

AUDIT COMMITTEE

A meeting of the Audit Committee was held on Thursday 17 April 2025.

PRESENT: Councillors J Ewan (Chair), I Blades, D Branson, D Coupe, I Morrish, G Wilson and L Young

PRESENT BY INVITATION: Councillors

ALSO IN ATTENDANCE: Kirkham (Mazars)

OFFICERS: A Humble, A Johnstone, C Jones, E Scollay and J Weston

APOLOGIES FOR ABSENCE: Councillors B Hubbard

24/94 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

24/95 **DECLARATIONS OF INTEREST**

MEMBER	TYPE OF INTEREST	ITEM/NATURE OF INTEREST
Councillor Blades	Non-Pecuniary	Spouse is a Member of the Teesside Pension Fund.
Councillor Coupe	Non-Pecuniary	Member of the Board of Directors of Border to Coast.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund.

24/96 **MINUTES - AUDIT COMMITTEE - 20 FEBRUARY 2025**

The minutes of the Audit Committee meeting held on 20 February 2025 were submitted and approved as a correct record.

24/97 **MINUTES - AUDIT COMMITTEE - 13 MARCH 2025**

The minutes of the Audit Committee meeting held on 13 March 2025 were submitted and approved as a correct record.

24/98 **UPDATE ON THE REVIEW OF THE CONSTITUTION AND COMMITTEE TERMS OF REFERENCE**

A report of the Director of Legal and Governance Services was presented, the purpose of which was to submit draft proposals on the updates to the Council's Constitution, for comment from the Audit Committee.

The Constitution and Member Development Committee had been reviewing the provisions of the Constitution to remove duplication and improve its usability as far as possible. Part of the review had focused upon the Terms of Reference of committees; therefore, comments were sought from the Audit Committee in respect of the proposal to adopt the CIPFA recommended terms of reference for the Audit Committee.

During consideration of the report, the following points were raised:

- Some suggested minor amendments were noted, in regard to formatting and abbreviations within the Terms of Reference. It was agreed that the amendments would be actioned, before the final review of the Constitution.

- The Head of Policy, Governance and Information advised members that LGA support had now been approved to facilitate for the committee to undertake a self-assessment against the CIPFA Code of Practice. A scope of would be circulated to members, for information.

AGREED that:

1. **The revised terms of reference, to reflect the CIPFA standard terms of reference, were accepted.**
2. **The requested amendments in respect of formatting and abbreviations, were actioned.**

24/99

EXTERNAL AUDIT PROGRESS REPORT - APRIL 2025

The Auditor from Forvis Mazars provided Members with a progress update on the external audit for 2024/25, which included a proposed timetable and key identified risks, a revisit of responsibilities, an overview of the engagement team and references of materiality.

The planning work for the 2024/25 audit period was due to commence, as part of the planning, Forvis Mazars had met with Middlesbrough Council finance officers. The Audit Strategy Memorandum had been intended to be issued at the Audit Committee in April 2025, however the rebuilding assurance guidance was not yet available. A draft timeline and the current risk assessment for the 2024/25 audit was therefore presented.

The Committee were advised that on 9 April 2025, the government published 16 commitments to overhauling the local audit system and included reference to around £49m in funding to support local authorities in clearing the audit backlog. A further update on providing clarity to existing guidance, particularly for auditing opening balances for statutory reserves, was awaited from government.

It was noted that a timeline had been presented at the Audit Committee meeting in October 2024, this remained as an aspirational timeline whilst awaiting clarity from central government; a more detailed timetable would be agreed once the guidance was available.

During consideration of the report, the following points were raised:

- A member queried the position of the audits and what the impact would be, should guidance from government not be received this year. It was explained that all Local Authorities would be in the same position and that audits would not proceed whilst information was awaited.
- A member queried the policy on depreciation and asked if there had been any change in last 3 years of rules of use. The Head of Finance and Investment advised the committee of the annual depreciation challenges when considering the economic life of assets and discussed common concepts across global accounting practice.
- A member referred to the recent Care Quality Commission report of Adult Social Care and the cost per head which was around the 4th highest of all Local Authorities. In response, the Auditor agreed to take this into account when considering comparative costs and value for money work.

The Chair thanked the Auditor for the information provided.

NOTED

24/100

ANALYSIS OF STAFFING COSTS - 2023/24

The Head of Finance and Investment presented a report, the purpose of which was to provide further information in respect of an area of concern that was raised by Members at the Audit Committee meetings of 3 October 2024 and 3 February 2025 when the 2023/24 Statement of Accounts were presented.

The area of concern raised by Members was the increase in officers that received remuneration (salary and employee benefits) over £50,000. This was part of the disclosure arrangements required in the accounts as part of the Transparency Act but had subsequently been incorporated into the CIPFA Accounting Code of Practice.

The parameters for this disclosure did not change each year (numbers of officers paid over £50,000 in bands of £5,000). However, the council's pay grades, and spinal points, did increase each year by the national pay award. Also, officers who were not at the top spinal point for their current grade also received an increment from 1st April each year. As a result, there was a gradual drift of numbers upwards on an annual basis as nominal salary levels increase.

Members were presented with tables that showed employee remuneration for 2022/23 and 2023/24, with further data which compared the number of employees disclosed in the £5,000 bandings for the last six years, between 2017/18 to 2023/24, as well as a Tees Valley comparison.

During the 2023/24 Financial Year for the Council, two of the grades with a significant number of officers attached: (Grade O – team manager) rose above a salary of £50,000 for the first time and Grade Q – senior manager) rose above a salary of £60,000. As a result of the distribution of employees across these pay scales, an additional 99 employees on these grades had to be disclosed under the regulations, solely due to the impact of the pay award. This was a vast majority of the overall increase of 114 between the two years.

For the financial year 2023/24, the Council held total salary budgets (including agency staff) of £120.3m covering just over 2,800 full time employees. Due to issues around recruitment to specific posts and the need to offset other budget pressures on non-pay budgets or savings non-delivery, only around 2,500 staff were employed, with agency staff covering some of the vacancies. The actual total spend on pay (including agency staff) was £114.6m, leading to a saving of £5.7m, which was used to alleviate the significant overspend which occurred at the start of the financial year on non-pay budgets and put the Council into a difficult financial position with critically low reserves.

The main driver for the increased staff numbers between the two financial years was the pay award and additional oncosts, which was only a small proportion of total cost for an employee (around 3%) for the grades in question. In total these increases were around £0.7m on a budget of £120.3m. Any impact of these increased numbers on the Council's overall financial position during 2023/24 were minor and were managed by an overall staffing underspend of £5.7m. This was part of the financial control measures implemented by the Director of Finance to manage the overall budget position.

During consideration of the report, the following points were raised:

- Members discussed issues around the difficulty in recruiting to some positions such as mechanics and roles in the Planning and Legal Services.
- A Member suggested that the overall recruitment package required consideration to ensure Middlesbrough Council is a destination of choice.
- Members asked for further clarity on the headcount and FTE of Council staff. The Chief Executive provided further assurance that there had not been an increase in the headcount of managers and a senior management review would commence in June 2025. It was agreed that an updated Staffing Costs report should be provided to the Audit Committee, after conclusion and implementation of the review.

AGREED that an updated report in respect of staffing costs 2024/25, would be presented at the Audit Committee meeting in April 2026.

24/101

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.

The Chair expressed her acknowledgement and thanks to the Audit Committee, for their efforts in the municipal year.