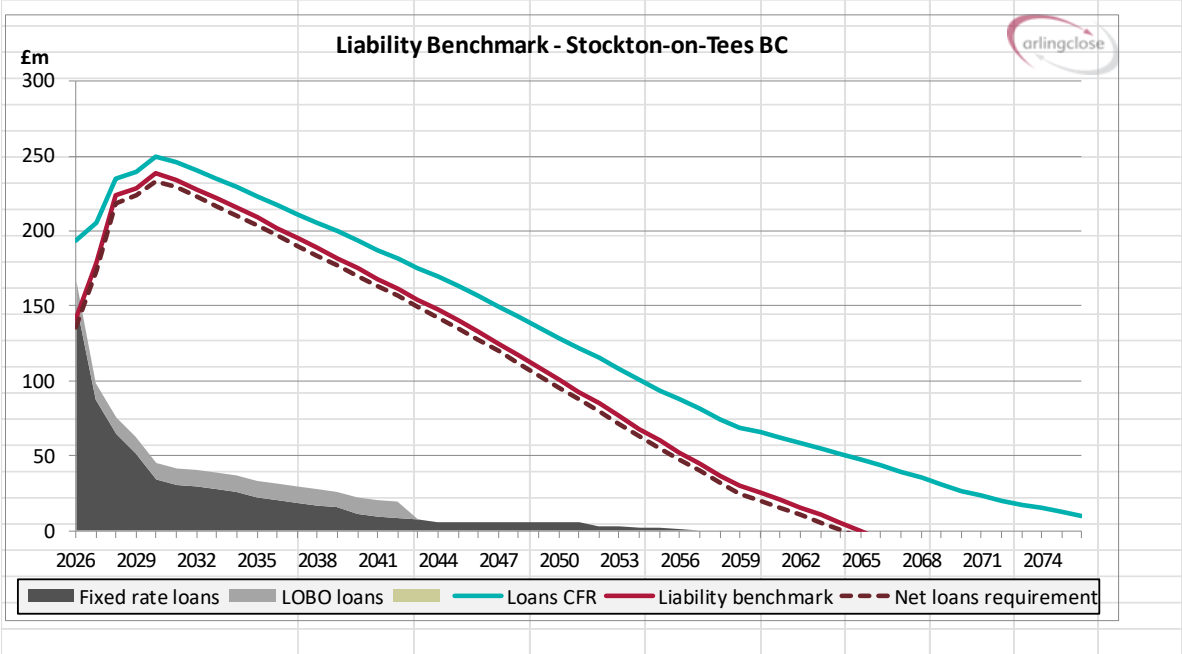
Treasury Management Prudential Indicators

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

Liability Benchmark: This 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**	**31.3.29 Forecast £m**
Loans CFR	193.1	205.7	234.9	239.9
External Borrowing	-166.5	-98.6	-75.8	-62.7
Internal (over) Borrowing	**26.6**	**107.1**	**159.1**	**177.2**
Less: Balance sheet resources	-57.3	-32.1	-16.1	-16.0
Investments (New Borrowing)	**-30.6**	**75.0**	**143.0**	**161.2**
Treasury Investments	30.6	5.0	5.0	5.0
New Borrowing	**0.0**	**80.0**	**148.0**	**166.2**
Net Loans Requirement	135.9	173.6	218.8	223.9
Liquidity Allowance	5.0	5.0	5.0	5.0
Liability Benchmark	**140.9**	**178.6**	**223.8**	**228.9**

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing based on the current capital programme, minimum revenue provision on new capital expenditure and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing**.**



Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

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

	30.9.26 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	44.45%	25%	0%	No
12 months and within 24 months	0.11%	40%	0%	Yes
24 months and within 5 years	24.72%	60%	0%	Yes
5 years and within 10 years	1.61%	80%	0%	Yes
10 years and above	29.11%	100%	0%	Yes

The upper limit for the proportion of borrowing repayable within 12 months was exceeded as a consequence of the Authority's strategy to utilise short-term borrowing rather than lock into longer-term debt at higher interest rates. The maturity date reflects the earliest point at which repayment can be demanded by the lender. The Authority will continue to review market conditions and, where appropriate, replace short-term borrowing with longer-term borrowing when rates become more economically advantageous.

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	£40m	£20m
Complied?	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Prudential Indicators

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

Capital Expenditure: The Authority has undertaken and is planning capital expenditure as summarised below.

	2025/26 actual	2026/27 forecast	2027/28 forecast	2028/29 forecast
General Fund Services	£51.185m	£81.115m	£54.538m	£11.008m

The main focus of future capital expenditure will be centred around various town centre redevelopment schemes, Schools Investment Programme and transport related works.

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 MRP and if utilised capital receipts used to replace debt.

	31.3.2026 actual	31.3.2027 forecast	31.3.2028 forecast	31.3.2029 forecast
General Fund CFR	£202.27m	£212.45m	£240.63m	£245.50m

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.

	31.3.2026 actual	31.3.2027 forecast	31.3.2028 forecast	31.3.2029 forecast
Debt	£168.98m	£194.10m	£239.25m	£244.16m
Capital Financing Requirement	£202.27m	£212.45m	£240.63m	£245.50m

Net Income from Commercial and Service Investments to Net Revenue Stream: The Authority's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2025/26 actual	2026/27 forecast	2027/28 budget	2028/29 budget
Total net income from service and commercial investments £m	£1.063m	£0.931m	£0.931m	£0.931m
Proportion of net revenue stream	0.53%	0.39%	0.37%	0.36%

The table identifies that the authority is not reliant on commercial and service investment income to maintain its core functions.

Proportion of Financing Costs to Net Revenue Stream: Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream, i.e. the amount funded from Council Tax, business rates and general government grants.

	2025/26 actual	2026/27 forecast	2027/28 budget	2028/29 budget
Financing costs (£m)	£7.7m	£7.6m	£11.6m	£12.3m
Proportion of net revenue stream	2.7%	3.2%	4.7%	4.8%

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AGENDA ITEM: 13

REPORT TO AUDIT & GOVERNANCE COMMITTEE

REPORT OF THE CHAIRMAN OF THE AUDIT AND GOVERNANCE COMMITTEE

30th NOVEMBER 2026

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

SUMMARY

This report is to inform members of the work of the Audit and Governance Committee during the period 1st October 2025 to 30th September 2026.

Introduction

This Annual Report produced by the Chairman of the Audit and Governance Committee has 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 2022.

The report demonstrates how the Audit and Governance Committee has fulfilled its key functions and how it is fully committed to helping to improve the Council's governance and control environments.

The Guidance defines the purpose of an Audit and Governance Committee as follows:

- Audit & Governance Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

- The purpose of and Audit and Governance Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Functions of the Audit and Governance Committee

The Committee's activities during the period were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the key functions as identified in the Constitution. The Audit and Governance Committee as identified in the constitution is required to:

a) monitor the integrity of the Council's financial statements and approve the Statement of Accounts.
b) approve the Annual Governance Statement.

c) oversee risk management and the Council's risk registers.
d) review any proposed changes to accounting policies and procedure rules.
e) review the performance of the Treasury Management Strategy.
f) approve the role and responsibilities of the Internal Audit Service (the Services' functions, aims and objectives);
g) receive and consider the Annual Audit Letter from the Council's External Auditor.
h) agree the programme of value for money work.
i) approve the internal and external audit plans.
j) review Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receive details of specific significant issues highlighted via audit work and refer to the Executive Scrutiny Committee; the Select Committees; Cabinet or Council, as appropriate, any issues arising which are key in nature.
k) maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and consider the Council's compliance with its own and other published standards and controls; and
l) consider details of any key ethical and wider corporate governance issues which may be referred to it.

Audit and Governance Committee Membership

The membership of the Audit and Governance Committee is as follows;

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

The Audit and Governance Committee met 4 times during the reporting period, 24th November 2025, 23rd February 2026, 29th June 2026, 28th September 2026.

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports in accordance with the Committee's work programme. During the reporting period and on behalf of the Chief Financial Officer and the Director of Corporate Services, the Chief Accountant, Assistant Director Procurement and Governance and the Assurance Manager routinely provided reports and attended the meetings.

External Audit

When required the External Auditors, Forvis Mazars, have also attended the Audit and Governance Committee meetings.

Core Activity

The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

Internal Audit

The Audit and Governance Committee:

- Approved the Internal Audit Charter. The purpose of this report was to advise Members of the Internal Audit Charter and proposed approach to delivering the audit service for the coming audit year 2026-2027.
- Received the Internal Audit Activity Report which informed them of the progress of audit testing to date and presented a forward plan of testing and the resources available to meet the plan to support the assessment of risk.
- Received and approved the Internal Audit Annual Report 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.
- Received a report on supplementary work undertaken by internal audit which was exempt from publication.

External Audit

The Audit and Governance Committee:

- Received regular reports from Forvis Mazars with updates on progress in delivering their responsibilities as our external auditor.
- Received the External Audit Strategy Memorandum for the year ending 31 March 2026. The purpose of this document was to summarise Forvis Mazars audit approach, highlight significant audit risks and areas of key judgements and to provide the Council with the details of their audit team and fees.
- Received the Auditors Draft Annual Report which summarised the work they had undertaken as the auditor for Stockton for the year ending 31st March 2025.
- Received an update on the External Audit Certificate for 2024/25 where 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 been waiting for confirmation from the National Audit Office which had been received and this would now enable them to sign off the Audit Certificate.
- Received the Audit Completion Report for the 2024/25 financial year. This document summarised the external auditor's findings from the annual audit of the 2024/25 accounts. Forvis Mazars were anticipating issuing an unqualified opinion, without modification.

Annual Statement of Accounts

The Audit and Governance Committee:

- Approved the Annual Financial Statements for 2024/25.
- Received and reviewed the draft Annual Statement of Accounts for the 2025/26 financial year.
- 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)
- 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.

Treasury Management

The Audit and Governance Committee:

- Received a 2025/26 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2025.

- Received the Treasury Management Annual Report for 2025/26 that informed members of the performance against treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2025.

Risk Management

The Audit and Governance Committee:

- Received quarterly reports from the Assurance Manager on developments within the Corporate Risk Registers for the purpose of reviewing the strategic risks that had been identified as having the potential to deflect services from achieving their objectives over the next 12 months and beyond. The report also set out the actions being taken to ensure that the risks, and possible adverse outcomes, were minimised.

Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2025/26 for consideration and comments.
- Received the final Annual Governance statement for 2024-25
- 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).

Health and Safety

The Audit and Governance Committee:

- 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.

Chairman's Conclusion

As we come to the end of the final year of this administration has been once again challenging both for the authority and personally and I must give my thanks to the Vice Chair and elected members of the Committee for their support and a strong commitment to the work for which they have been given responsibility. We saw changes to the Committee during the year with Cllrs David Raynard and Marcus Vickers joining us and getting up to speed with some very complex issues.

The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair and supporting officers of the committee. Once again, we have received a positive opinion from the external Auditors. From the information received and reviewed the committee has not identified any issues that are not already being managed effectively that required escalation.

There is still a significant backlog of outstanding external audits as reported to previous years Audit and Governance Committees, as Authorities and other local bodies did not publish audited accounts on time.

Three backstops for Financial Years up to and including 2027/28 to allow the system to recover were

2025/26: 31 January 2027
2026/27: 30 November 2027
2027/28: 30 November 2028

While recognising the valuable contribution made by members, we must also pay tribute to the officers of this Authority who despite reduced staffing, reorganisation and a harsh financial environment have worked diligently to ensure sound fiscal controls and compliance with relevant regulations often being subjected to extra pressures due to delays in the delivery of information from external institutions yet again however changes to their external auditors will hopefully ease the situation.

The reorganisation of the Council's management structure has proved successful with improvements in efficiencies and the service provision monitored, whist ensuring a work / life balance is maintained.

Like many other Councils we still face extreme pressures on budgets from Children's and Adult Services however the external Audit report confirmed that the Council MTFP was developed on "reasonable assumptions" and recognises the assumptions made therein.

The Audit and Governance Committee of new authority year following the elections will probably have some different members and will face many of the challenges of the past and of course the risk evaluations of the many new ventures undertaken by this administration. This of course will hopefully include the acquisition of the retail area of Billingham Town Centre and the mitigation of risk of all Council ventures in future.

In conclusion I would add that our officers have worked both in the office and occasionally from home throughout the year in a challenging environment showing a commitment and dedication to the Borough's sound financial management under at times extreme pressure and for this effort I must record our gratitude personally, as a committee and a Council. We as a Council owe a debt of gratitude for the professionalism and dedication of our Finance and Audit and Governance staff who diligently work to ensure this Council remains on a safe and sound financial footing.

I also personally give thanks for the support and advice given by these officers over the past four years and my tenure of the chair of this committee over many years.

The Audit and Governance Committee is established with comprehensive terms of reference. The Chair of the Audit and Governance Committee has prepared this annual report on the Committee's work for presentation to Cabinet and hopefully this shows that effective corporate and ethical governance is critical to an authority's performance and in demonstrating continuous improvement it's therefore, a fundamental element of the modernisation agenda. Probity, transparency and high standards are an inherent part of corporate/ethical governance.

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