

Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 29th September 2025.

Present: Cllr Barry Woodhouse (Chair), Cllr Mohammed Mazi, Cllr Ross Patterson and Cllr Mick Stoker

Officers: Andy Bryson, Andrew Barber and John Devine

Also in attendance:

Apologies: Cllr Stefan Houghton (Vice-Chair), Cllr Carol Clark, Cllr Eileen Johnson, Cllr Emily Tate and Cllr Laura Tunney

AGC/10/25 Evacuation Procedure

The Evacuation Procedure was noted by members.

AGC/11/25 Declarations of Interest

There were no declarations of interest.

AGC/12/25 Minutes

The minutes of the previous meeting held on Monday 28th July 2025 were agreed as a true record.

AGC/13/25 Internal Audit Activity Report

Officers presented the Internal Audit Activity Report to members; its purpose was to inform members of the progress of audit testing to date. Then present a forward pan of testing and the resources available to meet the plan to support the assessment of risk.

The overall summary of the audit results was grouped into themes, but Officers noted that there was nothing of great concern to highlight to members. The two themes which had the lowest assurance rates but were still above 75% were People and Performance Management. Officers explained that this was due to the Councils training scheme not reaching the targeted 95%.

Audit testing results break down work which had been undertaken in the previous period to inform members where audit resources had been employed. Officers highlighted 5 red controls from the previous period. Members were reminded that red controls were reviewed every three months, which could give the impression that the same issues are recurring while recommendations were being implemented. Officers monitor the progress of the implementation.

There was currently only one red control that had previously been reported and that was in relation to Joint Strategic Needs Assessment, this is a large piece of work which had made good progress to date.

The other four red controls identified in the report were in relation to the completion of information governance training (Community Services & Children's Services), a backlog in Primary Bridge Inspections and Annual Maintenance Plans for Council Owned Buildings.

Members were also informed that Officers had completed over 70% of Audit Checks, which was behind targeted goals due to Annual leave etc, but still ahead of previous years. Officers were confident that they would give an opinion by the end of the year.

Members AGREED to note the report.

AGC/14/25 Risk Management Update

Officers gave Members an update on the Risk Management Report, which informed members of the 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 assessments are based on information currently available and are used to evaluate potential future state of risk, as such they are regularly reviewed.

The assessment of the risk should not be used as an indication of current performance as it is just one element considered as part of the wider assessment of risks; other examples include financial certainty or potential changes that may be outside of the council's control.

Officers highlighted several sections of the report to members; one section was the "Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands." This risk had moved from an amber to a red, the primary cause of the change has been the number of processes and procedural issues identified during the Ombudsman's investigation of a complaint. A full review of the processes was being undertaken as part of actions agreed with the Ombudsman.

Another section highlighted was the "Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP." The risk had increased back to red from amber. Officers stated that although some good progress had been made in reducing the MTFP gap as a result of positive outcomes from the Powering Our Future programme, forecasts at Qtr 1 were suggesting an overspend in the current year. Steps were being taken to manage this in year.

Members thanked Officers for the report and noted the national picture which showed a majority of Local Authorities shared the same issues. Members also discussed the similar MTFP situation last year and how this year's issue felt more comfortable due to the work which had already been undertaken.

Members AGREED to note the Report.

AGC/15/25 External Audit Progress Report September 2025

Forvis-Mazars gave an External Audit Progress Report to members, in which they reiterated the national backlog arrangement in respect of Local Authority financial reporting and local audit. This means that the backstop date for the financial year 2024/25 would be 27 February 2026.

Forvis-Mazars audit of the Councils financial statements had commenced in August and Officers were expecting to complete before the backstop date. This relies on the receipt of the assurances required from the auditors of the Teesside Pension Fund, assurance was still uncertain, but Officers expected to receive them in the new year.

There were no other material matters to be brought to Members attentions.

The Value for Money (VFM) arrangements were also highlighted by Officers, Forvis-Mazars were waiting on the Councils self-assessment of its arrangements to support work on the Value for Money work. Officers would draft and present their VFM commentary before the end of November in their Draft Auditor's Annual Report.

Members AGREED to note the report.

AGC/16/25 Treasury Management Strategy Outturn Report 2024-25

Members were presented with the Treasury Management Strategy annual report for 2024/25. 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 2024.

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 discussed the several sections of the report with Members, one section highlighted was the Dedicated Schools Grant (DSG). This was because a statutory override in England (capital finance regulation 30L) that requires local education authorities that incur expenditure on schools' budget in excess of the DSG received to charge this deficit to an unusable reserve instead of their revenue account. Cash would therefore leave authorities bank accounts for schools' expenditure without revenue cash coming in to pay for it.

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

This led Officers onto the borrowing update in the report. Officers began by reminding members that CIPFA's 2021 Prudential Code was clear that local authorities must not borrow to invest primarily financial return and that is was not prudent for local

authorities to make any investment or spending decision that will increase the capital financing requirement and could lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans were no longer available to local authorities planning to buy investment assets primarily for yield unless these loans were for refinancing purposes. Officers confirmed that the Authority had no new plans to borrow to invest primarily for financial return.

The Authority currently holds £18.322m in commercial investments (2023-24 £17.970m) that were purchased prior to the change in the CIPFA Prudential Code.

The Authority as part of the updated code in the future will need review the options for exiting these investments if there is an economical case to do so.

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

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

Overall total borrowing increased from £108.39m as on 31st March 2024 to £150.78m as of 31st March 2025. Total investments increased during the year rising £17.57m from £21.78m at the end of 2023-24 to £39.35m at the end of 2024-25. Funds secured and held at year end to fund maturities during early April 2025.

Members noted that the borrowing against spending outlined in the report was low when compared to other Authorities in the areas, which shows that all areas are struggling but the Council is managing it better so far.

Members AGREED to note the report.

AGC/17/25 Any Other Business

Members were given an update on the Health & Safety Report. Officers noted the increase in reporting but believed that this was due to the new system in place, which was based online making it easier to use.

It was also noted that there had been an increase in the number of reported cases in Children Services, but Officers believe that this was more in line with actual figures and related to under reporting previously.

Members agreed to note the report.

AGC/18/25 Forward Plan

The Forward Plan was noted.

Chair: