

## AUDIT COMMITTEE

|               |                                     |
|---------------|-------------------------------------|
| <b>Date:</b>  | <b>Thursday 19th February, 2026</b> |
| <b>Time:</b>  | <b>1.30 pm</b>                      |
| <b>Venue:</b> | <b>Mandela Room, Town Hall</b>      |

## AGENDA

### 1. Welcome and Evacuation Procedure

*In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.*

### 2. Apologies for Absence

### 3. Declarations of Interest

|  |           |
|--|-----------|
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| 5. Local Code of Corporate Governance Annual Review Report   | 9 - 20    |
| 6. Annual Assurance Report on Decision Making 2025   | 21 - 62   |
| 7. Risk Management - Biannual Strategic Risk Register Review                                       | 63 - 82   |
| 8. Business Continuity Annual Assurance Report 2025  | 83 - 90   |
| 9. Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy Report 2026/27 | 91 - 118  |
| 10. Failure to Prevent Fraud - New Legislation   | 119 - 128 |
| 11. Internal Audit Work Programme Consultation 2026/27   | 129 - 140 |
| 12. Middlesbrough Council Audit Completion Report 2024/25  | 141 - 186 |
| 13. Teesside Pension Fund Audit Completion Report 2024/25  | 187 - 232 |
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|     |  |           |
|-----|--|-----------|
| 16. | Approval of the Audited Statements of Accounts 2024/25                       | To Follow |
| 17. | Audit Committee Work Programme (Standard Item)                               | 245 - 246 |
| 18. | Any other urgent items which in the opinion of the Chair, may be considered. |           |

Charlotte Benjamin  
Corporate Director of Legal and Corporate Services

Town Hall  
Middlesbrough  
Wednesday 11 February 2026

**MEMBERSHIP**

Councillors J Ewan (Chair), D Coupe (Vice-Chair), D Branson, I Morrish, M Nugent, G Wilson and L Young

**Assistance in accessing information:**

**Should you have any queries on accessing the agenda and associated information please contact Rachael Johansson, 01642 726421,  
[rachael\\_johansson@middlesbrough.gov.uk](mailto:rachael_johansson@middlesbrough.gov.uk)**

**AUDIT COMMITTEE**

A meeting of the Audit Committee was held on Thursday 11 December 2025.

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

**OFFICERS:** A Johnstone, J Weston, A Humble and R Johansson

**ALSO IN ATTENDANCE:** C Andrew (Mazars), M Kirkham (Mazars), T Backhouse (Mazars), J Dodsworth (Veritau), Stuart Cutts (Veritau) and Ed Lambert-Martin (Veritau)

**APOLOGIES FOR ABSENCE:** Councillors M Nugent

**25/1 WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the building evacuation procedure.

**25/2 DECLARATIONS OF INTEREST**

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

**25/3 MINUTES - AUDIT COMMITTEE - 25 SEPTEMBER 2025**

The minutes of the Audit Committee meeting held on 25 September 2025 were submitted and approved as a correct record.

**25/4 PARTNERSHIP GOVERNANCE - ANNUAL ASSURANCE REPORT**

The Committee considered a report of the Director of Legal and Governance Services providing the annual assurance of the Council's partnership governance arrangements. The report outlines the results of the annual assessment of key partnerships against Council's Partnership Governance Policy and minimum standards.

The Head of Policy, Governance and Information presented the report and highlighted that the Partnership Governance Policy had been in place since February 2020 and had been refreshed following a planned three-year review, with the revised policy approved in December 2024. The policy set out clear requirements for partnership governance, including lead Officer accountability, approval of business cases, minimum standards for governance and performance management, maintenance of a partnership register, and annual health assessments.

Members were advised that an annual review of the health of key partnerships had been completed by lead Officers. The assessment considered governance, performance, risk management, transparency and financial management. The report confirmed that there were no changes to the performance or governance ratings for existing partnerships following the latest review.

The report highlighted that the Tees Valley Combined Authority (TVCA) continued to be subject to a Best Value Improvement Notice issued by Government. It was noted that this remained in place and that TVCA had established an Independent Advisory Board and published a detailed improvement plan, with progress reports being shared publicly. Council

Officers were supporting the improvement journey.

It was further noted that a new partnership, the Place Leadership Partnership, had been added to the partnership register. The partnership was reported to be in development and involved public, private and voluntary sector representation. Once fully operational, it was intended to support delivery of recommendations from the Local Government Association Corporate Peer Challenge.

In response to a Member question regarding the partnership assessment table at paragraph 3.8, it was clarified that partnership performance and governance assessment framework is based on a red, amber and green methodology. The assessment undertaken did not result in any amber-rated partnerships. It was confirmed that should circumstances change, updates to partnership assessments could be brought forward for consideration as appropriate.

A Member also sought clarification on the role of the Place Leadership Partnership and its potential link to Middlesbrough Council's Place Scrutiny Panel. It was advised that engagement on this matter could be progressed through the Chief Executive, the Head of Growth and Assets, and the Director of Regeneration.

**AGREED** that:

1. The current position of the Council in relation to compliance with the Partnerships Governance Policy was noted.
2. The Committee was given sufficient assurance that appropriate partnership arrangements were in place.

25/5

## **AUDIT COMMITTEE SKILLS AND KNOWLEDGE AUDIT PROCESS**

The Head of Policy Governance and Information and the Head of Finance and Investment presented the Audit Committee Skills and Knowledge Audit Process report, which set out a proposed skills and knowledge audit framework for Audit Committee Members. The report followed recommendations made by the Local Government Association Regional Advisor as part of a review of the Committee's effectiveness.

Members were advised that the framework would enable individual Members to assess their current skills and knowledge, identify development need, and inform a revised programme of mandatory and bespoke training aligned with CIPFA guidance. It was noted that the outcomes would be useful to support ongoing assurance regarding the effectiveness of the Audit Committee.

During discussion, a Member asked about the arrangements for treasury management training. The Head of Finance and Investment advised that this training would take place prior to the Committee's next meeting in February 2026, with delivery planned for January 2026.

A Member also asked whether the National Fraud Initiative publication could be circulated to Committee Members and whether any copyright restrictions applied. The Internal Auditor advised that a link to the publication could be shared with Members.

**AGREED** that:

1. The proposed Skills and Knowledge Audit form for Audit Committee Members was approved.
2. The Committee would proactively engage with the process to complete the Skills and Knowledge Audit for all Members over the following three months.
3. The Head of Finance and Investment would provide proposed Treasury Management training dates for January 2026 and the Democratic Services Officer to circulate these to Members as soon as they became available.
4. The Internal Auditor would circulate a link to the National Fraud Initiative publication.

25/6

## **TREASURY MANAGEMENT MID-YEAR REVIEW 2025/2026**

The Committee considered the Treasury Management Mid-Year Review report, which set out the Council's performance against the approved Treasury Management Strategy and Prudential Indicators 2025/26.

The Head of Finance and Investment advised that the report was presented for Member scrutiny rather than assurance, noting that formal assurance was provided through the CIPFA audit process. It was explained that the CIPFA Code of Practice focused on three key elements: treasury management practices, governance arrangements, and the management of key financial risks, including investment risk, debt risk and market risk. Members were advised that the report and its accompanying practices guidance set out how the Council managed large financial transactions and complied with regulatory requirements.

Council's approach to borrowing and capital finance was discussed, noting that borrowing was treated as a last resort and that capital investment was prioritised to support the Council Plan strategies within defined financial capacity. It was highlighted that the capital programme for 2025/26 had reduced, resulting in lower capital financing requirements, which were expected to remain below 10% of the net revenue budget line with CIPFA guidance.

The Committee considered the Council's under-borrowing position, the balance between internal and external borrowing, and the use of fixed rate borrowing to manage interest rate risk. Members noted that capital finance costs were increasing and sought clarification on the reasons, including the impact of interest rate movements and the level of headroom available should rates rise further. The Head of Finance and Investment advised that the headroom cost was within the authorised borrowing limits, with borrowing decisions managed prudently to minimise revenue impact.

Cash flow management and investments were discussed, noting that cash balances typically fluctuated to meet operational demands such as Council payroll and statutory services. It was confirmed that investments were primarily placed with central government or other local authorities to minimise credit risk, while generating interest income to offset capital financing costs.

The Committee considered issues relating to asset condition and capital investment, with the Head of Finance and Investment highlighting the importance of maintaining and repairing assets to manage long-term risk, including insurance implications. It was confirmed that capital investment included essential works to protect the Council's asset base, with financing associated with urgent asset-related expenditure.

Members sought further comparative information on the Council's capital financing position relative to other local authorities and requested additional clarity on the Council's exposure to LOBO (Lender Option Borrower Option) loans, including when these arrangements were expected to be concluded.

The Head of Finance and Investment emphasised the importance of ongoing transparency and Member understanding of treasury management arrangements, including training and access to supporting information.

**AGREED** that:

1. The mid-year Prudential Indicator results for 2025/26 were noted as the Council's current position in relation to capital finance activities and the overall indebtedness.
2. The performance of the Treasury Management function against Council's approved strategy for the 2025/26 financial year to date was noted.
3. The performance in the year to date was discussed and Members sought any further details or explanations required from Officers to assure themselves that appropriate governance arrangements were in place.
4. The Head of Finance and Investment would circulate the Council's Treasury Management Practices to Members.
5. A future report scheduled for February 2026 would include comparative benchmarking information against other local authorities' capital financing positions.
6. Further information on the Council's LOBO loans, including end dates, would be circulated to Members by the Head of Finance and Investment.

**INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee considered the Internal Audit Progress Report, including progress against the 2025/26 Audit Plan, audits finalised since the last report, ongoing audits, and the follow-up of agreed audit actions.

The Assistant Director - Audit Assurance and the Internal Audit Manager, had attended Council's Leadership Management Group to further develop understanding of Middlesbrough's operating context. Members were informed that the Assistant Director and the Internal Audit Manager had been allocated to the Middlesbrough account. The internal auditors provided an update on progress against quarter four activity.

Members noted that a few audit reports had been finalised, including those set out at page 59 of the report, with Annex D detailing progress on ongoing audits. The internal auditors confirmed that most audits were on track to be completed by the next meeting, with only a small number remaining outstanding.

A Member queried whether updates on audits originally due to be finalised in December or January, but scheduled for Committee consideration in April, could be provided earlier at the February Committee meeting. The internal auditors confirmed this would be possible where reports had been issued, subject to the agreed work programme. The Head of Policy, Governance and Information advised that this needed to be considered on a case-by-case basis, as some reports may contain operationally sensitive information requiring redaction prior to circulation. The Committee noted that the report provided assurance that audit activity was progressing.

In relation to the Anti-Social Behaviour Management Audit in page 59 of the report, a Member commented that additional detail would have been helpful, particularly regarding performance metrics and if these aligned with the Council's neighbourhood model. Officers confirmed that performance metrics were still being developed and that this would be addressed in the final report. It was noted that the audit opinion of reasonable assurance reflected areas for improvement, and that the report was to address the outcomes of the audit and how the recommendations had been addressed. This report was due to be presented to the Committee in February 2026.

Members also referred to information contained within Annex B, noting that greater background detail on partnership arrangements would have been useful to aid understanding. It was acknowledged that some context had not been available at the time of drafting, and that this would be clearer in future reports.

Regarding the Savings Plans and Delivery Audit in page 61 of the report, Members were advised that the report had been issued as final and could be circulated to Members. In relation to Adult Social Care financial assessments in page 60 of the report, concern was expressed that progress was difficult to assess, partly due to auditors not having access to all Council systems and competing service priorities impacting timescales. Members emphasised the importance of earlier escalation where delays occurred, and the value of engaging Officers earlier in the audit process to resolve issues more efficiently.

The Committee discussed the No Recourse to Public Funds Audit, noting that fieldwork was underway and that further updates would be provided at the February meeting.

Members also discussed rising Adult Social Care and Children's Services costs, highlighting the importance of understanding whether the Council was achieving value for money, including how costs were apportioned with partner organisations such as the NHS. The internal auditors confirmed that assessments were being undertaken to determine appropriate cost sharing and that this work would inform future planning, including the forthcoming planning cycle linked to deprivation, safeguarding and service demand. It was noted that this would form part of consultation at the February Committee meeting.

In relation to the follow-up of agreed audit actions in page 66 of the report, Members noted that four actions were overdue. The internal auditors confirmed that two related to domestic abuse monitoring, one of which had been completed, with the other progressing and responses received. Assurance was provided there were no significant concerns and that the actions were being actively managed. The internal auditors highlighted that the relatively low

number of overdue actions reflected positively on the Council's overall approach to audit and governance.

The Assistant Director – Corporate Fraud, presented the Counter Fraud Progress Report for 2025/26, providing an update on counter fraud activity including fraud prevention, detection, investigative work and multi-agency collaboration.

The report outlines the significant risk that fraud presents to the public sector and confirmed that the internal auditors continued to provide the Council's corporate counter fraud service. This included preventative work, fraud awareness activity, data matching, investigations and recovery of losses.

Members were advised that fraud awareness activity had been undertaken during the year, including targeted communications on cybercrime risks as part of Cybersecurity Awareness Month. Bespoke fraud training had also been delivered to Revenues, Benefits and Social Care assessment teams.

The Committee noted the Council's participation in the National Fraud Initiative (NFI), a large-scale data matching exercise overseen by the Public Sector Fraud Authority. It was advised that results from the 2024/25 NFI exercise were still being reviewed and that supplementary data matching relating to care home residents and direct payment recipients has resumed following changes to legislation.

In relation to investigative activity, Members were informed that between 1 April and 31 October 2025, 78 referrals of suspected fraud had been logged. Eleven investigations had been completed, with a further 33 cases under investigation. Examples of completed cases were provided, including council tax reduction scheme fraud and single person discount fraud, with appropriate sanctions applied and recovery action taken.

Members welcomed the level of investigative activity and the recovery of losses. Discussion took place around the importance of continuing fraud awareness and prevention work alongside investigation activity, particularly given financial pressures on the Council.

**AGREED** that:

1. The latest update on the internal audit and counter fraud work was noted.

25/8

## **EXTERNAL AUDIT ANNUAL REPORT**

The Committee considered the external auditors annual report, which provided an update on progress with the audit of the Council's financial statements for 2024/25, value for money (VFM) arrangements, and the audit of the Teesside Pension Fund.

The external auditors outlined their responsibilities under the Local Audit and Accountability Act 2014 and the Code of Audit Practice. Members were advised that audit work was ongoing and that the auditors had not yet issued their audit opinions on the Council's or the Pension Fund's financial statements, which were expected to be concluded in line with statutory backstop dates.

The report summarised progress against previously identified significant weaknesses and recommendations relating to value for money arrangements. The external auditors confirmed that Council had made progress in improving arrangements for economy, efficiency and effectiveness, including the development of a refreshed Council Plan and clearer alignment between strategic priorities, performance monitoring and delivery.

Members were informed that no statutory reporting powers had been exercised by the external auditors and that no matters had arisen requiring reporting in the public interest. It was also noted that there were no objections in respect of the Council's accounts.

In relation to the audit of the Teesside Pension Fund, the external auditors reported that work was ongoing and that no significant issues had been identified at this stage. The report also set out the key risks identified as part of the audit approach for both the Council and the Pension Fund, including management override of controls and the valuation of property, plant and equipment and investments.

In discussion, the external auditors explained that the report represented the final stage of the audit process, with the purpose of informing the public and Members of the findings arising from the audit. It was confirmed that the audit opinion had not yet been issued, as the accounts remained in draft form in line with the Code of Audit Practice. The auditors confirmed that the Council had complied with the requirement to publish draft accounts by the end of November and that the audit would be completed within the national backstop timetable.

Members discussed the Value for Money (VFM) arrangements section of the report, noting that progress had been charted under the governance theme and that relatively few new recommendations had been made. Concerns were raised regarding financial sustainability, including ongoing overspends, pressures within the Dedicated Schools Grant (DSG), the outcome of the High Needs Review, and the impact on the Council's reserves. It was noted that borrowing may be required to address deficits, and that DSG expenditure had been identified as a significant weakness.

The external auditors referred to the uncertainty surrounding the 2025/26 financial settlement and advised that it was difficult to draw firm conclusions until the settlement position became clearer. It was suggested that some of the pressures identified were based on historical data and reflected national funding challenges rather than solely local decisions.

A Member highlighted the projected increase in financial pressures over the next three years and asked what actions were being taken to address this. Officers acknowledged the concern and noted that these issues were being considered as part of ongoing financial planning. Members recognised that many of the challenges outlined in the report, including the rising demand in children's services, adult social care and the impact of an aging population, reflected national trends affecting local authorities more widely, although the data presented was specific to Middlesbrough.

In response to questions regarding the absence of new significant weaknesses for 2025/26, the external auditors confirmed that reporting was confined by the requirements of the Code of Audit Practice and reflected the position at the time.

Members also discussed the alignment between the Mayor's priorities and the Council's performance framework. The Head of Policy, Governance and Information advised that performance management arrangements for were being refreshed, with the next stage involving the development of departmental service plans and balance scorecards during 2026/27.

In relation to the Teesside Pension Fund, the external auditors confirmed that work on the 2024/25 accounts was ongoing and that the aim was to issue an audit opinion by February 2026, subject to the timely provision of evidence. It was noted that this was a critical period for clearing the remaining audit backlog, and the importance of providing sufficient and timely information to enable an unmodified opinion was emphasised. The external auditors advised that they were not aware of any internal delays at this stage but would raise the matter with the Director of Finance and Transformation if issues persisted.

**AGREED** that:

1. The latest update on the external audit annual report was noted.

25/9 **AUDIT COMMITTEE WORK PROGRAMME (STANDARD ITEM)**

A copy of the current work programme for the Audit Committee had been circulated for information. This was a live document that was updated after each meeting.

25/10 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.

## MIDDLESBROUGH COUNCIL



**Report of:** Director of Legal and Governance Services (Monitoring Officer), Charlotte Benjamin

**Submitted to:** Audit Committee

**Date:** 19 February 2026

**Title:** Local Code of Corporate Governance – Annual Review

**Report for:** Decision

**Status:** Public

**Council Plan priority:** All

### Proposed decision(s)

That the Audit Committee:

- **APPROVES** submission of the proposed revised Local Code of Corporate Governance to Full Council; and
- **RECOMMENDS** that Full Council agrees the revised Local Code of Corporate Governance.

### Executive summary

The Local Code of Corporate Governance (LCCG) provides a framework that enables the Council to assess its governance arrangements against sectoral best practice.

The LCCG should be reviewed annually to ensure it aligns with best practice. This report proposes a slight change to the content of the LCCG, to include information previously set out in the Annual Governance Statement. This reflects an addendum to the 2016 CIPFA guidance that was issued in 2025 which has recommended that Councils do this to enable them to concentrate on the effectiveness of those arrangements within the Annual Governance Statement.

The report recommends that Audit Committee agrees to recommend the amended Local Code of Corporate Governance to Full Council for decision.

## **1. Purpose**

1.1 To report the outcome of the annual review of the Council's Local Code of Corporate Governance (LCCG).

## **2 Recommendations**

2.1 That the Audit Committee:

- **APPROVES** submission of the proposed revised Local Code of Corporate Governance to Full Council; and
- **RECOMMENDS** that Full Council agrees the revised Local Code of Corporate Governance.

## **3 Rationale for the recommended decision(s)**

3.1 This decision is being recommended to ensure the Council's Local Code of Corporate Governance continues to align with recommended best practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

## **4 Background and relevant information**

4.1 Regular reviews of the LCCG are necessary to ensure that the Council is assessing its governance arrangements against sectoral best practice.

4.2 The current LCCG (at Appendix 1) is modelled on the CIPFA / SOLACE guidance 'Delivering Good Governance' (2016). An annual review schedule was put in place to ensure that changes to this guidance were reflected within the LCCG. This report proposes a slight change to the content of the LCCG, to include information previously set out in the Annual Governance Statement. This reflects an addendum to the 2016 CIPFA guidance that was issued in 2025 which has recommended that Councils do this to enable them to concentrate on the effectiveness of those arrangements within the Annual Governance Statement.

## **5 Other potential alternative(s) and why these have not been recommended**

5.1 The other potential option would be to review the LCCG against another best practice standard, or create a new local standard. This option is not recommended as the CIPFA / SOLACE guidance is recognised as sectoral best practice and provides an appropriate framework to ensure that the Council has good governance practices in place.

## **6 Impact(s) of the recommended decision(s)**

| <b>Topic</b>                                       | <b>Impact</b>  |
|--|--|
| Financial (including procurement and Social Value) | There are no financial implications arising as a result of this report |

|   |   |
|---|---|
| Legal   | Elected members are collectively responsible for the governance of the Council and approval of the LCCG as advised by this Committee.   |
| Risk  | <p>The existence of the LCCG contributes toward the positive management of the following strategic risks:</p> <ul style="list-style-type: none"> <li>▪ Failure to achieve good governance</li> <li>▪ Failure to comply with the law</li> <li>▪ Failure to achieve strategic and directorate priorities</li> <li>▪ Failure of partnerships.</li> </ul>   |
| Human Rights, Public Sector Equality Duty and Community Cohesion      | <p>There are no concerns that the proposals could result in policies and practices that could impact differently on individuals or groups because they hold one or more protected characteristics. The LCCG sets out expected standards for policies and services to ensure that people are treated fairly. These policies are separately impact assessed as part of their development. the LCCG assesses compliance with best practice in relation to information governance within its framework.</p> |
| Climate Change / Environmental  | <p>There are no concerns that continued adoption of this code could impact negatively on this area.</p>   |
| Children and Young People Cared for by the Authority and Care Leavers | <p>There are no concerns that continued adoption of this code could impact negatively on this area.</p>   |
| Data Protection   | <p>The LCCG sets out expected standards for policies and services to ensure compliance with information governance policies, frameworks and legislative requirements.</p>   |

## Appendices

|   |  |
|---|--|
| 1 | 2025-26 Local Code of Corporate Governance |
|---|--|

## Background papers

| Body                                  | Report title                       | Date            |
|---------------------------------------|------------------------------------|-----------------|
| Corporate Affairs and Audit Committee | Local Code of Corporate Governance | 7 March 2019    |
| Corporate Affairs and Audit Committee | Local Code of Corporate Governance | 6 February 2020 |

|                                       |                                    |                 |
|---------------------------------------|------------------------------------|-----------------|
| Corporate Affairs and Audit Committee | Local Code of Corporate Governance | 4 February 2021 |
| Corporate Affairs and Audit Committee | Local Code of Corporate Governance | 31 March 2022   |
| Audit Committee                       | Local Code of Corporate Governance | 16 March 2024   |
| Audit Committee                       | Local Code of Corporate Governance | 6 February 2025 |

**Contact:** Ann-Marie Johnstone, Head of Governance, Policy and Information

**Email:** ann-marie\_johnstone@middlesbrough.gov.uk



## **Local Code of Corporate Governance**

**Live: February 2025**  
**Review date: March 2026**

|                       |  |   |  |  |  |
|-----------------------|--|---|--|--|--|
| <b>Title</b>          | Local Code of Corporate Governance       |   |  |  |  |
| <b>Creator</b>        | Author(s)                                | Ann-Marie Johnstone   |  |  |  |
|                       | Approved by                              | Audit Committee   |  |  |  |
|                       | Department                               | Legal and Governance Services                                   |  |  |  |
|                       | Service area                             | Governance, Policy and Information                              |  |  |  |
|                       | Head of Service                          | Ann-Marie Johnstone   |  |  |  |
|                       | Director                                 | Charlotte Benjamin  |  |  |  |
| <b>Date</b>           | Created                                  | February 2017   |  |  |  |
|                       | Submitted                                |   |  |  |  |
|                       | Approved                                 |   |  |  |  |
|                       | Updating Frequency                       | Annual  |  |  |  |
| <b>Status</b>         | Version: 9.0                             |   |  |  |  |
| <b>Contributor(s)</b> | Ann-Marie Johnstone, Charlotte Benjamin. |   |  |  |  |
|                       | Legislation                              | Accounts and Audit (England) Regulations 2011, regulation 4 (3) |  |  |  |
| <b>Subject</b>        | Corporate Governance                     |   |  |  |  |
| <b>Type</b>           | Policy                                   |   |  |  |  |
|                       | Vital Record                             | EIR   |  |  |  |
| <b>Coverage</b>       | Middlesbrough Council                    |   |  |  |  |
| <b>Language</b>       | English                                  |   |  |  |  |

#### Document Control

| Version | Date          | Revision History           | Reviser     |
|---------|---------------|----------------------------|-------------|
| 4.0     | February 2020 | Annual review – no changes | A Johnstone |
| 5.0     | February 2021 | Annual review – no changes | A Johnstone |
| 6.0     | February 2022 | Annual review – no changes | A Johnstone |
| 7.0     | January 2023  | Annual review – no changes | A Johnstone |
| 8.0     | January 2024  | Annual review – no changes | A Johnstone |
| 9.0     | February 2025 | Annual review – no changes | A Johnstone |

#### Distribution List

| Version | Date          | Name/Service area                     | Action  |
|---------|---------------|---------------------------------------|---------|
| 4.0     | February 2020 | Corporate Affairs and Audit Committee | Endorse |
| 5.0     | February 2021 | Corporate Affairs and Audit Committee | Endorse |
| 6.0     | February 2022 | Corporate Affairs and Audit Committee | Endorse |
| 7.0     | February 2023 | Corporate Affairs and Audit Committee | Endorse |
| 8.0     | February 2024 | Audit Committee                       | Endorse |
| 9.0     | February 2025 | Audit Committee                       | Endorse |

## INTRODUCTION

1. Corporate governance is about the systems, processes and values by which local authorities operate and by which they engage with, and are held accountable to, their communities and stakeholders.
2. The Council is committed to achieving effective corporate governance, and has adopted this Local Code of Corporate Governance, which establishes how good governance will be achieved within the organisation.

## GOOD GOVERNANCE

3. The Council's code follows principles of good governance set out in guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) (*Delivering Good Governance in Local Government* (2016)). These are:
  - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
  - ensuring openness and comprehensive stakeholder engagement;
  - defining outcomes in terms of sustainable economic, social and environmental benefits;
  - determining the interventions necessary to optimise the achievement of the intended outcomes;
  - developing the entity's capacity, including the capability of its leadership and the individuals within it;
  - managing risks and performance through robust internal control and strong public financial management; and
  - implementing good practices in transparency, reporting, and audit to deliver effective accountability.

## BENEFITS OF GOOD GOVERNANCE

4. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for those who live, work in or visit Middlesbrough.
5. It enables the Council to effectively pursue delivery of the strategic priorities of the Mayor of Middlesbrough, as well as underpinning plans for delivery with mechanisms for the control and management of risk.

## IMPLEMENTING GOOD GOVERNANCE

6. The Council has a robust governance framework in place. The table below sets out in high level terms the steps the Council takes to ensure its processes, policies, systems and practices align with the principles of good governance.
7. The framework comprises of a wide range of policies and procedures, which embed the core principles of the CIPFA/SOLACE framework into all aspects of the Council's conduct and operation.

| CIPFA / SOLACE principle / supporting principles   | To meet these requirements, the Council will:   | Arrangements and processes in place   |
|--|---|---|
| <p><b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law</b></p> <ul style="list-style-type: none"> <li>• <i>Behaving with integrity</i></li> <li>• <i>Demonstrating strong commitment to ethical values</i></li> <li>• <i>Respecting the rule of law</i></li> </ul> | <ul style="list-style-type: none"> <li>• Work diligently and with integrity to achieve the strategic priorities of the Mayor of Middlesbrough.</li> <li>• Clearly document expected behaviours, and decision-making processes, for members and officers, and regularly review these.</li> <li>• Effectively communicate expected behaviours to members and officers and provide appropriate training on ethical behaviour.</li> <li>• Ensure members, statutory officers, other key postholders are able and supported to fulfil their duties and meet their responsibilities.</li> <li>• Ensure compliance by maintaining effective audit committee, internal audit and scrutiny functions, and standards and disciplinary processes.</li> </ul> | <ul style="list-style-type: none"> <li>• People Strategy and Council Values.</li> <li>• Member Development Strategy.</li> <li>• Member induction process.</li> <li>• Standards Committee and regular reporting from the Monitoring Officer on complaints.</li> <li>• Registers in place for interests, gifts and hospitality for officers and Members.</li> <li>• Standards Committee, regular reporting on complaints, themes from complaints and direction on training to prevent similar future standards complaints.</li> <li>• Annual review of the effectiveness of the Audit Committee commenced in 2025.</li> <li>• Audit Committee work programme, aligned to its terms of reference.</li> <li>• Counter Fraud Strategy.</li> <li>• Constitution, including codes of conduct for Members and Officers.</li> <li>• Corporate Governance training programme.</li> <li>• Scheme of Delegation.</li> <li>• Scheme of Sub-Delegations.</li> <li>• Whistleblowing Policy.</li> <li>• Council Plan.</li> <li>• Annual Report of the Audit Committee.</li> <li>• Regular meetings of the three statutory officers (Head of Paid Service, Section 151 Officer and Monitoring Officer).</li> <li>• Committee report templates.</li> <li>• Schemes of delegations and Scheme of Sub-delegations.</li> </ul> |
| <p><b>Ensuring openness and comprehensive stakeholder engagement</b></p> <ul style="list-style-type: none"> <li>▪ <i>Openness</i></li> <li>▪ <i>Engaging comprehensively with institutional stakeholders</i></li> <li>▪ <i>Engaging with individual citizens and service users effectively</i></li> </ul>                    | <ul style="list-style-type: none"> <li>• Document and operate a culture of openness and transparency within the organisation.</li> <li>• Maintain a culture of accountability, so that members and officers understand for what they are accountable and to who.</li> <li>• Consult appropriately with stakeholders on the development of its budget, key plans and service development.</li> <li>• Maintain effective decision-making processes, ensuring that reports to decision makers clearly set out stakeholder views where relevant.</li> </ul>   | <ul style="list-style-type: none"> <li>• People Strategy and Council Values and supporting appraisal process.</li> <li>• Council Plan.</li> <li>• Constitution and supporting documentation that sets out roles and responsibilities.</li> <li>• Consultation Policy and regular consultation.</li> <li>• Budget consultation and engagement process.</li> <li>• Publication of Executive and Committee dates, minutes, reports and decisions on the Council's website, except where there is a legitimate need to exempt an item from publication</li> </ul>   |

| CIPFA / SOLACE principle / supporting principles   | To meet these requirements, the Council will:  | Arrangements and processes in place  |
|--|--|--|
|  | <ul style="list-style-type: none"> <li>• Publish all Executive and Committee reports and decision papers, unless there is a legitimate need to preserve confidentialities on the basis of the statutory tests.</li> <li>• Publish on its website information on the Council's strategies, plans and finances as well as on outcomes, achievements and challenges.</li> </ul>   | <ul style="list-style-type: none"> <li>following application of statutory tests.</li> <li>• Publication of the Executive Forward Work Programme.</li> <li>• Publication of Council's key plans, strategies and policies</li> <li>• Compliance with Open Data requirements, publishing statutorily required datasets.</li> <li>• Proactive publication of additional data to respond to themes within data requests from the public.</li> <li>• Annual SIRO report to Audit Committee, setting out compliance with good practice and legislation in relation to Information Governance.</li> <li>• Regular compliance and performance reporting to senior managers and Members.</li> <li>• Neighbourhoods model.</li> <li>• Customer Strategy.</li> <li>• Annual complaints report to Audit Committee.</li> </ul> |
| <p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• <i>Defining outcomes</i></li> <li>• <i>Sustainable economic, social and environmental benefits</i></li> </ul>   | <ul style="list-style-type: none"> <li>• Clearly set out its contribution to delivery of the Strategic Priorities of the Mayor of Middlesbrough and use this as the basis for its overall strategy, planning and other decisions.</li> <li>• Define outcomes through robust consideration of appropriate evidence bases, such as the Joint Strategic Needs Assessment.</li> <li>• Ensure that it delivers defined outcomes on a sustainable basis within available resources.</li> <li>• Effectively identify and manage risks to the achievement of targeted outcomes.</li> <li>• Manage customer expectations effectively when determining priorities to make best use of resources and ensure fair access to services.</li> </ul> | <ul style="list-style-type: none"> <li>• Council Plan.</li> <li>• Joint Strategic Needs Assessment and other supporting assessments to provide support for evidence-based decision-making.</li> <li>• Departmental plans (to be in place for 2026/27).</li> <li>• Regular performance and budget outturn reports.</li> <li>• Risk and Opportunity Management Policy.</li> <li>• Corporate planning cycle.</li> <li>• Customer Strategy.</li> <li>• Middlesbrough Council's Data Hub providing a coordinated source of Council and nationally published data sources.</li> <li>• Programme and Project Management Framework.</li> <li>• Portfolio Management Office in place.</li> </ul>  |
| <p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <ul style="list-style-type: none"> <li>• <i>Determining interventions</i></li> <li>• <i>Planning interventions</i></li> <li>• <i>Optimising achievement of intended outcomes</i></li> </ul> | <ul style="list-style-type: none"> <li>• Ensure reports to decision makers on services are fair, balanced, and analyse options and the risks associated with those options, to ensure Best Value is achieved.</li> <li>• Ensure that external and internal stakeholders are engaged with when the Council is determining how services should be planned and delivered, and the outcome</li> </ul>  | <ul style="list-style-type: none"> <li>• Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making.</li> <li>• Corporate consultation and impact assessment policies in place, ensuring that stakeholders engaged appropriately, and views considered in decision making though it requires review.</li> </ul>  |

| CIPFA / SOLACE principle / supporting principles   | To meet these requirements, the Council will:  | Arrangements and processes in place   |
|--|--|---|
|  | <p>of consultations is considered when decisions are made.</p> <ul style="list-style-type: none"> <li>• Ensure achievement of social value through service planning and commissioning.</li> <li>• Ensure that it has clear and robust planning and control cycles for its strategic and operational plans, priorities and targets.</li> <li>• Determine appropriate KPIs to demonstrate service and project performance and provide members and senior managers with timely updates on these.</li> <li>• Ensure medium- and long-term resource planning is realistic, sustainable and inclusive.</li> <li>• Prepare budgets that are aligned to the strategic objectives of the organisation and its MTFP.</li> </ul>  | <ul style="list-style-type: none"> <li>• Guide to social value in procurement and commissioning in place.</li> <li>• Social Value Charter.</li> <li>• Strategic Procurement Strategy</li> <li>• Contract management framework.</li> <li>• Contract Procedure rules set out within the Constitution.</li> <li>• Corporate planning cycle considers targeted outcomes and annual budgeting.</li> <li>• Capital Programme.</li> <li>• Performance, Risk and Programme and Project Management frameworks.</li> <li>• Partly and Wholly Owned Council Companies policy in place.</li> </ul>  |
| <p><b>Developing the Council's capacity, including the capability of its leadership and the individuals within it</b></p> <ul style="list-style-type: none"> <li>• <i>Developing the Council's capacity</i></li> <li>• <i>Developing the capability of the Council's leadership and other individuals</i></li> </ul> | <ul style="list-style-type: none"> <li>• Regularly review operations to ensure that it is continuing to deliver services that are effective, including the use of benchmarking and sectoral research.</li> <li>• Work collaboratively and in partnerships where added value can be achieved.</li> <li>• Maintain an effective approach to organisational development to ensure continued capacity and capability to deliver.</li> <li>• Clearly define roles, responsibilities and terms of engagement for members and employees.</li> <li>• Maintain and regularly review its schemes of delegations that outline the types of decisions that are delegated and those that are reserved for collective decision-making.</li> <li>• Develop the capabilities of members and senior management to achieve effective shared leadership.</li> <li>• Ensure there are appropriate structures in place to encourage public participation.</li> <li>• Ensure that systems are in place to ensure that members and staff can be both held to account for performance and supported as appropriate.</li> </ul> | <ul style="list-style-type: none"> <li>• People Strategy, values and supporting appraisals process in place.</li> <li>• Organisational development, delivered as part of the People Strategy.</li> <li>• Performance management arrangements and reporting.</li> <li>• Range of benchmarking and other tools are used within Directorates to contextualise performance and drive improvement.</li> <li>• Wider Leadership Management Team in place to enable broader consideration of key policy issues.</li> <li>• Key strategic partnerships in place, such as the South Tees Health and Wellbeing Board.</li> <li>• Constitution and supporting documentation set out member and officer role profiles, relationship protocol and schemes of delegation. This is supplemented by e-learning to support understanding and training and development of officers and Members.</li> <li>• Corporate Consultation policy and online consultation portal in place.</li> <li>• Processes in place for public involvement in determining scrutiny priorities, for the public to petition Council and to register questions to be considered by full Council.</li> <li>• The Member Development Strategy in place.</li> </ul> |

| CIPFA / SOLACE principle / supporting principles   | To meet these requirements, the Council will:  | Arrangements and processes in place   |
|--|--|---|
| <b>Managing risks and performance through robust internal control and strong public financial management</b> | <ul style="list-style-type: none"> <li>• <i>Managing risk</i></li> <li>• <i>Managing performance</i></li> <li>• <i>Robust internal control</i></li> <li>• <i>Managing data</i></li> <li>• <i>Strong public financial management</i></li> </ul> | <ul style="list-style-type: none"> <li>• Embed effective risk management within all activities, ensure that progress is reviewed regularly and that risk is considered as part of decision making.</li> <li>• Ensure effective performance management of service delivery, and provide members and senior managers with timely updates on service performance and progress towards outcomes.</li> <li>• Ensure reports to decision makers on services are fair, balanced, and analyse options and the risks associated with those options, to ensure Best Value is achieved.</li> <li>• Ensure effective, member-led scrutiny is in place that provides constructive challenge and debate on objectives and policies before, during and after decisions are taken.</li> <li>• Ensure an effective, risk-led Internal Audit service is in place to provide assurance on the overall adequacy and effectiveness of the Council's governance arrangements.</li> <li>• Ensure effective counter fraud and anti-corruption policies and arrangements are in place.</li> <li>• Ensure effective internal control arrangements exist for sound financial management.</li> <li>• Maintain an effective audit committee function.</li> <li>• Ensure effective arrangements are in place to collect, store, use and share data, including processes to safeguard personal data,</li> <li>• Put in place arrangements to ensure that data used to support decision-making is accurate and clear.</li> <li>• Ensure financial management arrangements support both long term outcome delivery and day-to-day operations.</li> </ul> |
| <b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b> | <ul style="list-style-type: none"> <li>• <i>Implementing good practice in transparency</i></li> <li>• <i>Implementing good practices in reporting</i></li> </ul>   | <ul style="list-style-type: none"> <li>• Provide reports in plain English wherever possible, ensuring that they are easy to access and interrogate and balancing transparency requirements with clarity.</li> <li>• Report regularly on performance, delivery of value for money and stewardship of resources.</li> </ul>   |

| CIPFA / SOLACE principle / supporting principles   | To meet these requirements, the Council will:   | Arrangements and processes in place   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Assurance and effective accountability</li> </ul> | <ul style="list-style-type: none"> <li>• Report on compliance with good governance principles within its Annual Governance Statement, including an action plan for continued improvement.</li> <li>• Ensure compliance with good governance principles extends to its partnership arrangements.</li> <li>• Ensure that recommendations made by external audit are addressed</li> <li>• Ensure that the internal audit service has direct access to members to enable it to provide assurance with regard to governance arrangements.</li> <li>• Welcome and positively engage with peer challenges, reviews and inspections of its services.</li> </ul> | <ul style="list-style-type: none"> <li>with information rights and transparency good practice.</li> <li>• Governance arrangements in place for key strategic partnerships, and annual assurance report on the governance of partnerships considered by Audit Committee.</li> <li>• Partnership Governance policy in place</li> <li>• Recommendations made by External Audit are addressed as a matter of priority through the most appropriate route.</li> <li>• Internal audit annual plan reported to Audit Committee.</li> </ul> |

## MONITORING AND REVIEW

8. The policies and procedures that underpin the Council's governance framework are reviewed regularly, with revisions presented to Audit Committee for agreement.
9. The Council's alignment with the CIPFA / SOLACE principles will be reviewed each year within the Annual Governance Statement (AGS) document, which is part of the Council's Statement of Accounts. The AGS will assess the Council's compliance and outline any improvement actions to be taken as a result of this assessment.

**MIDDLESBROUGH COUNCIL**



**Report of:** Corporate Director of Legal and Corporate Services - Charlotte Benjamin (Monitoring Officer)

**Submitted to:** Audit Committee

**Date:** 19 February 2026

**Title:** Annual Assurance Report on Decision Making - 2025

**Report for:** Information

**Status:** Public

**Council Plan priority:** Delivering Best Value

**Proposed decision(s)**

That the Audit Committee notes the information provided regarding the Council's decision-making process.

**Executive summary**

The report provides an update in respect of the Council's decision-making process. It also highlights information in relation to any awareness/training that has been carried out in relation to the decision-making process.

## 1. Purpose

1.1 To provide Members with an update in relation to the Council's decision-making process.

## 2. Recommendations

2.1 That the Audit Committee

Notes the information provided regarding the Council's decision-making process.

### **3. Background and relevant information**

3.1 Members should be regularly updated in respect of the decision-making process and assured that the appropriate decision-making processes are in place.

3.2 This report provides information in relation to:

- Details of current policies/guidance in place in respect of the decision-making process.
- Information on the number of Executive Member delegated decisions taken and whether they were key or non-key decisions.
- Information on the number of Officer delegated decisions taken.
- Information on the activities of the governance team including communications, training and awareness raising.

#### Council Constitution

3.3 The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter of choice for the Council.

3.4 A revised Constitution was approved by Full Council on 10 September 2025, with further updates approved at Full Council on 14 January 2026.

#### Current policies/guidance in place in respect of the Decision-Making Process

3.5 Section 13 of the Constitution identifies the decision-making principles of the Council and provides information in relation to the three distinct types of decision which can be made on behalf of the Council: key, significant and operational decisions.

3.6 Council Procedure Rules apply to all meetings of Council and set out how meetings will be organised and conducted.

3.7 Executive Procedure Rules identify functions which are the responsibility of the Executive and that may be exercised by the Elected Mayor. The Elected Mayor may also delegate authority to exercise those functions to the extent they wish.

3.8 The Forward Work plan is the vehicle for ensuring openness and transparency when key decisions are to be taken and for advising Members, and the public, of decisions to be made by the Executive.

3.9 Implementation of decisions taken by Executive is tracked through the Leadership and Management Team (LMT) monthly performance cycle and reported quarterly through the Performance Outturn Report.

3.10 Overview and Scrutiny Procedure Rules set out the functions of the Overview and Scrutiny Board and act as the vehicle for hearing called-in decisions.

- 3.11 The Scheme of Delegations identifies powers delegated to officers.
- 3.12 Guidance for recording Officer Delegated decisions is available on The Bridge and details of all such decisions taken are published on Modern.Gov and available to view on the Council Website: [Middlesbrough Council | Officer Delegated Decisions](#)  
An email is sent to all Elected Members when an Officer Delegated Decision is published.
- 3.13 Financial Procedure Rules. The financial policies and procedures of the Council are set out in the Constitution and apply to the Mayor, every Elected Member and Officer of the Council and any other person who acts on the Council's behalf.
- 3.14 The Financial Regulations apply to all Council Services. However, local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. The Financial Regulations of a school should not be contrary to these Financial Regulations and any exceptions should be reported to the Chief Finance Officer.
- 3.15 The Council has an Asset Disposal Policy which provides rules and guidance on the disposal of Council assets.
- 3.16 The Modern.Gov App provides the opportunity for Members to view, annotate and download meeting papers. Members are also able to identify the committees that they are interested in and receive automatic updates when new information is published

### **Training**

- 3.17 Staff – Online materials are available on the intranet and the Middlesbrough Learns e-learning training portal. Members are also required to complete the mandatory General Data Protection Regulation (GDPR) training on the Middlesbrough Learns e-learning portal.
- 3.18 A list of training and briefing sessions for Elected Members held during the period 1 January 2025 and 31 December 2025 is attached at Appendix 3.
- 3.19 Work is ongoing with the Local Government Association (LGA) to continue to improve Member/Officer relations. One of our Executive Members attend an LGA course entitled Leadership Essentials – Being an effective cabinet member.

### Officer Delegated Decisions

- 3.20 When an Officer Delegated decision is submitted via the Modern Gov Committee Management system, Democratic Services check the information entered on to the system to make sure that it has been entered correctly, the appropriate delegation is in place, there are no issues regarding confidentiality/release of exempt information and that a copy of the decision form is attached, prior to publishing the form.
- Decisions
- 3.21 A report containing details of Officer Delegated Decisions taken during the period

1 January 2025 - 31 December 2025 is attached at Appendix 1.

3.22 A report containing details of Executive decisions taken during the period 1 January 2025 - 31 December 2025 is attached at Appendix 2.

#### Scrutiny and challenge

3.23 From 1 January 2025 – 31 December 2025 there have been 46 Executive decisions.

In the corresponding period, no Call-in requests were received.

#### **Assurance**

3.24 The report is designed to provide assurance for Members in relation to the decision-making processes.

#### **4. Other potential alternative(s) and why these have not been recommended**

4.1 Do Nothing: Audit Committee would not have any evidence to demonstrate that appropriate decision-making processes are in place.

#### **5. Impact(s) of the recommended decision(s)**

| <b>Topic</b>  | <b>Impact</b>   |
|---|---|
| Financial (including procurement and Social Value)                    | There are no financial implications or impact on any budgets or the Medium-Term Financial Plan (MTFP) arising from the content of this report.  |
| Legal   | The Local Government Act 2000 requires all local Councils to have a Constitution. The Constitution provides a basis and framework for the Elected Members and Officers to work within to ensure lawful decision making. |
| Risk  | By providing evidence of the decisions taken and the training that has been undertaken, then Council is demonstrating that good governance is in place.   |
| Human Rights, Public Sector Equality Duty and Community Cohesion      | The subject of this report is not a policy, strategy, function or service that is new or being revised. It is considered that an equality impact assessment is not required.  |
| Reducing poverty  | There is no change to the impact on Reducing Poverty.   |
| Climate Change / Environmental  | There is no change to the impact on Climate Change/ Environmental.  |
| Children and Young People Cared for by the Authority and Care Leavers | There is no change to the impact on Children and Young People Cared for by the Authority and Care Leavers.  |
| Data Protection   | There is no change to the impact on Data Protection.  |

## Appendices

|          |   |
|----------|---|
| <b>1</b> | Officer Delegated Decisions - 1 January 2025 - 31 December 2025 |
| <b>2</b> | Executive Decisions - 1 January 2025 - 31 December 2025         |
| <b>3</b> | Member Development Programme 2025/26                            |

**Contact:** Charlotte Benjamin, Corporate Director of Legal and Corporate Services  
**Email:** charlotte\_benjamin@middlesbrough.gov.uk

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**OFFICER DELEGATED DECISIONS**  
**1 JANUARY 2025 – 31 DECEMBER 2025**

**APPENDIX 1**

| <b>DATE OF DECISION</b> | <b>DATE OF ISSUE</b> | <b>SUBJECT OF DECISION</b>  |
|-------------------------|----------------------|---|
| 20/12/2024              | 13/01/2025           | Various licence applications/permissions/consents   |
| 17/01/2025              | 20/01/2025           | Various licence applications/permissions/consents   |
| 20/01/2025              | 03/02/2025           | Various licence applications/permissions/consents   |
| 03/02/2025              | 10/02/2025           | Various licence applications/permissions/consents   |
| 17/02/2025              | 17/02/2025           | Various licence applications/permissions/consents   |
| 20/02/2025              | 26/02/2025           | Adoption and implementation of Patient Group Directive (PGD) for prescribing of Varenicline as a Stop Smoking Drug. |
| 04/03/2025              | 04/03/2025           | Various licence applications/permissions/consents   |
| 11/03/2025              | 11/03/2025           | Various licence applications/permissions/consents   |
| 24/03/2025              | 24/03/2025           | Various licence applications/permissions/consents   |
| 07/04/2025              | 07/04/2025           | Various licence applications/permissions/consents   |
| 14/04/2025              | 14/04/2025           | Various licence applications/permissions/consents   |
| 22/04/2025              | 22/04/2025           | Various licence applications/permissions/consents   |

|            |            |  |
|------------|------------|--|
| 06/05/2025 | 06/05/2025 | Various licence applications/permissions/consents  |
| 21/05/2025 | 27/05/2025 | Engagement with the national supervised toothbrushing programme  |
| 19/05/2025 | 19/05/2025 | Various licence applications/permissions/consents  |
| 03/06/2025 | 03/06/2025 | Various licence applications/permissions/consents  |
| 09/06/2025 | 09/06/2025 | Various licence applications/permissions/consents  |
| 09/06/2025 | 09/06/2025 | Various licence applications/permissions/consents  |
| 16/06/2025 | 16/06/2025 | Various licence applications/permissions/consents  |
| 23/06/2025 | 21/07/2025 | Various licence applications/permissions/consents  |
| 23/06/2025 | 23/06/2025 | Various licence applications/permissions/consents  |
| 30/06/2025 | 22/07/2025 | Enter into a Creation Agreement with the Stonebridge Homes Ltd by way of them dedicating several Public Footpaths across land owned by them  |
| 13/08/2025 | 13/08/2025 | Various licence applications/permissions/consents  |
| 18/08/2025 | 18/08/2025 | Various licence applications/permissions/consents  |
| 01/09/2025 | 29/08/2025 | Removal of an item within a proposed amendment to the traffic regulation order (Windemere Road – Proposed extension of waiting restrictions) |
| 01/09/2025 | 01/09/2025 | Various licence applications/permissions/consents  |
| 23/09/2025 | 23/09/2025 | Various licence applications/permissions/consents  |
| 06/10/2025 | 06/10/2025 | Various licence applications/permissions/consents  |

|            |            |  |
|------------|------------|--|
| 20/10/2025 | 20/10/2025 | Various licence applications/permissions/consents                              |
| 01/12/2025 | 01/12/2025 | Various licence applications/permissions/consents                              |
| 08/12/2025 | 08/12/2025 | Various licence applications/permissions/consents                              |
| 16/12/2025 | 17/12/2025 | Household Support Fund 2025/26   |
| 23/12/2025 | 29/12/2025 | Discontinue funding for Middlesbrough Environment City (MEC) beyond March 2026 |

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## APPENDIX 2



## Executive Decisions between 1 January 2025 and 31 December 2025

| No. | Committee | Date       | Agenda Item Title   | Agenda Item Text   |
|-----|-----------|------------|---|--|
| 1   | Executive | 8 Jan 2025 | Community Recovery Fund   | <b>ORDERED</b> that Executive approve the spend outlined in the report on the £655,000 grant funding provided by MHCLG to support the recovery of the riots that took place in Middlesbrough on Sunday 4th August 2024.  |
| 2   | Executive | 8 Jan 2025 | EXEMPT - Restoration of the Old Town Hall: Heritage Lottery Funding   | <b>ORDERED</b> that the recommendations of the report be approved.   |
| 3   | Executive | 5 Feb 2025 | Corporate Performance Q3 2024/25                                      | <b>ORDERED</b> that Executive approve the proposed changes to the Executive actions, detailed at Appendix one of the report.<br><br><b>AGREED</b> that Executive: <ol style="list-style-type: none"> <li>1. Note the progress and position of the corporate performance disciplines, including the Transformation Portfolio.</li> <li>2. Note delivery status of the Council Plan 2024-27 supporting workplan at Quarter three, detailed at Appendix two of the report</li> <li>3. Note the Strategic Risk Register, at Appendix three of the report.</li> </ol> |
| 4   | Executive | 5 Feb 2025 | Linthorpe Road Cycleway   | <b>ORDERED</b> that Executive approve removal the scheme.  |
| 5   | Executive | 5 Feb 2025 | 2024/25 Quarter 3 Revenue and Capital Monitoring and Forecast Outturn | <b>ORDERED</b> that Executive approve: <ol style="list-style-type: none"> <li>1. The proposed revenue budget virements over £250,000 as detailed in Appendix three of the report.</li> <li>2. The inclusion of additional expenditure budgets to the Capital Programme totalling £0.430m for 2024/25 which were externally</li> </ol>  |

|         |  |  |  |
|---------|--|--|--|
| Page 32 |  |  | <p>funded as detailed in Appendix eight of the report). This will increase the approved 2024/25 Capital Programme budget to £107.141m.</p> <p>3. The proposed virements over £250,000 between schemes in the 2024/25 Capital Programme approved by Council in March 2024 which are funded from within existing Council resources which were detailed in Appendix eight of the report.</p> <p><b>AGREED</b> that Executive note:</p> <ol style="list-style-type: none"><li>1. The forecast 2024/25 revenue outturn as at Quarter three of £143.184m against an approved budget of £143.190m. This was an underspend of £6,000 (£0.006m) (0.00%) as summarised below and detailed in Table one of the report. This was an improvement of (£1.388m) from the £1.382m forecast year-end overspend reported at Quarter Two.</li><li>2. The progress on savings delivery set out in Tables three and four of the report and Appendix four.</li><li>3. The Council was dependent upon Exceptional Financial Support (EFS) in setting the budget for 2024/25 approved, in principle, by the Ministry of Housing, Communities &amp; Local Government (MHCLG) of up to £13.4m of one-off borrowing, the costs which were factored into the MTFP. Of this sum £4.7m had been utilised to achieve a balanced budget in 2024/25. The forecast use of EFS had been reduced to up to £4.7m, which related only to the element used to balance the budget detailed in paragraph 4.5 of the report.</li><li>4. It was essential that all available measures were taken by management to maintain revenue expenditure within the approved budget, given the marginal Quarter three forecast underspend. If an overspend occurred in the remainder of 2024/25 this would require further use of EFS or reserves. Both</li></ol> |
|---------|--|--|--|

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| Page 33 |           |            | <p>EFS and reserves could only be used once, and the financial pressure would remain in 2025/26 to be addressed.</p> <p>5. Based upon the Quarter three forecast outturn, the forecast revenue balances on 31 March 2025 would be £21.369m which was in line with that recommended in the approved Reserves Policy:</p> <ul style="list-style-type: none"> <li>• General Fund Reserve of £11.100m (minimum recommended)</li> <li>• Council's unrestricted usable earmarked reserves of £10.269m</li> </ul> <p>6. The 2024/25 Capital Programme forecast year-end outturn of £65.158m at Quarter three was a reduction of £41.983m (39.18%) from the revised Quarter three budget of £107.141m comprising:</p> <ul style="list-style-type: none"> <li>• An underspend on projects of £12.303m</li> <li>• Slippage on projects of £29.680m into 2025/26 and 2026/27</li> </ul> <p>7. The current forecast deficit of £6.400m for 2024/25 related to the High Needs Block with the Dedicated Schools Grant which increased the forecast cumulative deficit to £20.693m at 31 March 2025. If the statutory override was removed by Government on 31 March 2026 without a national funding solution in place for High Needs, then this presented a critical risk to the Council's financial viability, given that it would significantly deplete the Council's general fund reserves. The DSG recovery actions and risks to the Council's financial resilience were set out in paragraph 4.38 and Appendix six of the report.</p> <p>8. The level of Middlesbrough's share of Collection Fund and General Fund Debtors on 31 December 2024 was detailed in paragraphs 4.63 to 4.65 and Table 11 of the report.</p> |
| 6       | Executive | 5 Feb 2025 | <p><b>AGREED</b> that Executive note the contents of the report and submit the following to Council for approval:</p>   |

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| Page 34 |  |  | <ol style="list-style-type: none"><li>1. Budget proposals for savings and income generation of £7.036m in 2025/26 rising to £8.686m in 2028/29, as set out in Appendix two (Annex one and two) of the report.</li><li>2. Budget growth of £2.521m in 2025/26 rising to £2.918m in 2026/27 for reinvestment in services aligned to the Recover, Reset, and Deliver plan as set in Appendix two (Annex four) of the report.</li><li>3. Budget provision of £0.311m in 2025/26 and a further £0.100m in 2026/27 to address the removal of previously approved savings in line with the priorities outlined in the Council Plan and after listening to residents' views as set out in Appendix two (Annex three) of the report.</li><li>4. An increase in Council Tax of 4.99% resulting in a Council Tax level (Band D) of £2,074.35 excluding parish, Fire, and Police precepts in line with both the Government's referendum limits and the s151 Officer's advice (paragraphs 4.29 to 4.32 and detailed in Appendix seven of the report).</li><li>5. The proposed General Fund revenue budget for 2025/26 with a net budget requirement of £143.362m.</li><li>6. The Financial Reserves Policy for 2025/26 (Appendix four of the report) including the proposed contributions to reserves to strengthen the Council's financial resilience, and which proposes:<ul style="list-style-type: none"><li>• A minimum General Fund Balance of least 7% of the Net Revenue budget over the MTFP period to 2028/29. In the 2025/26 proposed budget the level is 7.75% equivalent to £11.1m.</li><li>• The building up of the Financial Resilience Reserve to at least £10m in 2025/26 and £20m by the end of 2028/29 to strengthen the Council's financial resilience.</li></ul></li><li>7. The proposed Fees &amp; Charges Policy for 2025/26, and the schedule of fees and charges arising from the application of the approved policy for 2025/26 (Appendix five of the report). The</li></ol> |
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| Page 35 |  |  | <p>Capital Strategy 2025/26 and the proposed 2025/26 to 2028/29 Capital Programme totalling £170.290m which included the addition of new Council funded schemes, and the associated financing statement (Appendix six of the report).</p> <p><b>AGREED</b> that Executive note:</p> <ol style="list-style-type: none"><li>1. The statutory s25 report of the Council's Section 151 Officer in respect of the robustness of the estimates within the budget and the adequacy of reserves (Appendix one).</li><li>2. The updated financial planning assumptions in the Council's Medium Term Financial Plan following the publication of the Provisional Local Government Finance Settlement (Appendix two), and that these will be updated further following publication of the Final Local Government Finance Settlement in early February 2025, with any changes being reported to the Council on 19 February 2025 as part of the budget setting report.</li><li>3. The creation of a Delivery Risk Budget of £2m on a one-off basis in 2025/26 only to protect against unplanned use of reserves (Appendix two).</li><li>4. The transfer of the estimated surplus on the Collection Fund for 2024/25 of £3.135m to a new Savings Delivery Risk Reserve to help provide against the risk of non-delivery or delay of savings and to rebuild reserves (Appendix two).</li><li>5. The creation of a Middlesbrough Priorities Fund totalling £4.367m for 2025/26 only, along with the process for use and governance of the Fund (Appendix two).</li><li>6. Whilst the budget was balanced for 2025/26 and 2026/27 there would still be a budget gap of £2.726m in 2027/28 rising to £5.170m by 2028/29. Further savings proposals arising from the Transformation Programme would be required as a minimum to meet those budget gaps (Appendix two).</li></ol> |
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| Page 36 |  |  | <ol style="list-style-type: none"><li>7. The feedback of the budget consultation exercise (paragraphs 4.8 to 4.16 and Appendix three).</li><li>8. The estimated balances on unrestricted usable revenue reserves as of 1 April 2025 of:<ul style="list-style-type: none"><li>• General Fund balance - £11.100m</li><li>• Usable Earmarked reserves – unrestricted £10.269m.</li></ul></li><li>9. The inclusion of transformation and redundancy expenditure which could be capitalised under the Flexible Use of Capital Receipts strategy (FUoCR) of £7.500m in 2025/26 (as part of planned £26.700m Transformation Programme from 2024/25 to 2028/29), and that the annual Flexible Use of Capital Receipts (FUoCR) Strategy would be presented to Council for consideration and approval in April 2025.</li><li>10. The Council's estimated revenue cost of borrowing for 2025/26 was £12.060m which was equivalent to 8.4% of the Net Revenue Budget and was approaching the maximum affordable level (currently set at 10% over the MTFP period), therefore future capital investment would need to rely more heavily on external funding and capital receipts in order to maintain borrowing at affordable levels.</li><li>11. Details of the Dedicated Schools Grant (DSG) Grant for 2025/26 and the allocation to schools (detailed in Appendix eight).</li><li>12. The forecast total cumulative DSG deficit of £20.693m on 31 March 2025, including £21.281m relating to the High Needs Block (Appendix eight).</li><li>13. That a statutory override was in place which prevented the DSG deficit from being met from General Fund resources and the Government's plan to deliver a funding solution was awaited. This presented a potential significant medium term financial risk to the Council if the statutory override was removed without a suitable funding solution (Appendix eight).</li></ol> |
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| 7            | Executive | 5 Feb 2025   | Prudential Indicators and Treasury Management Strategy - 2025/26                                    | <p><b>AGREED</b> that Executive note the contents of the report and submit the following to Council for approval:</p> <ol style="list-style-type: none"> <li>1. The Prudential Indicators and Limits for 2025/26 to 2028/29 relating to capital expenditure and treasury management activity set out in tables 1 to 10 of Appendix 1 of the report.</li> <li>2. The Treasury Management Strategy for 2025/26, which included the Annual Investment Strategy for that financial year.</li> <li>3. The Minimum Revenue Provision (MRP) Policy for the 2025/26 financial year.</li> <li>4. An Authorised Limit for External Debt of £331 million for the 2025/26 financial year.</li> </ol> |
| 8            | Executive | 5 Feb 2025   | Council Tax Reduction scheme 2025/2026  | <b>AGREED</b> that Executive note the contents of the report and submit the proposed CTR scheme for 2025/26 to Council for approval.   |
| 9<br>Page 37 | Executive | 5 Feb 2025   | Customer Strategy   | <p><b>ORDERED</b> that Executive approve:</p> <ol style="list-style-type: none"> <li>1. The new Customer Strategy 2024/27.</li> <li>2. The commitment of the estimated customer programme budget of £1.975m for inclusion within the 2025/26 to 2028/29 capital programme and Flexible Use of Capital Receipts strategy that would be incorporated into the 2025/26 Budget and MTFP report to be considered by Council on 19 February 2025.</li> </ol>   |
| 10           | Executive | 5 March 2025 | Auto-enrolment of Free School Meals and maximising Pupil Premium Funding Pilot across Middlesbrough | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Approve the proposed amendment to the report.</li> <li>2. Approve the continuation of the Free School Meals auto enrolment programme for Schools who 'opt in'. A 10% fee will be applied for any new pupil premium identified. The fee was intended to cover the Council's costs in administering the auto enrolment business process. The Council would write to Schools each year seeking approval from the school to participate in the auto enrolment initiative.</li> </ol>   |

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| 11 | Executive | 5 March 2025  | Review of the Statement of Community Involvement | <b>ORDERED</b> that Executive: <ol style="list-style-type: none"> <li>Approves the revised Statement of Community Involvement.</li> <li>Delegates authority to the Director of Regeneration, in consultation with the Executive Member for Development, to make changes to the Statement of Community Involvement as a result of future reviews.</li> </ol>   |
| 12 | Executive | 5 March 2025  | Welfare Support Policy                           | <b>ORDERED</b> that the Executive approves: <ol style="list-style-type: none"> <li>The refreshed Welfare Support for Residents in Financial Crisis Policy which included the following minor changes:               <ol style="list-style-type: none"> <li>Additional payment methods, making it easier and faster for payment to be made.                   <ul style="list-style-type: none"> <li>Allowing payment via text message to send funds direct to a resident's bank account. In addition, e-vouchers can be provided through text messages or emails to a resident with a voucher code which can be redeemed at a supermarket of their choice.</li> </ul> </li> <li>A refresh of the language and some minor amendments to the policy.</li> <li>Alignment to the Corporate Welfare Strategy.</li> </ol> </li> </ol> |
| 13 | Executive | 5 March 2025  | Tender Pipeline Approval 2025/2026               | <b>ORDERED</b> that Executive approves: <ol style="list-style-type: none"> <li>The Middlesbrough Council tender pipeline for 2025/26.</li> <li>Delegation of the contract award to the relevant Director who will update their Executive Member.</li> </ol>   |
| 14 | Executive | 30 April 2025 | Middlesbrough Priorities Fund                    | <b>ORDERED</b> that Executive: <ol style="list-style-type: none"> <li><b>APPROVES</b> the governance arrangements for the £4.367m Middlesbrough Priorities Fund.</li> <li><b>APPROVES</b> the proposed allocation of the Middlesbrough Priorities Fund between an allocation for elected Ward</li> </ol>  |

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|     |           |               |                      | <p>Councillors (£0.235m) with the remaining amount for initiatives proposed by the Mayor (£4.132m).</p> <ol style="list-style-type: none"> <li>3. <b>APPROVES</b> the following initial list of initiatives proposed by the Mayor totalling £0.680m with details being provided in paragraphs 4.16 to 4.27 of the report, namely Childhood Enrichment Team (£0.250m); Youth Group seed funding (£0.100m); Shop fronts improvements scheme (£0.180m) and Grass verges replacement (£0.150m).</li> <li>4. <b>APPROVES</b> the process for identification and approval of future initiatives proposed by the Mayor, including the requirement for the Executive to approve budget allocations for future initiatives from the Middlesbrough Priorities Fund.</li> </ol>  |
| 15. | Executive | 30 April 2025 | Neighbourhoods Model | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. <b>APPROVES</b> the introduction of the Neighbourhood Model within Middlesbrough.</li> <li>2. <b>APPROVES</b> the Transformation Programme funding from the flexible use of capital receipts to fund the following posts for a 2 year period at a cost of £1.021m per annum: a. 8 Neighbourhood Navigators to take on a caseload (2 in each of the 4 areas) - Grade K b. 8 Community Development workers to build community capital and engage with the community, schools, voluntary and community sector and local businesses (2 in each of the 4 areas) - Grade J o Community Safety Co-ordinator - Grade K c. 4 Neighbourhood link workers to be embedded on rotation within partner organisations such as schools and hospitals.</li> <li>3. <b>APPROVES</b> a capital allocation of up to £5m for improvements to the neighbourhood focused community hubs funded by Transformation Programme funding from the flexible use of capital receipts.</li> </ol> |

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|    |           |               |   | <p>4. <b>APPROVES</b> that an analysis of IT requirements takes place in respect of both infrastructure and reporting/ management programmes and that this is fed into the IT refresh requirements.</p> <p>5. <b>APPROVES</b> that annual reports are submitted to Executive to inform them of its achievements and any further development requirements.</p>   |
| 16 | Executive | 30 April 2025 | Resetting the Council's Approach to Transformation and Delivery of the Council Plan | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. <b>APPROVES</b> the proposed changes to the structure of transformation themes as outlined below.</li> <li>2. <b>APPROVES</b> the realignment of transformation themes with the Council Plan 2024- 27.</li> <li>3. <b>APPROVES</b> the recruitment of a Head of Transformation.</li> <li>4. <b>APPROVES</b> the establishment of Continuous Improvement Team.</li> </ol> <p><b>AGREED</b> that the Executive:</p> <ol style="list-style-type: none"> <li>1. <b>NOTES</b> that the transformation of Council services remained critical to achieving service improvements from a lower cost base to stabilise the Council's financial position and achieve financial sustainability over the medium to long term.</li> </ol> |
| 17 | Executive | 30 April 2025 | Thrive at Five  | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. <b>APPROVES</b> the amendment to recommendation three of the report from an annual update to a bi-annual update.</li> <li>2. <b>APPROVES</b> the investment into the partnership model with Thrive at Five.</li> <li>3. <b>APPROVES</b> in principle, to enter into the five-year Partnership Agreement with Thrive at Five subject to legal and finance review and approval.</li> </ol>  |

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|    |           |               |  | 4. <b>APPROVES</b> , in accordance with the agreed amendment; to receive a bi-annual update of progress.   |
| 18 | Executive | 30 April 2025 | Residential and Supported Accommodation for Children in Our Care and Care Leavers Update | <b>ORDERED</b> that Executive:<br><br>1. <b>APPROVES</b> a change in approach to focus on prevention<br>2. <b>APPROVES</b> that Capital of £3.253m in 2026/27 is no longer required.   |
| 19 | Executive | 30 April 2025 | Final Report of the Environment Scrutiny Panel - Waste Management                        | <b>ORDERED</b> that Executive:<br><br>1. <b>APPROVES</b> the amendments to the action plan (Appendix two) to include an update on relevant legislative changes and timescales on the forthcoming waste transfer station. Such updates would also be communicated to the relevant Scrutiny Panel.<br>2. <b>NOTES</b> the content of the Environment Scrutiny Panel's final report on Waste Management (Appendix one).<br>3. <b>APPROVES</b> The action plan, as amended, developed in response to the Scrutiny Panel's recommendations. |
| 20 | Executive | 30 April 2025 | Interim Funding Agreement Policy   | <b>ORDERED</b> that Executive:<br><br>1. <b>APPROVES</b> the Interim Funding Arrangement Policy to take effect from 7 May 2025.<br>2. <b>APPROVES</b> the delegated authority to the Director of Adult Social Care and Director of Finance and Transformation in consultation with the Executive Member of Adult Social Care and Executive Member for Finance to make any future minor revisions/ modifications to reflect the financial/economic climate and/or statutory guidance changes.   |
| 21 | Executive | 14 May 2025   | Household Support Fund 2025/2026   | <b>ORDERED</b> that Executive:<br><br>1. Approves the HSF delivery plan for 2025/6, which would be delivered between 1 April 2025 and 31 March 2026 as set out in  |

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| Page 42 |           |   | <p>Table 1 (paragraph 4.7) to target the main groups below where each had a Council Tax or rental liability for their home:</p> <ul style="list-style-type: none"> <li>• Families with children in receipt of benefits.</li> <li>• Pensioners in receipt of Council Tax Reduction but not eligible for the Winter Fuel Payment (who could this year receive the full amount of the Winter Fuel Payment from HSF).</li> <li>• Pensioners who were not in receipt of Council Tax Reduction subject to the qualifying criteria (listed in table 1, para 4.7).</li> <li>• Singles/Couples which includes those of pensionable age in receipt of benefits.</li> <li>• Application-based awards for residents not in receipt of CTR or other benefits.</li> </ul> <ol style="list-style-type: none"> <li>2. Approves that any remaining funds following implementation of the delivery plan were allocated to Council Tax accounts, with a then current award of CTR and where an outstanding balance remained following the issue of a summons in the 2025/26 financial year. The Council also reserved the right to widen the group to include those accounts not in receipt of CTR.</li> <li>3. Approves that delegated authority be provided to the Director of Finance and Transformation in consultation with the Executive Member for Finance to make any modifications or minor revisions to the scheme and make decisions in respect of any remaining funds to ensure they are distributed in line with the guidance and within the defined timescales.</li> </ol> |
| 22      | Executive | 11 June 2025<br>Corporate Performance:<br>Quarter Four 2024/2025,<br>Year End | <p><b>ORDERED</b> that Executive approves the proposed changes to the Executive actions, detailed at Appendix 1.</p> <p><b>AGREED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Notes the progress and position of the corporate performance disciplines, including the Transformation Portfolio.</li> </ol>  |

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|               |           |              |                                     | <ol style="list-style-type: none"> <li>2. Notes delivery status of the Council Plan 2024-27 supporting workplan at Quarter Four, detailed at Appendix two of the report.</li> <li>3. Notes delivery status of Council Plan 2024-27 Outcome Measures at Quarter Four, detailed at Appendix three and Appendix four of the report.</li> <li>4. Notes the activities / outcomes of completed Council Plan workplan initiatives as detailed at Appendix five of the report.</li> <li>5. Notes the Strategic Risk Register, at Appendix six of the report.</li> <li>6. Notes corporate projects benefits / outcomes delivered in 2024/25 as detailed at Appendix seven of the report.</li> <li>7. Notes Transformation project benefits / outcomes in 2024/25 as detailed at Appendix eight of the report.</li> </ol>  |
| 23<br>Page 43 | Executive | 11 June 2025 | 2024/25 Revenue and Capital Outturn | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Approve the proposed amendment to Appendix nine of the report referring to Member's Small Schemes so that £150,000 be allocated in 2025/26 and £120,000 be allocated in 2026/27.</li> <li>2. Approve the inclusion of additional expenditure budgets to the Capital Programme totalling £0.322m for 2024/25 which were externally funded and detailed in Appendix six of the report. Subject to approval this would increase the approved 2024/25 Capital Programme budget to £107.463m.</li> <li>3. Approve the proposed virements over £250,000 between schemes in the 2024/25 Capital Programme approved by Council in March 2024 which were funded from within existing Council resources which were detailed in Appendix six of the report.</li> </ol> <p><b>AGREED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Note the Council's year-end financial outturn for the financial year 2024/25, and the improved financial position which included the following:</li> </ol> |

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|    |           |              |  | <ul style="list-style-type: none"> <li>Increased levels of usable unrestricted revenue reserves, with £21.654m available at 31 March 2025.</li> <li>An underspend of £2.257m on the revenue budget.</li> <li>A requirement to use only £2.443m of the £13.400m Exceptional Financial Support (EFS) approved in-principle by the Ministry of Housing, Communities &amp; Local Government (MHCLG).</li> <li>No requirement to borrow for the EFS, as capital receipts already held will be used.</li> </ul>  |
| 24 | Executive | 11 June 2025 | Middlesbrough College Investment             | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Approves investment in Middlesbrough College of up to £1,600,000 of capital funding from within the approved Capital Programme to enable facility expansion to grow the educational capacity of the college.</li> <li>Approve an amendment to the existing lease of land at Middlesbrough College to introduce a rental value of £131,234 per annum, for a period of 20 years.</li> <li>Approve that the arrangement set out was subject to acceptance by Middlesbrough College Board of Governors.</li> <li>Approve the delegation of any administration and determination of the terms of the lease amendment to the Chief Finance Officer (S151).</li> </ol> |
| 25 | Executive | 11 June 2025 | Newport Road Transport Corridor Improvements | <p><b>ORDERED</b> that Executive:</p> <p>Approves the Newport Road transport corridor improvements scheme, having considered the highlighted risk and proposed mitigation.</p>   |
| 26 | Executive | 16 July 2025 | Progress against Continuous Improvement Plan | <p><b>ORDERED</b> that:</p> <p>The updated Continuous Improvement Plan be approved.</p> <p><b>AGREED</b> that:</p>   |

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|    |           |              |   | The progress made in delivering the commitments within the Continuous Improvement Plan be noted.  |
| 27 | Executive | 16 July 2025 | Middlesbrough Priorities Fund             | <p><b>ORDERED</b> that:</p> <p>The second tranche of proposals totalling £1.310m as detailed in the report, be funded from the Middlesbrough Priorities Fund.</p> <p><b>AGREED</b> that:</p> <p>It be noted if the proposed schemes included in the report were approved, the unallocated balance remaining in the Fund would be £2.142m.</p>   |
| 28 | Executive | 16 July 2025 | Nunthorpe Community Centre – Next Steps   | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Approve the proposed amendment to recommendation C.</li> <li>2. Approve the proposed terms of the 25-year lease agreement with a consortium led by Nunthorpe Parish Council for the management of the facility.</li> <li>3. Approve the authority to enter contracts and commence construction of the Community Centre; and,</li> <li>4. Delegates authority for the Director of Regeneration, Section 151 Officer and Executive Member for Development to jointly agree any variations between the Heads of Terms and the main lease.</li> </ol> |
| 29 | Executive | 16 July 2025 | Proposed Changes to the Veritau Structure | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>A. Approve the membership of Veritau Public Sector Limited, a company limited by guarantee, and the novation of the existing contract.</li> <li>B. Approve the payment of a dividend from Veritau Tees Valley Limited sufficient to fund the Council's subscription to the new company.</li> </ol>   |

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|               |           |  | <p>C. Approve a special resolution to wind up Veritau Tees Valley Limited once the Council's membership of the new company is confirmed.</p> <p>D. Delegate the approval for the Council to enter into all other necessary agreements to participate in the new company to the S151 Officer.</p> <p>E. Approve the appointment of a director to the Board of the new company and a senior officer to the members' committee to oversee its governance arrangements and performance</p> <p><b>AGREED</b> that:</p> <p>The Business Case for Veritau Public Sector Limited and the reasons for the changes in the Veritau structure and how these impacted on the Council be noted.</p>  |
| Page 46 of 50 | Executive | 3 September 2025<br>Corporate Performance<br>Quarter One 2025/2026 | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Approves the proposed changes to the Executive actions, as detailed at Appendix 1 of the report.</li> <li>Approves the proposed changes to the Council Plan 2024-27 supporting workplan actions, as detailed at Appendix 3 of the report.</li> </ol> <p><b>AGREED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Notes the progress and position of the corporate performance disciplines, including the Transformation Portfolio.</li> <li>Notes the delivery status of the Council Plan 2024-27 supporting workplan at Quarter One, detailed at Appendix 2 in the report.</li> <li>Notes the Strategic Risk Register, at detailed in Appendix 4 of the report.</li> </ol> |

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| 31 | Executive | 3 September 2025 | Revenue and Capital Budget – Forecast Year-End Outturn position at Quarter One 2025/26 | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Approves budget virements over £250,000 within the revenue budget (Appendix 1)</li> <li>2. Approves the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £5.004m for 2025/26, of which £1.818m were externally funded and £3.186m was from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £87.575m</li> </ol> <p><b>AGREED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Notes the Council's financial performance and forecast year-end financial outturns for revenue and capital budgets for the financial year 2025/26 as at Quarter One, including that if there was no further action the overspend on the revenue budget at year end was currently forecast to be £4.482m (3.1%) after the proposed use of central contingencies and other budgets.</li> <li>2. Notes the requirement for Directors to develop and submit further recovery plans and mitigations to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and also that corporate revenue budget spending controls would continue to be applied during 2025/26.</li> </ol> |
| 32 | Executive | 3 September 2025 | Medium Term Financial Plan (MTFP) update and 2026/27 budget approach and timetable     | <p><b>ORDERED</b> that:</p>   |

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|    |           |                |   | The budget development approach and timetable set out in Appendix two of the report, for developing the 2026/27 Budget and Medium-Term Financial Plan (MTFP) to 2029/30, be approved.<br><br><b>AGREED</b> that:<br><br>The update of the Council's Medium Term Financial Plan (MTFP), be noted.  |
| 33 | Executive | 8 October 2025 | Final Report of the People Scrutiny Panel - Children Missing Education      | <b>ORDERED</b> that Executive:<br><br>1. Notes the report of the People Scrutiny Panel into Children Missing Education and the accompanying recommendations; and<br>2. Approves the Action Plan prepared by the service in response to the recommendations.   |
| 34 | Executive | 8 October 2025 | Final Report of the Place Scrutiny Panel – Home to School Transport Service | <b>ORDERED</b> that Executive:<br><br>1. Notes the content of the Environment Scrutiny Panel's final report on Waste Management. 2.<br>2. Approves The action plan, as amended, developed in response to the Scrutiny Panel's recommendations.  |
| 35 | Executive | 8 October 2025 | Information Strategy 2025-2029  | <b>ORDERED</b> that Executive:<br><br>Approves the Information Strategy 2025-2029.  |
| 36 | Executive | 8 October 2025 | Waste Disposal Contract: Tees Valley Energy Recovery Facility               | <b>ORDERED</b> that Executive:<br><br>1. Approves an amendment to the report so that recommendations in the report that reference delegated authority in consultation with the Mayor should also include "relevant Executive Member with portfolio responsibility" where applicable.<br>2. Approves the creation of the Local Authority Special Purpose Vehicle (LA SPV). |

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| Page 49 |  |  | <ol style="list-style-type: none"><li>3. Appoints the Director of Environment and Community Services as the Council's Director on the Board of the LA SPV and authorises them and any successors; or any substitute or deputy appointed by the Director of Environment and Community Services should they be unavailable, to take all decisions on behalf of the Council as Director on the Board of the LA SPV for the good governance of the LA SPV and the Energy Recovery Facility.</li><li>4. Authorises the Council to subscribe for shares in and to be a shareholder of the LA SPV; and to issue a Shareholder Resolution to approve and adopt the Articles of Association.</li><li>5. Appoints the Section 151 Officer as the Council's Shareholder Representative and Authorises that Shareholder Representative to appoint an alternative representative to act as their substitute or deputy and authorises the Shareholder Representative and their alternative to make decisions under the Shareholder Agreement, articles of association etc including the making of shareholder resolutions, including a shareholder resolution to approve and adopt the Articles of Association on behalf of the Council.</li><li>6. Authorises the Council to enter into the Shareholders' Agreement and Delegates Authority to Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to finalise and agree and enter into the Shareholder Agreement.</li><li>7. Delegates Authority to Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to authorise the LA SPV to enter into the Shareholder Agreement.</li><li>8. Authorises the LA SPV the enter into the Service Level Agreement and Delegates Authority to the Director of Environment and Community Services (in consultation with the</li></ol> |
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| Page 50 |  |  | <p>Mayor and supported by the Monitoring Officer and Section 151 Officer) to finalise and agree the Service Level Agreement.</p> <p>9. Authorises the Council to enter into the Waste Supply and Support Agreement ("WSSA") and Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to finalise, agree and enter into the WSSA with the LA SPV.</p> <p>10. Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to authorise the LA SPV to enter into the WSSA.</p> <p>11. Authorises the LA SPV to award the Contract, enter into the Project Agreement with the successful Contractor and to enter into the 50 year lease with Teesworks for the site and Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to finalise and agree the Project Agreement, Lease and any associated agreements and documentation.</p> <p>12. Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to finalise and agree the Business Plan for the LA SPV and provide sufficient resources to allow the LA SPV to reach Financial Close and then to monitor and manage the Contract on behalf of, and with, the Councils for the term.</p> <p>13. Delegates Authority to Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to enter into Local Government (Contracts) Act 1997 Council certificates in relation to the WSSA.</p> |
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|         |  |  |  |
|---------|--|--|--|
| Page 51 |  |  | <ol style="list-style-type: none"><li>14. Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to finalise and agree the Secondment Agreement and to authorise the LA SPV to enter into the Secondment Agreement.</li><li>15. Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to authorise, finalise, agree and enter into the Cost Equalisation Agreement. Authorises the Council to enter into a Guarantee of the Project Agreement and a Guarantee of the Lease and Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to agree finalise and to enter into the Council Guarantees.</li><li>16. Delegates Authority to the Director of Environment and Community Services (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to authorise the LA SPV to enter into and be a party to the Council's Guarantee of the Project Agreement and the Guarantee of the Lease.</li><li>17. Delegates Authority to the Director of Environment and Community Service (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to authorise the LA SPV to enter into a Novation of the Option Agreement, Side Deed with the Estate Owner and Environmental Deed and to authorise the LA SPV to enter into all other necessary agreements or legal documentation to enable the project to reach financial completion and to monitor and manage the contract.</li><li>18. Delegates Authority to the Director of Environment and Community Service (in consultation with the Mayor and supported by the Monitoring Officer and Section 151 Officer) to authorise the</li></ol> |
|---------|--|--|--|

|    |           |                |  |   |
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|    |           |                |  | Council to act as Guarantor in respect of the LA SPV Side Deed with the Estate Owner and Environmental Deed and to authorise the Council to enter into all other necessary agreements or legal documentation on behalf of the Council to enable the project to reach financial completion and to monitor and manage the contract.   |
| 37 | Executive | 8 October 2025 | Household Support Fund 2025/26 amendment | <p><b>ORDERED</b> that Executive:</p> <p>Approve the proposed changes, listed below, to the Household Support Fund (HSF) delivery plan for 2025/26 previously approved by Executive on 14 May 2025, which would be delivered between 1 April 2025 and 31 March 2026, as set out in Table 1 (paragraph 4.9) of the report and that it continued to target the same main groups as before.</p> <ul style="list-style-type: none"> <li>• An increase of £10 per child for those in receipt of income based free school meals, Council Tax Reduction (CTR), Universal Credit (UC) or Housing Benefit (HB).</li> <li>• Widen the criteria for pensioner support to include all on CTR (previously had to have Pension Credit Guarantee Credit as well) and increase the payment from £50 to £100.</li> <li>• Increase the amount provided to singles / couples in receipt of benefits from £45/£55 to £75/£100.</li> <li>• An additional £38,000 to Community Support to assist with crisis applications.</li> <li>• An additional £17,000 allocated to the provision of third-party support.</li> </ul> |
| 38 | Executive | 8 October 2025 | Recovery Solutions Delivery Model        | <p><b>ORDERED</b> that Executive:</p> <p>Approves the establishment of a new central assessment site to support safe and effective care.</p> <p><b>AGREED</b> that Executive:</p>   |

|    |           |                  |  |   |
|----|-----------|------------------|--|---|
|    |           |                  |  | <ul style="list-style-type: none"> <li>• Note the revenue impact in the Medium-Term Financial Plan (MTFP) from year two onwards and that these will be considered for approval by Council as part of the budget setting process.</li> <li>• Note the capital implications on the Levelling Up Partnership funding secured for Live Well East and.</li> <li>• Note the process and timescales to progress the preferred option and ensure continuity of service during library redevelopment.</li> </ul> |
| 39 | Executive | 12 November 2025 | Delivery against the Continuous Improvement Plan - Progress Update | <p><b>ORDERED</b> that Executive:</p> <p>Approve the updated Continuous Improvement Plan.</p> <p><b>AGREED</b> that Executive:</p> <p>Note the progress made in delivering the commitments within the continuous Improvement Plan.</p>  |
| 40 | Executive | 12 November 2025 | Reprovision of Levick Court  | <p><b>ORDERED</b> the Executive:</p> <ol style="list-style-type: none"> <li>1. Approve the provision of health respite services at Levick Court, subject to the closure of the Most Suitable Provider (MSP) process being conducted by the Integrated Care Board (ICB).</li> <li>2. Approve the revised fees and charges schedule for Adult Social Care, as outlined in Appendix one of the report.</li> </ol>  |
| 41 | Executive | 12 November 2025 | Middlehaven Housing  | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>1. Approve the appointment of Capital and Centric as the Council's development partner to lead the regeneration and development of Middlehaven.</li> </ol>   |

|    |           |                  |   |  |
|----|-----------|------------------|---|--|
|    |           |                  |   | <p>2. Approve the use of £3.6m from the Towns Fund grant allocation for Urban Living and Placemaking to develop designs up to RIBA Stage 4 to enable the procurement of a main contractor. Delegates authority to the Section 151 Officer (in consultation with the Director of Regeneration) to agree any variations to the proposals within the overall budget allocation.</p>   |
| 42 | Executive | 12 November 2025 | 2025/26 Transport and Infrastructure Capital Programme Update | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Approve the continued allocation of CRSTS funding across both Highways Maintenance and Integrated Transport workstreams, noting that 75% of schemes were currently on programme (RAG: Green) and a further 25% were experiencing minor delays (RAG: Amber) but remained deliverable within the current or next financial year.</li> <li>Approve the implementation of mitigation measures for schemes at risk of delay or underspend — particularly those in the Carriageways, Structures &amp; Bridges, and Stanton Way Phase 2 schemes — to ensure continued alignment with CRSTS grant conditions, avoid clawback risk, and maintain the Council's ability to meet statutory obligations.</li> </ol> <p><b>AGREED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Note the progress to date on the delivery of the 2025/26 Capital Programme funded through the £4.154m City Region Sustainable Transport Settlement (CRSTS) grant, as detailed in Appendices 1 and 1A of the report.</li> <li>Note ongoing programme management flexibilities, allowing officers to reprofile or reallocate approved funds where appropriate to support accelerated delivery of shovel-ready schemes or respond to emerging priorities.</li> </ol> |

|         |    |           |                  |   |  |
|---------|----|-----------|------------------|---|--|
| Page 55 | 43 | Executive | 12 November 2025 | Tees Valley Investment Zone Memorandum of Understanding             | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Approves the reinvestment of additional business rates income due to the Council, generated from growth within the Tees Valley Investment Zone - Middlesbrough Site, only in meeting the needs of the Priority Sectors. This approval was subject to assurances, required from TVCA, around the decision making processes for projects the TVCA was responsible for.</li> <li>Delegates authority to the s151 Officer to finalise and authorise the draft Memorandum of Understanding (MoU) with the Tees Valley Combined Authority (TVCA)</li> </ol> <p><b>AGREED</b> that Executive:</p> <p>Notes the Council's engagement in delivering the Tees Valley Investment Zone programme.</p> |
|         | 44 | Executive | 12 November 2025 | TS1 PSPO Extension - Consultation Results                           | <p><b>ORDERED</b> that Executive:</p> <p>Approve the request to extend the Public Space Protection Order (PSPO) that covered the TS1 area for a further three years from the 25 November 2025.</p>   |
|         | 45 | Executive | 12 November 2025 | Warm Homes: Local Grant – Home Energy Efficiency Improvement Scheme | <p><b>ORDERED</b> that Executive:</p> <ol style="list-style-type: none"> <li>Approves the Council taking part in Warm Homes: Local Grant Scheme.</li> <li>Approves entry into associated agreements in relation to the grant.</li> </ol> <p><b>AGREED</b> that Executive:</p>  |

|    |           |                  |  |   |
|----|-----------|------------------|--|---|
|    |           |                  |  | <ol style="list-style-type: none"> <li>1. Notes that the scheme will be delivered by Darlington Borough Council on behalf of Middlesbrough Council.</li> <li>2. Notes that the Public Protection service will performance manage the grant usage of the scheme in Middlesbrough and report this to the Director of Environment and Community Services.</li> </ol>   |
| 46 | Executive | 17 December 2025 | 2026/27 Draft Budget and Medium-Term Financial Plan 2026/27 to 2029/30 | <p><b>ORDERED</b> that Executive:</p> <p>Approve the proposed draft budget and budget proposals for service budget growth and council tax for 2026/27 be presented for public consultation, commencing on 18 December 2025 and concluding on 11 January 2026. This is prior to confirmation of Government funding and finalising the proposed budget by Executive on 4 February 2026 for consideration and approval by Council on 18 February 2026.</p> <p><b>AGREED</b> that Executive note:</p> <ul style="list-style-type: none"> <li>• That the report was prepared following initial analysis of the level of Government funding available to Middlesbrough Council from information contained within the Local Government Finance Policy Statement published by the Government on 20 November 2025, however this was before confirmation was received of the Government funding in the Provisional Local Government Finance Settlement which was scheduled to be published in the week commencing 15 December 2025. The figures contained within the report and the budget proposals were therefore subject to further review and change once the detail of the Provisional Local Government Finance Settlement was published. The current estimate of the increase in Government funding for Middlesbrough Council resulting from the Government's Fair Funding Review 2.0 totalled £10.653m in 2026/27, £14.485m in 2027/28, and £12.438m in 2028/29, detailed in Table 1 of the report. However, this was subject to potential significant change</li> </ul> |

|         |  |  |   |
|---------|--|--|---|
| Page 57 |  |  | <p>before being finalised as part of the Provisional Local Government Finance Settlement.</p> <ul style="list-style-type: none"><li>• The proposed budget for 2026/27 and the updated Medium Term Financial Plan (MTFP) for the period to 2029/30, detailed in Table three of the report, and the key budget assumptions that it was based on detailed in paragraphs 4.38 to 4.41 of the report.</li><li>• That there were forecast service demand pressures and rebasing of budgets, including for reduced income levels and legislative requirements, totalling £15.549m for 2026/27 rising to £35.963m in 2029/30, detailed in Appendix one of the report.</li><li>• The proposed removal of savings totalling £2.458m p.a. from the MTFP which were now found to be unachievable in the manner originally intended, detailed in paragraph 4.36 of the report.</li><li>• That in light of the current estimates of increased Government funding forecast to be received by Middlesbrough Council the Mayor and Executive had proposed the following:<ul style="list-style-type: none"><li>◦ that there was no requirement currently for the Council to make any additional further budget savings in 2026/27 other than those already included in the current MTFP, however work would continue to identify and deliver efficiencies and savings in the future through robust budget monitoring and the Transformation Programme, detailed in paragraphs 4.34 and 4.35 of the report.</li><li>◦ no increase in core (general) Council Tax for 2026/27, but an increase in Council Tax for 2026/27 of 2% relating to the Adult Social Care precept to fund increased costs of statutory duties in Adult Social Care, detailed in paragraph 4.27 of the report.</li><li>◦ proposed total service budget growth of £6.460m from 2026/27 to reinvest in some direct services to the community and provide reinvestment in the resilience of enabling services, detailed in Appendix 3 of the report.</li><li>◦ proposed new capital schemes and additions to current schemes and extension of schemes deemed</li></ul></li></ul> |
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| Page 58 |  |  |  | <p>Business as Usual totalling £16.310m in 2026/27 and rising to £56.173m by 2029/30, detailed in Appendix 4 of the report.</p> <ul style="list-style-type: none"><li>• That the Council's S151 officer recommend that the Council increased the Council Tax each year by the maximum allowed by the Government due to the reasons outlined in paragraphs 4.28. However, whilst not recommended, given the improved financial position and financial resilience of the Council and the improved governance and budget spending controls that existed, and the amount of the estimated increased funding available to the Council it was possible to financially accommodate a political decision for a lower than maximum increase in Council Tax to be proposed for 2026/27, detailed in paragraph 4.29 of the report.</li><li>• The forecast level of Council reserves over the period of the MTFP from 2026/27 to 2029/30 following the proposed budget, and that the proposed budget and MTFP should not negatively impact reserves levels in the medium term, detailed in paragraphs 4.51 to 4.53 of the report.</li></ul> |
|---------|--|--|--|---|

## MEMBER DEVELOPMENT PROGRAMME 2025/2026 – LIVE DOCUMENT

Member Development and Training opportunities are generally open to all Members to attend. 'Required' events are ran on an annual basis aimed specifically at committee members (and substitutes), to ensure any regulatory requirements are adhered to, although other relevant optional modules may occur throughout the year. Ad hoc 1-1 training will be delivered where changes to committees change throughout.

### REQUIRED TRAINING

| TOPIC                                | Link Skills Framework     | REASON           | Attendees  | Notes                                 | Number of attendees |
|--------------------------------------|---------------------------|------------------|--|---------------------------------------|---------------------|
| Chief Officer Appointments Committee | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 2 June 25<br>19 December 25           | 10<br>3             |
| Teesside Pension Fund Committee      | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 3 June 25                             | 11                  |
| Licensing Committee (Taxi)           | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 4 June 25<br>19 June 25               | 9 & 3               |
| Planning & Development Committee     | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 5 June 25                             | 8                   |
| Licensing Act Training 2003          | Regulatory and Monitoring | Skills Framework | Licensing Committee Members                              | 10 June 25<br>17 June 25<br>8 October | 5<br>6<br>1         |

| TOPIC                          | Link Skills Framework     | REASON           | Attendees  | Notes                         | Number of attendees |
|--------------------------------|---------------------------|------------------|--|-------------------------------|---------------------|
| Licensing – Gambling Act       | Regulatory and Monitoring | Skills Framework | Licensing Committee Members                              | 11 June 25                    | 9                   |
| Standards Committee            | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 19 June 25                    | 8                   |
| Staff Appeal Committee         | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 24 June 25<br>12 September 25 | 5<br>2              |
| Audit Committee                | Regulatory and Monitoring | Skills Framework | Mandatory for Committee Members also open to all Members | 10 July 25                    | 9                   |
| Member Induction Session 1 & 2 | Regulatory and Monitoring | Skills Framework | Cllr Joanne Rush   | 10 December 25                | 1                   |
| Member Induction Session 3 & 4 | Regulatory and Monitoring | Skills Framework | Cllr Joanne Rush   | 19 December 25                | 1                   |

## SENIOR MEMBER TRAINING

| TOPIC   | Link Skills Framework     | REASON           | Attendees                                | Notes          | Number of attendees         |
|---|---------------------------|------------------|--|----------------|-----------------------------|
| Media Training for Executive Members                      | Regulatory and Monitoring | Skills Framework | Executive Members                        | 30 July 25     | 4                           |
| Leadership Essentials – Being an Effective Cabinet Member | Regulatory and Monitoring | Skills Framework | Executive Members – Cllrs Blades & Ryles | 27 November 25 | 1 Cllr Ryles did not attend |

| TOPIC                     | Link Skills Framework     | REASON           | Attendees         | Notes          | Number of attendees |
|---------------------------|---------------------------|------------------|-------------------|----------------|---------------------|
| Executive Member Overview | Regulatory and Monitoring | Skills Framework | Executive Members | 3 September 25 | 5                   |

## SCRUTINY TRAINING

| TOPIC             | Link Skills Framework     | REASON           | Attendees   | Notes                  | Number of attendees |
|-------------------|---------------------------|------------------|-------------|------------------------|---------------------|
| Scrutiny Workshop | Regulatory and Monitoring | Skills Framework | All Members | 7 June 25<br>8 June 25 | 9<br>11             |
| Scrutiny Workshop | Regulatory and Monitoring | Skills Framework | All Members | 9 December 2025        | 11                  |

## GENERAL MEMBER TRAINING

| TOPIC   | Link Skills Framework     | REASON           | Attendees   | Notes                          | Number of attendees     |
|---|---------------------------|------------------|-------------|--------------------------------|-------------------------|
| Members Briefing - Constitution                               | Regulatory and Monitoring | Skills Framework | All Members | 28 April 25                    | 10                      |
| Members Briefing – Constitution (PROV)                        | Regulatory and Monitoring | Skills Framework | All Members | 19 May 25<br>CANCELLED         |                         |
| Members Briefing – Masterplan                                 | Regulatory and Monitoring | Skills Framework | All Members | 25 April 25<br>COMPLETED       | 5                       |
| Members Briefing – Small Scheme & Middlesbrough Priority Fund | Regulatory and Monitoring | Skills Framework | All Members | 14 July 25<br>COMPLETED        | 18                      |
| Standards/Code of Conduct Training                            | Regulatory and Monitoring | Skills Framework | All Members | 11 September 25 -<br>COMPLETED | 12                      |
| Members Briefing – North East Migration Partnership           | Regulatory and Monitoring | Skills Framework | All Members | 22 September 25 -<br>COMPLETED | 13                      |
| Members Briefing – MTFP, Budget 2026/27                       | Regulatory and Monitoring | Skills Framework | All Members | 23 September 25                | Attendance not recorded |

| TOPIC  | Link Skills Framework     | REASON           | Attendees                | Notes                                   | Number of attendees     |
|--|---------------------------|------------------|--------------------------|---|-------------------------|
| Chairs Training  | Regulatory and Monitoring | Skills Framework | All Chairs & Vice Chairs | 29 September 25<br>COMPLETED            | 8                       |
| Members Briefing -Responsibilities of a Corporate Parent   | Regulatory and Monitoring | Skills Framework | All Members              | 1 October<br>23 October 25<br>COMPLETED | 11<br>6                 |
| Members Briefing - Tees Valley Energy Recovery Facility  | Regulatory and Monitoring | Skills Framework | All Members              | 6 October 25<br>COMPLETED               | 4                       |
| Members Briefing – Children’s Services Financial Update  | Regulatory and Monitoring | Skills Framework | All Members              | 14 October 25<br>COMPLETED              | 10                      |
| Centre for Governance & Scrutiny for Audit Chairs  | Regulatory and Monitoring | Skills Framework | Councillor Ewan          | 27 November 25                          | 1                       |
| Members Briefing – Budget  | Regulatory and Monitoring | Skills Framework | All Members              | 9 December 25                           | Attendance not recorded |
| Members Briefing - Supporting Children and Young People who require alternative provision or who have a Specialist Educational Need to access appropriate Education and support. | Regulatory and Monitoring | Skills Framework | All Members              | 27 January 26                           |                         |
| Personal Safety Training   | Regulatory and Monitoring | Skills Framework | All Members              | 20 & 27 April 26                        |                         |

MIDDLESBROUGH COUNCIL

**Report of:** Chief Executive**Submitted to:** Audit Committee**Date:** 19 February 2026**Title:** Risk Management: Biannual Strategic Risk Register Review**Report for:** Decision**Status:** Public**Council Plan priority:** Delivering Best Value**Proposed decision(s)**

That the Audit Committee:

**NOTES** the arrangements in place to manage the Strategic Risk Register within the Council and progress made.**AGREES** that the information provides assurance that the governance of the Strategic Risk Register are suitable.**Executive summary**

This report provides a mid-year update to the Committee on the current content of the Council's Strategic Risk Register. Provision of this report supports the Committee to fulfil its governance and oversight responsibilities.

## 1. Purpose

1. The purpose of this report is to outline the Council's approach to strategic risk management and summarise activity in the past six months.

## 2. Recommendations

### 2.1 That the Audit Committee:

- **NOTES** the arrangements in place to manage the Strategic Risk Register within the Council and progress made.
- **AGREES** that the information provides assurance that governance of the Strategic Risk Register is suitable.

## 3. Background and relevant information

3.1 Risk management is a critical element of corporate governance and is a statutory requirement for public sector organisations. The council is required to provide for the health and safety of its elected members, employees, and those that it serves. It has a duty to ensure effective planning for civil emergencies and is required to protect its assets and to take steps to minimise losses and liabilities.

3.2 The purpose of Risk Management is to identify and manage risks to reduce their likelihood of occurring and reduce their impact, should they occur. The council is committed to maintaining a systematic and cost-effective approach to the identification and management of risk that is consistent with best practice and complies with statutory and audit requirements.

### The Council's approach

3.3 Risk Management is the collective responsibility of all elected Members and officers of the Council. The Council's approach to Risk Management is articulated by the Risk Management Framework and Policy which was reviewed by Executive in July 2023.

3.4 The Council uses risk registers to manage the various risks it identifies. The overarching risk register is called the Strategic Risk Register (SRR). This register captures the most significant risks the organisation is exposed to that could impact on its ability to deliver its strategic priorities which are outlined in the strategic plan.

3.5 This SRR is underpinned by directorate level risk registers which are monitored by directors. Within project and programmes, risks are captured using standardised project documentation which includes risk registers. There are processes in place to ensure risks are considered either as they are managed during business-as-usual processes or throughout the life of a project and that they are escalated and de-escalated as appropriate.

3.6 In addition to reporting biannually, the Council's overall approach on Strategic Risk Management to this Committee, a summary of the SRR is monitored monthly in the performance deck and reviewed every three months by the Leadership and Management Team.

3.7 A summary of the current SRR is appended to this report at Appendix 1.

### Risk Identification and Monitoring

3.8 Horizon scanning identifies significant emerging risks that the Council should be aware of and how they impact on the organisation. The information from this is considered by LMT and the outcome is reflected within risk registers as appropriate.

### Strategic Risk Register

3.9 In the last six months two new strategic risks have been added detailed below:

- **SR-17** - Funding for key external projects led by the Tees Valley Combined Authority (TVCA) or Middlesbrough Development Corporation (MDC) - If there is a funding gap for key projects led by the Tees Valley Combined Authority (TVCA) and its Mayoral Development Corporation (MDC) that results in a risk of delays, disruption, or failure to deliver on key regeneration sites in the town centre. This could negatively affect economic growth, community development, and investor confidence in the region.
- **SR-18** - Ineffective governance of the Tees Valley Combined Authority (TVCA) - The governance arrangements of the Combined Authority (CA) are not fit for purpose, creating barriers to effective collaboration with the Council and adversely impacting the Council's ability to achieve its ambitions for the town. This misalignment could hinder regional development, compromise strategic initiatives, impact financially on the Council and damage stakeholder confidence.

3.10 The following actions were identified to manage these risks:

- **SR-17a** Working with Tees Valley Combined Authority / Middlesbrough Development Corporation (TVCA/MDC) to develop a realistic delivery plan against essential projects.
- **SR-18a** Review the reports of the improvement panel as they are published to identify actions that Middlesbrough Council can take to support the TVCA to improve governance and relationships
- **SR-18b** Regular provision of advice to Middlesbrough Council representatives who sit on various TVCA bodies to ensure they are able to deliver their roles in full and with regard to good governance

3.10.1.1 In the last six months one strategic risk has been deactivated and moved from strategic risk to directorate risk detailed below:

- **SR-07** - Unable to recruit and retain key staff - If the Council is unable to recruit and retain key staff, then this could impact on its ability to deliver critical services which could cause harm to people and could result in government intervention.
- This risk is now held under Legal and Corporate Services as - **DR-08-076**.

3.11 A summary of updates to the SRR can be seen below:

| <b>Strategic Risk Register</b>      |  | <b>August 2025 – January 2026</b> |
|-------------------------------------|--|-----------------------------------|
| <b>New Risks</b>                    |  | 2                                 |
| <b>New Actions</b>                  |  | 8                                 |
| <b>Completed Actions</b>            |  | 11                                |
| <b>New Assessments</b>              |  | 5                                 |
| <b>Deactivated Risks</b>            |  | 1                                 |
| <b>Deactivated Complete Actions</b> |  | 60                                |

3.12 The Strategic Risk Register has a supporting suite of Directorate Risk Registers. Escalations and de-escalations of risk are agreed by the Council's Leadership team. In addition, directorate management teams review their risks, monthly. This and other measures ensure the Council has a grip on its risk management approach. Below is a summary position of actions taken during last 6 months to manage risks held at the directorate level:

| <b>Directorate Risk Register</b> | <b>Regeneration and Housing</b> | <b>Adult Social Care and Health</b> | <b>Public Health</b> | <b>Children's Services</b> | <b>Environment, Community and Culture</b> | <b>Finance</b> | <b>Legal and Corporate Services</b> |
|----------------------------------|---------------------------------|-------------------------------------|----------------------|----------------------------|---|----------------|-------------------------------------|
| <b>New Risks</b>                 | 0                               | 0                                   | 0                    | 3                          | 0   | 2              | 6                                   |
| <b>New Actions</b>               | 0                               | 0                                   | 2                    | 31                         | 2   | 7              | 27                                  |
| <b>Completed Actions</b>         | 3                               | 10                                  | 0                    | 2                          | 2   | 5              | 5                                   |
| <b>New Assessments</b>           | 2                               | 4                                   | 1                    | 1                          | 2   | 3              | 6                                   |
| <b>Deactivated Risks</b>         | 0                               | 0                                   | 3                    | 0                          | 1   | 3              | 1                                   |

### Horizon Scan

3.13 The Council regularly reviews the policy landscape and national reports to identify and review its risks. Current risks on the horizon include:

- AI - AI has the potential to enhance workstreams and improve capacity. However, a lack of understanding of these systems can have catastrophic consequences. Work is ongoing to understand these risks.

- Cyber – Ongoing understanding of the cyber landscape is imperative to ensure that the Council manages its infrastructure effectively to prevent potential threats.
- Devolution – With the government's move towards devolution of power there could be risks surrounding accountability and governance if the correct processes and procedures are not put into place.

#### 4. Other potential alternative(s) and why these have not been recommended

4.1 Members could choose to decide that they do not have sufficient information to be assured that the Council's governance in relation to Risk and Opportunities management is sufficient.

4.2 This is not recommended as sufficient information has been provided.

#### 5. Impact(s) of the recommended decision(s)

| Topic  | Impact  |
|--|---|
| Financial procurement and Social Value)                          | <p>There are no new direct financial considerations in relation to risk management because of this report. By having robust risk registers in place which are regularly reviewed at the correct levels ensures that the Council will be better placed to mitigate against the following:</p> <ul style="list-style-type: none"> <li>• Financial implications.</li> <li>• Reputational damage.</li> </ul> <p>Benefits arising from robust risk management are as follows:</p> <ul style="list-style-type: none"> <li>• Health and wellbeing of members, officers, and members of the public.</li> <li>• Informs business decisions.</li> <li>• Enables a more effective use of resources.</li> <li>• Enhances strategic and business planning.</li> <li>• Strengthens contingency planning.</li> </ul> |
| Legal  | Risk Management is a part of the corporate governance framework. The proposed activity is consistent with and will promote the achievement of the Council's legal duty to achieve Best Value for Money.   |
| Risk   | Risk management positively impacts on all risks within the Council's risk registers. Providing this report to the Committee to assist it to fulfil its role, primarily positively impacts on the risk that the Council fails to achieve good governance.  |
| Human Rights, Public Sector Equality Duty and Community Cohesion | There are no direct implications from this report on human rights, equality and diversity.  |
| Reducing poverty   | Strong risk management in the Local Authority would support work of the Council to reduce poverty in the town.  |

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| Climate Change / Environmental  | There are no direct implications from this report on climate change or the environment.  |
| Children and Young People Cared for by the Authority and Care Leavers | Good business continuity management and Disaster Recovery within Children's Services and Adult Social Care and Health Integration directorates will ensure that the correct level of support is given during a business continuity event to Children, Young People and Care Leavers. |
| Data Protection   | Risk management arrangements are a critical control to ensure compliance with data protection legislation in particular the availability of personal data to avoid personal data breaches and wider compliance with the relevant regulations.  |

## Appendices

|   |                         |
|---|-------------------------|
| 1 | Strategic Risk Register |
|---|-------------------------|

## Background papers

| Body            | Report title  | Date       |
|-----------------|---|------------|
| Audit Committee | Risk Management: Bi-Annual Strategic Risk Register Review | 19/02/2026 |

Contact: Gary Welch

Email: [gary\\_welch@middlesbrough.gov.uk](mailto:gary_welch@middlesbrough.gov.uk)

## Appendix 1 – Strategic Risk Register as at 27/08/2025

| Code   | Risk Description   | Original Score  | Current Score   | Target Score   | Managed By  |  |
|--|--|---|---|--|---|--|
| SR-01  | Failure to Maintain a balanced budget and <b>Medium-Term Financial Plan (MTFP)</b> | <p><b>Failure to set a legal and balanced annual budget and to maintain a sustainable Medium Term Financial Plan (MTFP)</b></p> <p>The Council is required to set a legally balanced revenue budget by 11 March in advance of each forthcoming financial year. Failure to achieve this objective will require the s151 Officer to issue a statutory s114 Notice to the Council.</p> <p>The Council has a best value duty to set and maintain a sustainable and balanced Medium Term Financial Plan including maintenance of its reserves position to demonstrate financial resilience to be able to respond to unforeseen and complex financial challenges presented by the wider economic environment.</p> | <br>35 | <br>21  | <br>21 | Director of Finance and Transformation |
| <b>Page 69</b>   |  | <b>Current Mitigation</b>   | <b>Future Mitigation</b>  | <b>Responsible Officer</b>   | <b>Director</b>   |  |
| <ul style="list-style-type: none"> <li>• Responsibility and Accountability for Financial Management reinforced by budget clinics.</li> <li>• Monthly budget monitoring, forecasting, and tracking of savings delivery by Directors with accountability to the CEX through LMT and development and delivery of financial recovery plans to control within approved budget</li> <li>• Monthly budget clinics chaired by Director of Finance for all Directorates (subject to review by Director of Finance) to enable development of insight, understanding and wider collaboration of colleagues in order to address significant financial risks.</li> <li>• Timely briefing of Mayor and Executive Members on significant financial challenges with agreement for action.</li> <li>• Quarterly member led budget clinics chaired by the Executive Member for Finance to engage Executive Members.</li> </ul> |  | Failure of the Recover, Reset, Deliver Transformation Portfolio to identify further savings   | Chief Executive   | <br>Director of Finance and Transformation; Chief Executive | 31-Mar-2026   |  |

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|--|--|--|--|--|
| <ul style="list-style-type: none"> <li>Monthly monitoring of income budgets, council tax and business rates collection rates and debt levels.</li> <li>Update MTFP regularly ahead of Council Planning and annual budget setting process.</li> <li>Further development of budget management Power BI dashboard over Business World financial management system to improve accessibility of financial information for Directors, Heads of Service and Budget Manager.</li> <li>Implementation and expansion of purchase to pay compliance dashboards for use by Directors, Heads of Service and Budget Managers to drive increase in compliant procurement in relation to retrospective ordering, on vs off contract spend and use of purchase cards.</li> <li>Corporate and Strategic Capital boards to monitor capital expenditure and develop future capital plans.</li> </ul> |  |  |  |  |
|--|--|--|--|--|

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| Code   | Risk Description  | Original Score  | Current Score   | Target Score   | Managed By  |
|--|---|---|---|--|---|
| SR-02  | <p>Volatility in the demand, complexity and cost of children's social care.</p> <p>The risk that <b>demand and cost of and children's social care</b> continues to escalate on the scale experienced in 2024/25, is the single biggest risk to the Council's financial viability. More financially sustainable solutions for meeting social care needs of children need to be secured with urgency to ensure delivery within the approved budget for 2025/26.</p> | <br>35 | <br>28 | <br>21            | Director of Children's Care; Director of Children's Services; Chief Executive |
| Current Mitigation   |   | Future Mitigation   | Responsible Officer   | Director   | Target Date   |
| <p><b>Children's input</b></p> <ul style="list-style-type: none"> <li>Weekly activity data through Chat reports/ data</li> <li>Weekly financial monitoring with Finance Business Partner</li> <li>Placement review has taken place to manage costs associated with young people.</li> <li>MOU surrounding agency costs as a region was implemented in April 2025.</li> </ul> |   |   |   | Director of Children's Care; Director of Children's Services; Director of Education and Partnerships |   |

|   |  |  |  |  |
|---|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Recruitment and retention strategy reviewed to increase permanent staff within the local authority.</li> <li>• Spending controls in place as per scheme of delegation.</li> <li>• Monthly Member and Officer meetings.</li> <li>• Director Children's Care reviewing placements to ensure Value for Money (VFM).</li> <li>• Future proofing for savings for Children's Services to ensure effective financial planning.</li> </ul> |  |  |  |  |
|---|--|--|--|--|

| Code   | Risk Description   | Original Score   | Current Score  | Target Score  | Managed By  |  |
|--|--|--|--|---|---|--|
| SR-03  | Volatility in the demand and cost of adult's social care | The potential for underlying <b>demand and cost pressures to arise in adult social care</b> presents a significant risk to the Council's overall financial viability and measures must be put in place to manage within approved budget. |  35   |  15                                      |  9 | Director of Adult Social Care and Health Integration |
| <b>Current Mitigation</b>  |  |  |  |   |   |  |
| Local Government settlement<br>Budget Management process<br>Contract management processes<br>Savings programme in place<br>Demand model in place<br>Monthly demand reported to DMT - activity not just finance |  | Develop a demand model, that monitors performance across activity demand and unit costing, to understand 'current state'.  | Director of Adult Social Care and Health Integration; Dee Evans; Victoria Holmes  | Director of Adult Social Care and Health Integration; Adult Social Care and Public Health Senior Managers ; Chief Executive | 31-Mar-2026   |  |
|  |  | Develop a forecast model, that uses the 'current state' model, to predict activity demand and financials across Adults Social Care in the next 1/2/5 years.  | Dee Evans; Victoria Holmes   |   | 31-Mar-2026   |  |

| Code  | Risk Description                 | Original Score   | Current Score  | Target Score   | Managed By  |                                  |
|-------|----------------------------------|--|--|--|---|----------------------------------|
| SR-04 | Unlawful decision by the Council | If the Council took a decision that was unlawful then there is a risk of legal challenge or regulatory action that could damage its reputation and its financial position. |  35 |  10 |  6 | Director of Legal and Governance |

| Current Mitigation   | Future Mitigation   | Responsible Officer   | Director  | Target Date |
|--|---|---|---|-------------|
| <ul style="list-style-type: none"> <li>• Council constitution and supporting policy framework</li> <li>• Corporate policies and procedures</li> <li>• Compliance checks across key areas including HSE, Risk etc, covering the corporate governance framework</li> <li>• Standard report formats</li> <li>• Statutory officer posts to oversee governance</li> <li>• Annual Governance Statement assessment process</li> <li>• Internal and external audit processes</li> <li>• Refreshed whistleblowing policy</li> <li>• Report development process</li> <li>• Regular review of the Council Constitution.</li> <li>• Corporate training provided for all officers.</li> </ul> | deliver the Continuous Improvement Plan quarterly updates to Executive from October 2025. | Ann-Marie Johnstone  | Director of Legal and Governance; Chief Executive | 31-Oct-2026 |
|  | Deliver the Annual Governance Statement for 2024/25                                       | Ann-Marie Johnstone  |   | 28-Feb-2026 |

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| Code   | Risk Description   | Original Score  | Current Score  | Target Score   | Managed By   |
|--|--|---|--|--|--|
| SR-05  | Serious accident or death occurred as a result of failure to comply with Health and safety legislation and regulations | If a serious accident or death occurred as a result of failure to comply with Health and safety legislation and regulations then this could result in financial and reputational damage and individual prosecutions of staff. |  35 |  15 |  10 |
| Current Mitigation   |  | Future Mitigation   | Responsible Officer  | Director   | Target Date  |
| Comprehensive suite of Health and Safety policies and procedures.<br>Mandatory and complimentary Health and safety training for all Council staff.<br>Dedicated HSE Advisor team<br>Incident investigation system (My Compliance) to learn from incidents.<br>HSE intranet page with important HSE information<br>Audit schedule<br>Service area audit schedule<br>HSE steering group<br>Fire Management System implemented across Council premises. |  |   |  | Director of Legal and Governance; Director of Regeneration; Chief Executive            |  |

| Code  | Risk Description  | Original Score    | Current Score                                     | Target Score | Managed By   |
|---|---|-------------------|---|--------------|--|
| SR-08   | <p>Fail to ensure an approach to cyber security that meets good practice standards as set out by the National Cyber Security Centre and other bodies</p> <p>If the Council <b>fails to ensure a sound approach to cyber security</b> (technology, processes and awareness), then this could result in a cyber-attack which disrupts service delivery, increases risks to service users and incurs significant financial costs to respond to and recover from an attack.</p> | <br>35            | <br>14  | <br>10       | Director of Legal and Governance; Nigel Eden; John O'Leary; Lynsey Zipfell |
| Current Mitigation  |   | Future Mitigation | Responsible Officer                               | Director     | Target Date  |
| <ul style="list-style-type: none"> <li>Annual Information and Communications Technology (ICT) health checks are conducted, including both internal and external penetration testing.</li> <li>Compliance is maintained with Public Services Network (PSN) and Payment Card Industry (PCI) standards.</li> <li>Internal vulnerability scanning is performed whenever new systems are introduced.</li> <li>Strong defensive systems are in place, including network firewalls, web content filtering, and endpoint protection solutions.</li> <li>A rigorous sixty-day cycle is followed for applying software patches and performing system maintenance.</li> <li>Security testing is completed and continuously repeated to ensure ongoing protection.</li> <li>Recommendations from health checks are reviewed and implemented as appropriate.</li> <li>The organisation is an active member of the North East Warning, Advice and Reporting Point (WARP) and the Cyber Security Information Sharing Partnership (CiSP).</li> <li>Protective Domain Name System (DNS) services are utilised to prevent access to malicious websites.</li> <li>A robust data backup strategy is in place, including offline tape backups to support full recovery in the event of data loss.</li> <li>A Cyber Incident Response (CIR) partner is contracted to provide expert support in the event of a security breach.</li> <li>Infrastructure inspections are carried out every quarter to minimise the risk of disruption to service delivery.</li> </ul> |   |                   | Director of Legal and Governance; Chief Executive |              |  |

|   |  |  |  |  |
|---|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Comprehensive overview to benchmark our current security position.</li> <li>• Purchase of Cloudflare to enhance the security of the local authority against Distributed Denial of Service (DDOS) attacks.</li> </ul> |  |  |  |  |
|---|--|--|--|--|

| Code  | Risk Description   | Original Score   | Current Score  | Target Score   | Managed By  |                     |
|---|--|--|--|--|---|---------------------|
| SR-09   | Corporate Governance arrangement not fit for purpose   | If the Council's <b>Corporate Governance arrangements are not fit for purpose and appropriate action is not taken to rectify this at pace</b> , this could result, censure from the Council's auditors within a public interest report that would damage the Council's reputation and/or in government formal intervention including removal of powers from officers and members and direction of council spend. |  15 |  10 |  9 | Ann-Marie Johnstone |
| Current Mitigation  | Future Mitigation  | Responsible Officer  | Director   | Target Date  |   |                     |
| External reports commissioned on Corporate Governance and findings reflected within a Corporate Governance Improvement Plan | Community Engagement strategy and approach to be developed   | Marion Walker   |  | 30-Jul-2026  |   |                     |
| Improvement Board in place  | Ensure the Company is fully liquidated during 2025/26.   | Justin Weston   |  | 09-Dec-2025  |   |                     |
| Detailed improvement plan in place that has delivered a range of changes to corporate governance processes                  | Review of the Internal Audit function  | Director of Finance and Transformation    |  | 30-Apr-2026  |   |                     |
| Annual Governance Statement (AGS) process and supporting action plan. Draft AGSs in place for both 2024/25 and 2025/26      | Continue to implement a scheme of sub-delegations where appropriate to further improve governance around officer delegated decisions.  | Director of Legal and Governance    |  | 31-Jan-2026  |   |                     |
| Regular reports to Audit Committee on aspects of corporate governance to provide assurance                                  | A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers. (20/21 action). This will be addressed following the review of the constitution in 2024. | Director of Legal and Governance    | Director of Legal and Governance; Chief Executive                                    | 31-Jan-2026  |   |                     |
|   | Continually review the Community Engagement policy to ensure it aligns with the wider needs of the organisation  | Marion Walker   |  | 28-Feb-2026  |   |                     |

|  |  |  |  |             |
|--|--|--|--|-------------|
|  | that will emerge from the Transformation Programme.  |  |  |             |
|  | Put in place a strategic Partnerships Strategy.  | Chief Executive                   |  | 28-Feb-2026 |
|  | A clear Asset Acquisition Policy reflecting these requirements is integrated into the Corporate Landlord Model framework that will be considered by Executive.                                       | David Velemir                     |  | 17-Mar-2026 |
|  | Refresh the Performance Management Policy and the supporting Performance Management Framework to embed a 'golden thread' of Performance Management from the Council Plan down to departmental level. | Director of Legal and Governance  |  | 30-Apr-2026 |

| Code   | Risk Description                               | Original Score  | Current Score   | Target Score   | Managed By  |                 |
|--|--|---|---|--|---|-----------------|
| Page 75<br>SR-11   | Failure to have strategic partnership working. | If the Council does not work with its partners to establish a strategic approach to partnership working based on principles of timely and meaningful collaboration, co-design and with common purpose to inspire and build a team beyond the council that are galvanised to deliver for the town, it is unlikely to achieve delivery of the Council plan ambitions and outcomes for our residents will not improve. | <br>35               | <br>6 | <br>10 | Chief Executive |
| <b>Current Mitigation</b>  |  | <b>Future Mitigation</b>  | <b>Responsible Officer</b>  | <b>Director</b>  | <b>Target Date</b>  |                 |
| Partnership governance register in place.<br>Partnership governance annual assurance report and supporting register in place to assess the health of key partnerships.<br><b>Children's Controls</b><br>All partnerships contain TOR - Partners contribute.<br>External scrutiny of partnerships.<br>New Mayor to chair Corporate Parenting Board.<br>Formal reporting process in place - record of discussion and decision making.<br><b>Adults Controls</b><br>Victim support for those within ASC who require it.<br>Additional resources as required |  | Put in place a strategic Partnerships Strategy.   | Chief Executive  | Chief Executive  | 28-Feb-2026   |                 |

| Code  | Risk Description   |  | Original Score   | Current Score  | Target Score   | Managed By   |
|---|--|--|--|--|--|--|
| SR-12   | Fail to deliver quality practice within children's safeguarding services | If the Council fail to deliver quality practice within children's safeguarding services, then this may result in further government intervention, serious harm to individuals and loss of financial control. |  35                               |  15 |  10 | Director of Children's Care; Director of Children's Services |
| Current Mitigation  |  | Future Mitigation  | Responsible Officer  | Director   | Target Date  |  |
| <ul style="list-style-type: none"> <li>Implemented Children's services improvement plan</li> <li>Monthly performance monitoring boards in place</li> <li>Review to be undertaken of Children's Care</li> <li>Monthly audit activity and reports undertaken to consider the quality of practice.</li> <li>Implementation of children's improvement board.</li> </ul> <p>Commitment to SHiFT, to improve quality and management of practice.</p> <p>Ongoing monitoring via OFSTED with a focused visit due the fiscal year.</p> <p>OFSTED future inspections to continue.</p> <ul style="list-style-type: none"> <li>Internal audit to review working practices.</li> </ul> |  | Complete delivery of the Inspection of Local Authority Children's Services (ILACs) improvement   | Director of Adult Social Care and Health Integration; Director of Children's Care; Director of Children's Services |     | Director of Children's Care; Director of Children's Services; Chief Executive          | 31-Jan-2026  |

| Code   | Risk Description                               |   | Original Score   | Current Score  | Target Score  | Managed By  |
|--|--|---|--|--|---|---|
| SR-13  | Failure to deliver transformation successfully | If the Council fails to transform its service delivery model to a model that can deliver outcomes for residents at a reduced cost base, then the Council's financial position will become untenable and may result in the issuing of a S114 Notice. |  35 |  15 |  5 | Director of Finance and Transformation; Chief Executive |
| Current Mitigation   |  | Future Mitigation   | Responsible Officer  | Director   | Target Date   |   |
| <ul style="list-style-type: none"> <li>Project &amp; Programme Management Framework in place</li> <li>1-page projects</li> </ul> |  | Failure of the Recover, Reset, Deliver Transformation Portfolio to identify further savings   | Chief Executive  |     | Chief Executive   | 31-Mar-2026   |

|   |  |  |  |  |
|---|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Project documentation - Highlight reports, Business Cases, Change Controls against time, cost, scope and benefit.</li> <li>• Risk and issues logs.</li> <li>• Corporate performance board - programme level risks</li> <li>• Escalation procedures in place at directorate and programme level</li> <li>• Transformation governance arrangements and reporting cycle agreed</li> <li>• Boards in place setup at directorate level approach</li> <li>• Transformation monies agreed at 26million for period 2024/5 to 2027/8 to fund transformation work. This is continually being monitored.</li> </ul> |  |  |  |  |
|---|--|--|--|--|

| Code  | Risk Description  | Original Score   | Current Score       | Target Score                              | Managed By  |                          |
|---|---|--|---------------------|---|-------------|--------------------------|
| Page 77<br>SR-14  | Failure to ensure effective governance of the Middlesbrough Development Corporation | If the Middlesbrough Development Corporation fails to reflect the relevant findings from the review of Teesworks governance in its structures, then there is a risk that it could fail to ensure value for money or good governance in its decision making, which will have an adverse impact on the economic vitality of the Town Centre. | <br>35              | <br>6                                     | <br>10      | Director of Regeneration |
| Current Mitigation  |   | Future Mitigation  | Responsible Officer | Director                                  | Target Date |                          |
| <ul style="list-style-type: none"> <li>• Teesworks report and commitment from TVCA to reflect findings in the governance arrangements of the MDC</li> <li>• Council representatives on the MDC Board - Mayor</li> <li>• Monthly meetings arranged with the CEX MDC (Bev Bearne) with Director Regeneration.</li> <li>• Collaboration of Regenerations Director via Leadership and Management Team (LMT), TVCA and MDC setting out Council's priorities and concerns.</li> <li>• Effective communication between key stakeholders.</li> <li>• Direct risks which could impact on the local authority will be escalated to LMT</li> </ul> |   |  |                     | Director of Regeneration; Chief Executive |             |                          |

| Code   | Risk Description                                     |   | Original Score   | Current Score  | Target Score  | Managed By  |
|--|--|---|--|--|---|---|
| SR-15  | Threats to Social Cohesion and Democratic Resilience | If Communities feel disconnected and that they do not live in a safe and resilient environment that promotes the best outcomes for citizens of the town. This could lead to local flashpoints which would be damaging to community relations, the reputation and image of a multi-cultural Middlesbrough. |  35   |  15 |  14  | Director of Environment & Community Services; Marion Walker |
| Current Mitigation   |  |   | Future Mitigation  | Responsible Officer  | Director  | Target Date   |
| <p><b>Internal Controls (Current Mitigations in place):</b></p> <ul style="list-style-type: none"> <li>Community tension monitoring undertaken.</li> <li>Community engagement undertaken.</li> <li>Neighbourhood safety liaison in place.</li> </ul> <p>Prevent operational group risk plans in place</p> <p>Liaison with policing partners to verify validity of possible demonstrations.</p> <p>Initial credibility verification through visual audits using Closed-Circuit Television (CCTV) operations and open sources.</p> <p>Gatekeeping protocols with marketing and communications for potentially controversial communications</p> <ul style="list-style-type: none"> <li>Ongoing promotion of education around disinformation and building of media literacy by partners within the local authority and via social media</li> <li>Monthly meetings held with senior leadership.</li> <li>Gold and Silver recovery group meetings with senior leadership teams across the organisation and partners.</li> <li>Action plan developed by silver group to be reported to gold with escalations.</li> <li>Community safety partnership reconstituted to provide greater strategic oversight.</li> <li>MBC have secured £600k to be spent in response to community tensions as a further control.</li> <li>BELONG employed to support delivery of the community cohesion strategy.</li> </ul> |  |   | Repair relationships and engagement between local communities where they have broken down following serious conflict and flashpoint incidents. | Marion Walker  |  Director of Environment & Community Services; Chief Executive | 31-Aug-2026   |

| Code   | Risk Description   | Original Score  | Current Score  | Target Score   | Managed By  |   |
|--|--|---|--|--|---|---|
| SR-16  | Removal of the statutory override preventing the Designated School Grant (DSG) deficit from being met from general fund resources. | If the statutory override issued by central government expires as planned on 31 March 2026, without providing a national solution to the current shortfall in funding compared to demand and cost of high needs provision, this will mean that the High Needs Funding Deficit will be required to be met from the Council's general fund resources. Based upon the current projection of the DSG high needs deficit compared to the level of revenue reserves, this will result in the Council's reserves being exhausted and the Council's s151 Officer potentially being required to issue a s114 Notice. This is likely to be the case for the majority of local authorities nationally. |  15   |  15 |  9 | Director of Education and Partnerships; Emma Cowley |
| Current Mitigation   |  | Future Mitigation   | Responsible Officer  | Director   | Target Date   |   |
| <ul style="list-style-type: none"> <li>Lobbying Government to resolve the funding issue and provide a long term solution to the DSG deficit issue</li> <li>Delivering DBV (Delivering Better Value) action plan.</li> <li>Liaising with DfE regularly</li> <li>Working with schools and settings to continuously review the funding models.</li> </ul> |  | Lobbying Government to resolve the funding issue and provide a long term solution to the DSG deficit issue  | Director of Finance and Transformation    | Director of Children's Services; Director of Education and Partnerships                | 31-Mar-2026   |   |
|  |  | Ongoing monitoring of the High Needs Funding (HNF) budget   | Director of Education and Partnerships    |  | 31-Mar-2026   |   |
|  |  | Work with schools and settings to reduce the number of children and young people who are excluded.  | Director of Education and Partnerships   |  | 31-Mar-2026   |   |
|  |  | Promote greater inclusion within mainstream settings.   | Director of Education and Partnerships  |  | 31-Mar-2026   |   |
|  |  | Reduce the number of children and young people on out of area provision.  | Director of Education and Partnerships  |  | 31-Mar-2026   |   |

| Code  | Risk Description         | Original Score  | Current Score   | Target Score  | Managed By  |                          |
|-------|--------------------------|---|---|---|---|--------------------------|
| SR-17 | Funding for key external | If there is a funding gap for key projects led by the Tees Valley Combined Authority (TVCA) and its Mayoral Development Corporation |  6 |  6 |  6 | Director of Regeneration |

|   | projects led by TVCA or MDC  | (MDC) that results in a risk of delays, disruption, or failure to deliver on key regeneration sites in the town centre. This could negatively affect economic growth, community development, and investor confidence in the region. |   |             |  |  |
|---|--|---|---|-------------|--|--|
| Current Mitigation  | Future Mitigation  | Responsible Officer   | Director  | Target Date |  |  |
| <ul style="list-style-type: none"> <li>- Tees Valley Investment Strategy.</li> <li>- Monthly meeting with Chief Executive of MDC to discuss project developments.</li> <li>- Collaboration of Regenerations Director via LMT, TVCA and MDC setting out Council's priorities and concerns.</li> <li>- Effective communication between key stakeholders.</li> <li>- Direct risks which could impact on the local authority will be escalated to LMT.</li> <li>- Mayor Middlesbrough Council is a bord member of the TVCA and MDC with the Chief Executive present as observer.</li> <li>- Scrutiny committee for the TVCA of which Middlesbrough Council have Councillor representation.</li> </ul> | Working with TVCA/MDC to develop a realistic delivery plan against essential projects. | Richard Horniman  |  Director of Regeneration; Directors | 30-Apr-2026 |  |  |

| Code  | Risk Description  | Original Score  | Current Score  | Target Score   | Managed By      |
|---|---|---|--|--|-----------------|
| SR-18   | Ineffective governance of the Tees Valley Combined Authority (TVCA)<br><br>The governance arrangements of the Combined Authority (CA) are not fit for purpose, creating barriers to effective collaboration with the Council and adversely impacting the Council's ability to achieve its ambitions for the town. This misalignment could hinder regional development, compromise strategic initiatives, impact financially on the Council and damage stakeholder confidence. |  35  |  35                               |  14 | Chief Executive |
| Current Mitigation  |   | Future Mitigation   | Responsible Officer  | Director   | Target Date     |
| <ul style="list-style-type: none"> <li>• LGA improvement panel with independent oversight and planned publication of improvement panel reports to increase public scrutiny and transparency</li> <li>• Improvement plan (TVCA).</li> <li>• Best Value Inspection Notice issued April 25 resulting in increased government oversight.</li> <li>• Key officer relationships between Monitoring Officers and Directors of Finance</li> <li>• Interim appointments for the Director of Finance and Monitoring Officer roles</li> <li>• Reset discussions undertaken with the new Chief Executive</li> </ul> |   | Review the reports of the improvement panel as they are published to identify actions that Middlesbrough Council can take to support the TVCA to improve governance and relationships | Chief Executive                   | Directors; Chief Executive   | 31-Oct-2026     |
|   |   | Regular provision of advice to Middlesbrough Council representatives who sit on various TVCA bodies to ensure they can deliver their roles in full and in regard to good governance   | Director of Legal and Governance  |  | 10-Oct-2026     |

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**MIDDLESBROUGH COUNCIL**

|                   |                 |
|-------------------|-----------------|
| <b>Report of:</b> | Chief Executive |
|-------------------|-----------------|

|                      |                 |
|----------------------|-----------------|
| <b>Submitted to:</b> | Audit Committee |
|----------------------|-----------------|

|              |                  |
|--------------|------------------|
| <b>Date:</b> | 19 February 2026 |
|--------------|------------------|

|               |  |
|---------------|--|
| <b>Title:</b> | Business Continuity Annual Assurance Report 2025 |
|---------------|--|

|                    |          |
|--------------------|----------|
| <b>Report for:</b> | Decision |
|--------------------|----------|

|                |        |
|----------------|--------|
| <b>Status:</b> | Public |
|----------------|--------|

|                               |                       |
|-------------------------------|-----------------------|
| <b>Council Plan priority:</b> | Delivering Best Value |
|-------------------------------|-----------------------|

|                             |
|-----------------------------|
| <b>Proposed decision(s)</b> |
|-----------------------------|

|                           |
|---------------------------|
| That the Audit Committee: |
|---------------------------|

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| <b>NOTES</b> the arrangements in place to manage Business Continuity within the Council and progress within the last year. |
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| <b>CONSIDERS</b> whether the information provided has given the Committee sufficient assurance that the Council has appropriate arrangements in place in relation to Business Continuity. |
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| <b>Executive summary</b> |
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| This report sets out the arrangements in place to ensure the Council meets its legal obligations in relation to Business Continuity. The report sets out the Business Continuity governance framework, actions delivered during 2025 and planned actions for 2026. |
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## 1. Purpose

1.1 The purpose of this report is to outline the Council's approach to business continuity management, summarise activity in the past year and planned activity for 2026, to provide the Committee with assurance that the Council has robust arrangements in place, as required by the Civil Contingencies Act 2004.

## 2. Recommendations

2.1 That the Audit Committee:

- **NOTES** the arrangements in place to manage Business Continuity within the Council and progress within the last year.
- **CONSIDERS** whether the information provided has given the Committee sufficient assurance that the Council has appropriate arrangements in place in relation to Business Continuity.

## 3. Background and relevant information

3.1 The Council has a duty under the Civil Contingencies Act 2004 to develop and maintain business continuity plans to enable continued delivery of 'business critical functions' during a 'business interruption' event.

3.2 Business continuity planning is separate to emergency planning, which sets out how the Council responds to emergency incidents that impact on residents and businesses, though there will be times where the two disciplines interrelate.

### The Council's approach

3.3 The Council's Corporate Business Continuity Plan defines critical functions as those which, if interrupted could result in:

- risk of serious injury;
- risk of death;
- massive financial losses; or
- significant damage to the Council's reputation.

3.4 The Council will consider activating its business continuity plans if there is a business interruption event that:

- is likely to last for more than half a working day;
- affects a vulnerable group of service users;
- impacts on the delivery of key critical activities;
- restricts access to one of the key council buildings;
- could generate significant damage to the Council's reputation; or
- is highly likely to escalate into one of the above categories.

3.5 The Council has the following plans in place to respond to the variety of events that could occur:

- Corporate Business Continuity plan;

- supporting Departmental Business Continuity plans;
- Relocation Plan;
- ICT Disaster Recovery Plan;
- Fuel Plan; and
- Pandemic Plan.

3.6 The Council does not publish its business continuity plans as they outline sensitive information around its critical functions and their recovery that could be misused and contain personal information relating to employees that have agreed to share personal contact details to enable the Council to get in touch with them quickly in the event of an incident. Therefore, the paragraphs below outline the content of the Council's plans only in broad terms.

3.7 The **Corporate Business Continuity Plan** is the overarching plan for the organisation. It sets out the structure used to identify and prioritise critical functions; mechanisms for enacting the plan; how all plans are maintained, tested and reviewed; and policies and procedures in place to support effective business continuity planning.

3.8 Supporting **Departmental Business Continuity Plans** set out detailed recovery arrangements for each critical function or activity, by Directorate of the Council, outlining information on buildings used to deliver the function or activity, staff information, key equipment and supplies, key records, ICT systems and other key contacts.

3.9 The **Relocation Plan** sets out how critical functions / activity would be relocated to other buildings within the Council's estate or employees sent home to work using agile working solutions, if one or more buildings became inaccessible.

3.10 The Council's approach is, in the main, not to write numerous plans for risks to critical functions. The ICT Disaster Recovery Plan, Fuel Plan and Pandemic Plan are exceptions to this rule, created in response to specific risks that have faced local authorities and the scale of the interruption that such events have and could cause.

3.11 The **ICT Disaster Recovery Plan** focuses on maintaining ICT for business-critical functions, highlighting those applications which are hosted externally, and any services supported by the Council's key partners.

3.12 The **Fuel Plan** outlines how the Council would respond to a fuel shortage to ensure business critical staff are able to continue to do their work.

3.13 The **Pandemic Plan** was created in 2022 by merging two previously separate plans in relation to flu and Covid-19. The refresh reflected learning from COVID-19 pandemic and previous pandemics including but not limited to influenza and SARS.

3.14 The Council also has a Business Continuity Policy, which articulates the Council's approach to Business Continuity.

### **Plan testing**

3.15 The Council aims to test its plans at least annually or, where a live incident has occurred within the past year, produce a lessons-learned report. During 2025/26, the Council experienced several live incidents, including a Distributed Denial of Service (DDoS) attack targeting our ICT security systems. Thanks to planning undertaken in the

previous year, the Incident Response (IR) process proved effective. Additionally, the Council implemented its relocation plan for Middlesbrough House staff following a flooding event.

## **Review schedule**

3.16 Under a normal planning cycle, business continuity plans are updated every six months and undergo a formal review annually (in May and November). The scope of each review depends on the extent of organisational change during the intervening period. In some years, only minor updates—such as contact details—are necessary, while in others, comprehensive reviews are required to reflect significant changes, such as restructuring or major service delivery adjustments (e.g., services being outsourced or brought back in-house).

3.17 During the 2025/26 annual review of plans, particular emphasis was placed on assessing the potential impact of ICT system loss and its effect on critical activities. This focus ensured that services were adequately prepared and planned to manage such an event effectively.

## **Activity in 2025/6**

3.18 The following actions were delivered during 2025/6 to ensure good governance in relation to business continuity.

### *Training*

- Officers successfully undertook a joint EMRT (Emergency Management Response Team) and Business Continuity exercise to test the effectiveness of the relocation plan.
- Further developed critical function plans and tested a key system to ensure the ICT Disaster Recovery Plan was exercised and validated for effectiveness.
- Delivered training for senior officers focused on decision-making, media and communications, and roles and responsibilities during incidents.

### *Documentation*

- Undertook a full annual review and update of all Business Continuity Plans to ensure they remain fit for purpose.
- Updated battle boxes for business-critical services to maintain service delivery during a cyber-attack or power outage, with a focus on their locations.
- Revised plans to reflect new staffing structures and offices introduced this year.
- Improved processes within the Corporate Business Continuity Room at Fountain Court and refreshed relocation site plans to ensure both are fully equipped to respond to business interruptions. Provided quick response guides and Terms of Reference for all Business Continuity Leads.

### *Testing*

- Conducted failover tests at Council data centres during summer and winter 2025. These tests validated the resilience of generators, Uninterrupted Power Supply (UPS) systems, and environmental systems (e.g., fire suppression). The results confirmed that in the event of a major town-wide power outage or complete loss of a data centre, the Council will continue to be able to operate.

- Completed fibre testing on all essential loops to ensure line integrity. This process will be repeated bi-annually to proactively identify and prevent potential weaknesses.
- In September and October 2025, a tabletop exercise was conducted across all directorates, ensuring participation from key personnel, including directors and heads of service. The exercise focused on Critical Function Plans and how these would operate during a cyberattack or service relocation scenario. The objectives were to:
  - Raise awareness of Critical Function Plans.
  - Refresh knowledge of each directorate's Business Continuity Plan.
  - Identify areas for improvement within the plans.
  - Familiarise staff with the heightened risk of a cyber outage and its potential impact on service delivery.
  - Prepare staff for the implications of relocating staff and services.
  - Develop actions based on lessons identified to address any gaps in the plans.
- A detailed "Lessons Identified" report was shared with all directorates, and these insights were incorporated into the Business Continuity Improvement Plan.
- As part of the North East local authorities' collaborative efforts, Middlesbrough Council participated in a regional exercise designed to test Public Health responses to a pandemic scenario. The exercise commenced in September 2025 and concluded in November 2025. Middlesbrough Council's Pandemic Business Continuity Plan was acknowledged as an example of best practice, and a redacted version was shared with the partners.

#### *Documentation*

- All Corporate Business Continuity Plans were updated in November 2025, refreshing the content, updating the formatting, contacts and aligning processes with best practice.
- An update and full review of Directorate Business Continuity plans has been undertaken within the year to reflect changes in the service, location, employee details and to reflect the additional measures that would be required to ensure resilience to any loss of electricity and ICT services.
- An offsite location has been developed to hold all business continuity plans and critical function plans to further strengthen access to plans should a business continuity event occur.

#### **Business Continuity activities for 2026/27**

3.19 During 2026/27, further work will be undertaken to build on progress made in 2025/26 as part of the Council's commitment to continual improvement in business continuity planning.

#### *Training*

- Plan and conduct a joint EMRT (Emergency Management Response Team) and Business Continuity exercise to test the effectiveness of the relocation plan.
- Further develop critical function plans and perform a test on a key system to ensure the ICT Disaster Recovery Plan is exercised and validated for effectiveness.
- Conduct a tabletop exercise in collaboration with the North East Regional Cyber Crime Unit (NERCCU) to test ICT protocols and engage business leads in evaluating response effectiveness.

- Deliver targeted training for senior officers on media and communications, as well as their roles and responsibilities during incidents.
- Ensure key officers attend a Capability Evaluation and Exercising course to align with best practice standards.
- Facilitate attendance and completion of ISO 22301 training for key officers, providing a framework for a robust Business Continuity Management System.
- Provide directorates with training on MBC policies regarding data protection and Bring Your Own Device (BYOD) to ensure compliance with current legislation and Council policy.

#### *Documentation*

- Undertake a comprehensive annual review and update of all Business Continuity Plans to ensure they remain fit for purpose and aligned with current organisational needs.
- Update plans to reflect the occupation of new structures and offices introduced this year.
- Enhance processes within the Corporate Business Continuity Room at Fountain Court and refresh relocation site plans to ensure both are fully equipped to respond effectively to business interruptions. Provide quick response guides and clear Terms of Reference for all Business Continuity Leads.
- Renew and update roles and responsibilities cards where necessary to maintain clarity and accountability.
- Test Environment Community and Culture relocation plans to confirm robustness, particularly in line with the implementation of newly purchased equipment.
- Conduct Business Impact Analysis (BIAs) across all directorates to review software interdependencies, ensuring accurate mapping and identification of interlinks between systems.

#### *Communication*

- Heads of Service to review and collaborate with team members to provide up-to-date contact details to ensure they can be reached promptly in the event of a Business Continuity incident.
- Data Cuts for Resilience, Directorates should explore and implement data cuts, with associated secure storage and refresh plans, where critical data is required for the effective operation of service areas. This will enhance resilience during an ICT outage by enabling rapid restoration and access to essential data.

#### **4. Other potential alternative(s) and why these have not been recommended**

4.1 Members could choose to decide that they do not have sufficient information to be assured that the Council's governance in relation to Business Continuity is sufficient.

4.2 This is not recommended as sufficient information has been provided.

## 5. Impact(s) of the recommended decision(s)

| Topic   | Impact   |
|---|--|
| Financial (including procurement and Social Value)                    | There are no new direct financial implications arising from this report in relation to business continuity management. However, by maintaining robust continuity plans, the Council is better positioned to mitigate potential financial impacts resulting from service interruptions, ensuring cost efficiency and protecting social value commitments.   |
| Legal   | Business continuity is a fundamental component of corporate governance, and the Council has a statutory duty to ensure its arrangements comply with the Civil Contingencies Act 2004. These requirements help maintain resilience and preparedness in the face of emergencies, safeguarding essential services and public confidence.  |
| Risk  | <p>Business Continuity impacts positively on the following risks managed within the Legal and Governance Services Directorate Risk Register:</p> <ul style="list-style-type: none"> <li>•O8-037 - If <b>business continuity plans</b> are not fit for purpose, then in the event a business interruption the Council would potentially be unable to provide critical services which could result in harm to service users and a breach of law namely the Civil Contingencies Act 2004.</li> <li>•O8-052 - <b>Risk of disruption to service delivery</b>, Due to: Lack of adequately tested Business Continuity / Disaster Recovery Plans which fail to effectively manage a critical incident (e.g. relating to access to critical systems / data) and further extend the period of system unavailability. Resulting In: extended or permanent loss of systems/data, poor communication and the inability to identify and inform key officers about incident /implications. Failure to reinstate services/systems within an appropriate timescale, dissatisfaction/loss of confidence with the Council's customers.</li> </ul> |
| Human Rights, Public Sector Equality Duty and Community Cohesion      | There are no direct implications from this report on human rights, equality and diversity.   |
| Reducing poverty  | Effective business continuity management and disaster recovery within the Local Authority are essential to maintaining critical services that support individuals in poverty. By ensuring these services remain operational and can resume normal activities quickly and efficiently during an incident, we help minimise disruption and safeguard vulnerable communities.   |
| Climate Change/ Environmental   | Not applicable.  |
| Children and Young People Cared for by the Authority and Care Leavers | Effective business continuity management and disaster recovery within the Children's Services and Adult Social Care and Health Integration directorates are vital to ensuring that the appropriate level of support is maintained during a   |

|                 |  |
|-----------------|--|
|                 | business continuity event. This approach safeguards the wellbeing of Children, Young People, and Care Leavers by minimising disruption and enabling essential services to continue without delay.  |
| Data Protection | Robust business continuity and disaster recovery arrangements are essential controls for ensuring compliance with data protection legislation. In particular, these measures help maintain the availability of personal data during disruptions, reducing the risk of personal data breaches and safeguarding sensitive information. |

## Background papers

| Body                                  | Report title                                  | Date             |
|---------------------------------------|---|------------------|
| Audit Committee                       | Business Continuity – Annual Assurance Report | 06 February 2025 |
| Audit Committee                       | Business Continuity – Annual Assurance Report | 30 June 2024     |
| Audit Committee                       | Business Continuity – Annual Assurance Report | 31 March 2023    |
| Corporate Affairs and Audit Committee | Business Continuity – Annual Assurance Report | 31 March 2022    |
| Corporate Affairs and Audit Committee | Business Continuity – Annual Assurance Report | 4 February 2021  |
| Corporate Affairs and Audit Committee | Business Continuity – Annual Assurance Report | 19 December 2019 |

**Contact:** Gary Welch, Strategic Risk and Health and Safety Manager

**Email:** [gary\\_welch@middlesbrough.gov.uk](mailto:gary_welch@middlesbrough.gov.uk)

**MIDDLESBROUGH COUNCIL**



**Report of:** Corporate Director of Finance (S151 Officer), Andrew Humble

**Relevant Executive Member:** Executive Member for Finance, Councillor Nicky Walker

**Submitted to:** Audit Committee

**Date:** 19 February 2026

**Title:** Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy Report 2026/27

**Report for:** Discussion

**Status:** Public

**Council Plan priority:** Delivering Best Value

**Proposed decision(s)**

That the Audit Committee notes the following:

- The Prudential Indicators and Limits for 2026/27 to 2029/30 relating to capital expenditure and treasury management activity set out in tables 1 to 9 of **Appendix 1**.
- The Treasury Management Strategy for 2026/27, which includes the Annual Investment Strategy for that financial year.
- The Minimum Revenue Provision (MRP) Policy for the 2026/27 financial year.
- An Authorised Limit for External Debt of **£354 million** for the 2026/27 financial year.
- The overall approach expected for this financial year in relation to external borrowing, investment of cash balances, and management of the debt portfolio.
- The Treasury Management Strategy in place and ask for any further details or explanation as they require either from the Executive or Officers.

## Executive summary

The Council is required to approve annually a Treasury Management Strategy and a set of Prudential Indicators, which self-regulate the level of capital financing activities of the Council and the affordability of the capital programme. These need to be set on an annual basis to comply with the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice on Capital Finance and Treasury Management.

The Treasury Management Strategy is important from both a financial and governance perspective as it sets the framework within which the council manages its borrowing and investments, how it delivers these services, and how it controls the risks attached to any decisions made. It also sets out the parameters and criteria that govern the day-to-day cashflow management activity and how these impact on the medium to long term financial planning processes. These include achieving value for money from any external borrowing undertaken, managing risk on large value financial transactions, and protecting any resources that have been invested.

The Prudential Indicators are an integral part of the CIPFA Capital Finance Code and demonstrate whether the capital programme is affordable, sustainable, & prudent. These include the level of capital expenditure over the next four years, how this has been financed, the maximum level of debt, and the cost to the revenue budget.

The Minimum Revenue Provision (MRP) policy governs how the Council plans to account for the repayment of loan principal in relation to its external borrowing activities and has a fundamental impact upon the current and future capital financing budget. The current MRP policy is based on a 2% annuity model in line with many other local authorities. The Council took the decision during the 2022/23 financial year to review the MRP policy, the effect of which is to achieve improved affordability on an annual basis over the short to medium term, although there are higher revenue charges in 25 – 50 years' time.

The Council's underlying need to borrow is measured by the Capital Financing Requirement which is forecast to reach £312.383m during 2025/26, rising to £335.755m by the end of 2026/27 and increasing still further, to £358.733m by the end of 2029/30.

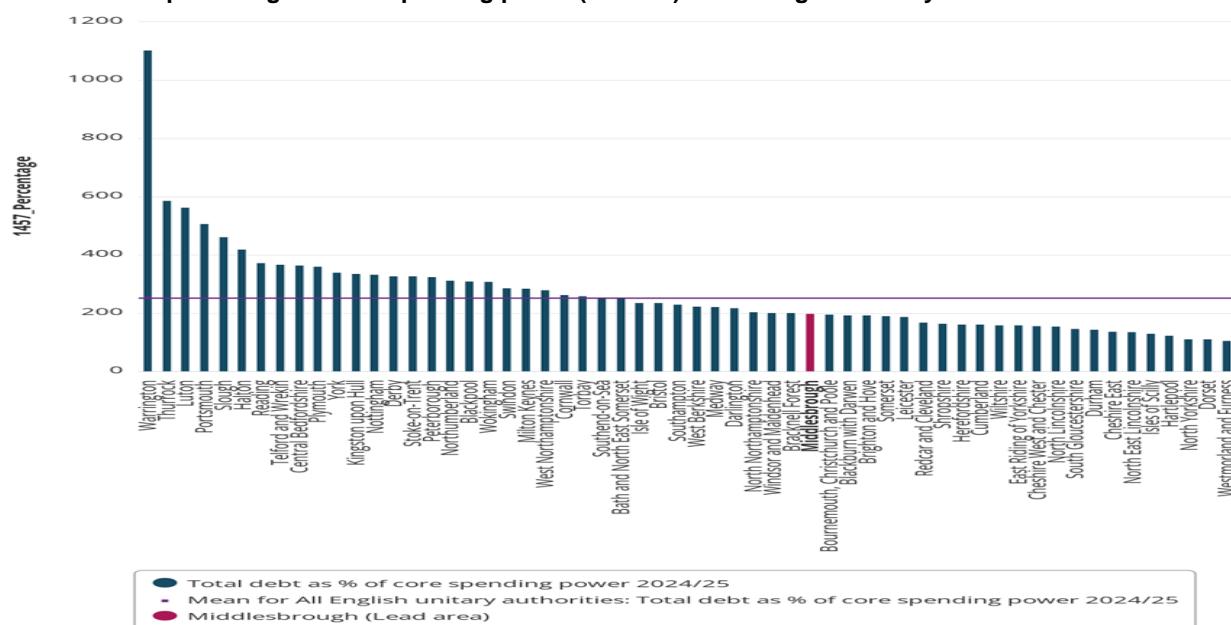
This results in the revenue cost of borrowing as shown in the table below.

|  | 2024/25<br>actual | 2025/26<br>forecast | 2026/27<br>forecast | 2027/28<br>forecast | 2028/29<br>forecast | 2029/30<br>forecast |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Financing costs<br>(£m)                    | 10.406            | 12.205              | 14.151              | 16.022              | 16.769              | 17.396              |
| Net Revenue<br>Budget (£m)                 | 143.190           | 143.304             | 200.675             | 225.265             | 241.231             | 250.017             |
| Proportion of<br>net revenue<br>budget (%) | 7.3%              | 8.5%                | 7.1%                | 7.1%                | 7.0%                | 7.0%                |

Whilst the Council is not an outlier in terms of its level of total debt (see graph below), it was reaching the limit of its revenue affordability on borrowing to fund its future capital investment. Changes to the Local Government Finance Settlement and how the net revenue budget have been calculated have changed significantly with the Fair Funding Review 2.0 and are not now comparable post the 2026/27 budget.

The Council will need to review what the affordability threshold will be in this context and if the 10% best practice amount previously recommended by CIPFA is still relevant. Capital investment is important for the ongoing Council plan ambitions, however, there continues to be a need to be prudent, sustainable and affordable. It will still benefit from prioritising its capital investment decisions over the medium and longer term and should secure its financing through third party funds such as contributions and grants and capital receipts from the sale of assets to minimise future borrowing.

**Total debt as a percentage of core spending power (2024/25) for All English unitary authorities**



*The main body of the report gives more details for Audit Committee on the framework used to manage treasury management and the capital financing position of the Council. Effective scrutiny in this context involves publicly examining and challenging the leadership of the Council to help shape future strategies and policies to ensure that good governance is in place and that resources are used effectively and value for money is achieved.*

## **1. Purpose**

- 1.1 This report provides an important update to the Audit Committee on the strategic approach in relation to the Council's borrowing, investments, and cash-flow for the 2026/27 financial year to meet the requirements of the CIPFA Treasury Management Code of Practice and the Local Government Act 2003. It should be read in conjunction with the Treasury Management mid-year review for 2025/26, reported to Members on 3 December 2025.
- 1.2 The report also provides the Prudential Indicators approved by Council for the 2026/27 financial year in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Capital Finance, which is best practice in terms of governance in this area.
- 1.3 The report gives Audit Committee information on the treasury management strategy, position on capital financing and prudential indicators, and whether these are contributing to the effective management of the capital programme and the resources allocated to pay for these, as part of the revenue budget process.

## **2. Recommendations**

- 2.1 That the Audit Committee notes the following:

- The Prudential Indicators and Limits for 2026/27 to 2029/30 relating to capital expenditure and treasury management activity set out in tables 1 to 9 of Appendix 1.
- The Treasury Management Strategy for 2026/27, which includes the Annual Investment Strategy for that financial year.
- The Minimum Revenue Provision (MRP) Policy for the 2026/27 financial year.
- An Authorised Limit for External Debt of £354 million for the 2026/27 financial year.
- The overall approach expected for this financial year in relation to external borrowing, investment of cash balances, and management of the debt portfolio.
- The Treasury Management Strategy in place and ask for any further details or explanation as they require either from the Executive or Officers.

### 3. Background and relevant information

3.1 The Prudential Indicators & Treasury Management Strategy report for the Council for 2026/27 covers the following areas:

- How the capital programme for the MTFP period is financed.
- The relevant prudential Indicators to monitor the performance, revenue budget affordability and sustainability of the capital expenditure being proposed in line with the requirements of the prudential code.
- Treasury Management arrangements in place for investing surplus funds and borrowing to fund capital expenditure financed by prudential borrowing.
- The types of investments the Council makes as part of managing its cash balances – the Annual Investment Strategy.
- Knowledge and skills of staff involved in the Treasury Management process.
- Minimum Revenue Provision policy – This determines how much the Council accounts for in terms of the revenue costs of historical capital debt. These costs have been incurred in relation to historical and future capital investment in its asset base to support the operational delivery of services.

3.2 Capital Expenditure relates to how the Council plans to invest in long-term assets and infrastructure (such as property, equipment, vehicles, roads etc.). The Council must consider how this expenditure is paid for and what the long-term financial implications are of undertaking this investment. The Council is also permitted to borrow funds to finance the capital programme under the Local Government Act 2003. It needs to consider the impact on the revenue budget of the level of borrowing being proposed, how it funds the repayment of this debt and the period over which this debt is repaid.

3.3 The Council must ensure the capital programme and its plans to borrow to finance it are prudent and affordable. Where elements of this are funded by borrowing (either externally or internally), the Council must set aside budgetary allocations in the general fund revenue budget to meet the cost of this debt. These budgets include the interest payable to lenders on external borrowing and the setting aside of funds to re-pay the principal element of debt (known as the Minimum Revenue Provision).

#### Prudential Indicators and Capital Investment Plans

3.4 The Council demonstrates the concepts of affordability, sustainability, and prudence on its investment plans by setting a range of Prudential and Treasury Management indicators. These are set out in Appendix 1 and are key metrics to the Corporate Director of Finance (S151 Officer) and elected members when setting the budget plans each year.

3.5 Any variance from these indicators during a financial year indicates either a higher level of indebtedness, or a lower level of prudence, on the capital activities of the Council than when the budget was set. The following section gives a brief commentary on these key indicators as we reach the start of the 2026/27 financial year.

3.6 There is total outstanding debt of £269.360 million on 31 December 2025, with circa £20m of additional borrowing expected to be required before 31 March 2026.

3.7 The forecast overall total long term external debt at the end of 2025/26 is therefore **£289.360 million** and should be compared with the estimated *Capital Financing Requirement* (the underlying value which the Council needs to borrow to fund capital activities) of **£312.383 million**. The Council therefore has an expected under-borrowed position of **£23.023 million**, which is financed via internal cash balances and provides a level of savings in interest payments as other revenue and capital cash has been used in lieu of borrowing. This is a key strategic decision each year as to whether the under-borrowing position is increased or reduced.

3.8 Table 6 in Appendix 1 shows the profile of outstanding debt over the whole of the medium-term financial planning period, and this will rise to a maximum of £351.223m by 31 March 2030. This increase in external debt is a direct result of the amounts required to fund the capital programme, and any additional cash flow demands required for liquidity purposes in each financial year.

3.9 The Council holds revenue budgets for repaying debt and interest (known as Capital Financing Costs). The repayment of debt costs for the 2026/27 financial year is expected to £14.151million (7.1% of the net revenue budget)

| Prudential Indicator   | 2025/26<br>(£m) | 2026/27<br>(£m) | 2027/28<br>(£m) | 2028/29<br>(£m) | 2029/30<br>(£m) |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Capital Financing Requirement<br/>(underlying need to borrow)</b> | <b>312.383</b>  | <b>333.755</b>  | <b>350.350</b>  | <b>355.651</b>  | <b>358.733</b>  |
| External Borrowing   | 289.360         | <b>326.028</b>  | 347.623         | 350.651         | 351.233         |
| Internal Borrowing   | 23.023          | <b>7.727</b>    | 2.727           | 5.000           | 7.500           |
| % of Net Revenue Budget on debt costs                                | 8.4%            | <b>7.1%</b>     | 7.1%            | 7.0%            | 7.0%            |
| Authorised limit for External Debt                                   | 331.000         | <b>354.000</b>  | 371.000         | 376.000         | 379.000         |

3.10 The table above summarises the key prudential indicators and how these change over the period to 2029/30 due to the Council's capital programme ambitions. Whilst the Council is not an outlier in terms of its level of total debt (see the graph below), it was previously reaching the limit of its revenue affordability on borrowing to fund its future capital investment. Changes to the Local Government Finance Settlement and how the net revenue budget have been calculated have changed somewhat with the Fair Funding Review 2.0 and the figures pre 2026/27 are not exactly comparable with those going forward.

3.11 The Council will need to review what the affordability threshold will be in this context and if the 10% best practice amount previously recommended by CIPFA is still relevant. Capital investment is important for the ongoing Council plan ambitions, but there continues to be a need to be prudent, sustainable and affordable. It will still

benefit from prioritising its capital investment decisions over the medium and longer term and should secure its financing through third party funds such as contributions and grants and capital receipts from the sale of assets to minimise future borrowing.

3.12 It is also a statutory requirement for the Council to set an authorised limit for external debt at the start of each financial year. This is an amount beyond which it would be ultra-vires (or outside of council powers) to exceed in a particular financial year. The authorised limit for 2025/26 is £331 million, with this increasing to **£354 million** for 2026/27 due to an increase in the level of borrowing required for the financial year.

3.13 It should be noted that the authorised limit for the Council is currently higher than either the level of external debt or the capital financing requirement. This is not uncommon within local authorities to build in extra headroom for unexpected capital investment, possible debt re-financing opportunities, and the remote possibility of needing to borrow for any further exceptional revenue purposes. At present, the Council's authorised limit is set at £20m above its capital financing requirement and allows a degree of flexibility within the Council's planning processes and this legal limit. As suggested above, it is not recommended to go beyond the capital financing requirement unless this is only for temporary and defined purposes.

### Treasury Management

3.14 Treasury Management is defined as '*the management of the Council's cash flows, borrowing and investments, and the associated risk*'. The main risks that affect a local authority include credit risk, interest rate risk, liquidity risk, and refinancing risk.

3.15 The Council is generally cash rich in the short term as many grants and contributions are paid in advance of need. Because of this, any excess cash is invested with an appropriate counterparty until the funds are required. When making an investment, the Council follows the advice set out in the Local Government Act 2003 and within the Treasury Management Code with paramount consideration given to the security of the sum invested, followed by the liquidity position of the Council and finally the interest rate achievable on the investment.

3.16 Given that credit criteria are the most important factor when making an investment decision, the Council receives regular updates from its external treasury management adviser, Arlingclose, on changes in credit ratings for individual financial institutions. They also advise on maximum amounts to be invested with each counterparty (financial institution) and the maximum duration for any fixed term deposits made. This framework helps to protect against the loss of any sums invested (credit risk), ensuring liquidity is not compromised, and that these investments earn interest to support the revenue budget.

3.17 On 31 December 2025, the Council had cash balances of £24.917 million invested either on fixed term deposit with central government or in liquidity accounts with appropriate banks. The strategic level of cash holdings is a minimum of £15.000 million below which the Council will look to borrow to maintain liquidity. The amount currently is slightly higher than normal due to income being received in advance of

need in the first three quarters of the financial year and should reduce as we reach the end of the financial year.

3.18 In relation to external borrowing, the Council seeks to achieve a low but certain cost of finance, whilst retaining the flexibility to borrow for short-term periods and to respond to demands of the capital programme as needed. The Council therefore looks to create a balance between taking advantage of generally lower rates of interest for short term borrowing (predominantly from other local authorities) versus the need to achieve certainty over rates of borrowing in the longer term from either government or financial institutions (mainly from the PWLB or other banks).

3.19 Out of the £269.360 million worth of external debt on 31 December 2025, 89% is long term from the Public Works Loan Board – the government agency for local authority borrowing and 11% is long term with financial institutions (generally banks). There is also £8.0m short-term borrowing in place at present.

3.20 Current long-term interest rates for borrowing from the PWLB are between 4.25% and 6.25% depending on the length of the loan (local authorities can borrow up to 50 years from central government) with short term rates being between 3.5% and 4.25% for up to one year in duration.

3.21 On local authority borrowing, there has been much interest from both regulators and the media in recent years around individual councils taking significant amounts of long-term debt from the PWLB for the sole purposes of commercial activity – generally property investment. Under the Prudential Code, local authorities have lots of freedom to conduct and self-regulate their own borrowing and investment activities.

3.22 Both the Government and the Chartered Institute of Public Finance & Accountancy have said that borrowing for the sole purposes of commercial investment is against the spirit of the Code. The PWLB outlawed any local authority applications for this type of activity from 1<sup>st</sup> April 2021, with Section 151 Officers having to confirm on an annual basis that their investment plans do not contain any of these types of activity.

3.23 Although the Council has undertaken some capital projects in the past that have generated a revenue income stream, the primary aim has always been to regenerate the areas involved and to grow the wider economy within the Town. As a result, these activities can continue under the Code, with funding from the PWLB if required.

#### Knowledge & Skills

3.24 This Strategy provide details of the knowledge and experience in place of Officers within the corporate finance team (the local authority service that deals with treasury functions) and the access to external advice and guidance made available to enhance this. Council officers have a broad range of skills to ensure treasury management decisions are informed and risk-assessed on a consistent basis. The Council uses external consultants to provide up to date and specialist advice which is bespoke for local government sector regulations, particularly focusing on risks and opportunities.

3.25 The Council also participates in a treasury management benchmarking club run by Arlingclose. This club provides access to data on other local authorities' approaches to

Treasury Management, including strategic information, and the wider performance outputs of the Treasury Management activities.

3.26 As part of the Treasury Management Code, it is also a best practice requirement that elected members have the necessary skills & knowledge to scrutinise the Council's plans and processes in this area. The last formal training in this area provided by our external advisers was undertaken in 2021. In between this the S151 and Deputy S151 Officer have provided guidance and support as required to Executive and Audit Committee when the annual strategy, mid-year and outturn reports have been produced. However, it is good practice to have regular specialist training in this area due to the complexity of the subject matter and the high levels of risk involved in treasury matters. A session is therefore being organised between Arlingclose and Members to be held prior to the Council meeting on 18 February 2026, considering this report for approval.

#### Minimum Revenue Provision

3.27 The Council is required under the Local Government Act 2003 Part 1 to maintain a policy for the repayment of historic external debt incurred from the annual revenue budget. The policy is split into different elements which are influenced by when the borrowing was originally incurred, the type of assets, and the useful economic life of the assets the borrowing is funding. The Council has in previous years amended this policy to reflect the useful economic life of the funded assets more accurately and then in 2022/23 moved to an annuity basis of calculating these revenue costs. **No changes are being proposed to the MRP policy for 2026/27 financial year.** This policy is set out at the end of Appendix 1 for information.

#### **4. Other potential alternative(s) and why these have not been recommended**

4.1 It is a statutory requirement for the Council to approve the annual Treasury Management Strategy and set of Prudential Indicators. This report is a key step in achieving that objective. As a result, there are no alternatives available.

#### **5. Impact(s) of the recommended decision(s)**

| <b>Topic</b>                                       | <b>Impact</b>  |
|--|--|
| Financial (including procurement and Social Value) | <p>All relevant financial implications are outlined within the body of this report and the supporting Appendix 1. The capital programme and financing being recommended in the budget report remains affordable within the revenue budget parameters but needs to be strictly managed and prioritised going forward. The treasury indicators and processes remain robust and within prudent limits. The policy on minimum revenue provision also remains in line with the appropriate regulations and government guidance.</p> <p>The table between paragraphs 3.9 and 3.10 outlines the key debt metrics and the capital financing costs as a % of the net revenue budget over the medium-term financial planning period.</p> |

|   |  |
|---|--|
| Legal   | There are no direct legal implications of this report. All activity on capital financing, investments and borrowing is under current local authority powers under either the Local Government Act 2003, or the capital finance and accounting regulations.                                   |
| Risk  | Any risk related issues are set out within the report. Risk management is an integral part of the Council's treasury management strategy, and these are considered as part of business-as-usual activities and are set out in more detail within the Treasury Management Practices document. |
| Human Rights, Public Sector Equality Duty and Community Cohesion      | There are no applicable issues to consider within this report.   |
| Reducing Poverty  | There are no applicable issues to consider within this report.   |
| Climate Change / Environmental  | There are no applicable issues to consider within this report.   |
| Children and Young People Cared for by the Authority and Care Leavers | There are no applicable issues to consider within this report  |
| Data Protection   | There are no applicable issues to consider within this report.   |

| Action  | Responsible Officer       | Deadline   |
|---|---------------------------|--|
| To implement and monitor the 2026/27 prudential indicators and treasury management strategy | Head of Corporate Finance | 1 April 2026 (and during the 2026/27 financial year) |

## Appendices

|   |   |
|---|---|
| 1 | Prudential Indicators & Treasury Management Report for 2026/27 to 2029/30 |
|---|---|

## Background papers

| Body      | Report title  | Date             |
|-----------|---|------------------|
| Council   | Prudential Indicators and Annual Treasury Management Strategy – 2026/27                 | 18 February 2026 |
| Executive | Prudential Indicators and Treasury Management Strategy Report – Mid Year review 2025/26 | 3 December 2025  |

**Contact:** Justin Weston, Head of Corporate Finance (Deputy S151 Officer)  
**Email:** [justin\\_weston@middlesbrough.gov.uk](mailto:justin_weston@middlesbrough.gov.uk)

## APPENDIX 1

**PRUDENTIAL INDICATORS 2026/27 to 2029/30 &**  
**TREASURY MANAGEMENT STRATEGY - 2026/27**

**Introduction**

The Treasury Management Strategy (TMS) and Prudential Indicators report gives a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services at the Council. In addition, it also gives an overview of how the associated risks are managed and the implications for future financial sustainability.

The following information is a requirement of the 2021 Code of Practice on Treasury Management, issued by the Chartered Institute of Public Finance & Accountancy, and has been produced in an accessible way to enhance members' understanding of these often-technical areas

**Capital Expenditure and Financing**

Capital Expenditure is where the Council spends money on assets, such as property, IT and vehicles that will be used and give benefits for more than one financial year. In local government, this also includes spending on assets owned by other bodies, finance leases, and loans & grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are generally not capitalised.

In the 2026/27 financial year, the Council is planning a total capital expenditure of £79.483m. There are a range of new bids for capital funding, mainly financed through prudential borrowing. More details of this are given in Appendix 9 to the Budget 2026/27 and MTFP report on the capital programme and strategy. These are included in the table below with increased capital spend proposals in later financial years.

**Table 1:** Prudential Indicator: Estimates of Capital Expenditure in £ millions

|                                  | 2025/26<br>£m<br>Estimate | 2026/27<br>£m<br>Estimate | 2027/28<br>£m<br>Estimate | 2028/29<br>£m<br>Estimate | 2029/30<br>£m<br>Estimate |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Total Capital Expenditure</b> | 64.173                    | <b>79.483</b>             | 51.838                    | 29.897                    | 22.523                    |

All capital expenditure has to be financed, from either external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and private finance initiative). The planned financing of the above expenditure is as follows:

**Table 2: Capital financing in £ millions**

|                      | 2025/26       | 2026/27       | 2027/28       | 2028/29       | 2029/30       |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| <b>FUNDED BY:</b>    | £m            | £m            | £m            | £m            | £m            |
| Prudential Borrowing | 17.170        | <b>26.741</b> | 22.260        | 11.475        | 9.645         |
| Capital Receipts     | 6.000         | <b>11.960</b> | 16.060        | 14.231        | 12.878        |
| Flexible Receipts    | 5.694         | <b>5.789</b>  | 1.270         | -             | -             |
| Grants               | 34.319        | <b>29.498</b> | 6.363         | 0.078         | -             |
| Contributions        | 0.990         | <b>5.495</b>  | 5.885         | 4.113         | -             |
| <b>Total FUNDING</b> | <b>64.173</b> | <b>79.483</b> | <b>51.838</b> | <b>29.897</b> | <b>22.523</b> |

Any external debt must be repaid over time by other sources of finance. This comes from the revenue budget in the form of Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace/repay debt finance. The Council generally uses capital receipts to finance new capital expenditure rather than to redeem debt. It also has a flexible use of capital receipts strategy where revenue costs that meet the definition of 'qualifying expenditure' in relation to savings, service transformation, or increased income can also be capitalised and funded by flexible capital receipts.

The total cost of MRP included in the Council's revenue budget, and for the medium-term financial planning period, is as follows:

**Table 3: Minimum Revenue Provision in £ millions**

|                        | 2025/26<br>forecast | 2026/27<br>forecast | 2027/28<br>budget | 2028/29<br>budget | 2029/30<br>budget |
|------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| Cost to Revenue Budget | 4.828               | <b>5.219</b>        | 5.665             | 6.174             | 6.563             |

- The Council's minimum revenue provision statement for 2026/27 is available towards the end of this report.
- In addition, the Council can over-provide for the repayment of debt above the level of MRP required under statutory guidance. This is known as voluntary revenue provision (VRP) and is at the discretion of the S151 Officer. Where VRP is available, this will be included in the table above.

The Council's cumulative amount of debt finance still outstanding is measured by the capital financing requirement (CFR). This increases with new debt-financed capital

expenditure each year and then reduces with minimum revenue provision and capital receipts used to redeem debt.

The CFR is expected to increase by £21.372m or 6.8% during the 2026/27 financial year. This increase is due to the new capital expenditure funded by external debt of £26.591m less the MRP set aside of £5.219m.

Based on the above plans for expenditure and financing, the Council's estimated CFR for the period of the Medium-Term Financial Plan is as follows:

**Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions**

|                  | 31.3.2026<br>forecast | 31.3.2027<br>forecast | 31.3.2028<br>budget | 31.3.2029<br>budget | 31.3.2030<br>budget |
|------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| <b>TOTAL CFR</b> | 312.383               | <b>333.755</b>        | 350.350             | 355.651             | 358.733             |

**Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets, or be used to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

The Council plans to receive £22.2m of capital receipts in the coming financial year as follows. These amounts have increased significantly in recent years due to the asset review undertaken by the Council. Some of these receipts may not be required in the financial year they are generated and can be carried forward for future use.

**Table 5: Capital receipts in £ millions**

|              | 2025/26<br>forecast | 2026/27<br>forecast | 2027/28<br>budget | 2028/29<br>budget | 2029/30<br>budget |
|--------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| <b>TOTAL</b> | 6.335               | <b>22.186</b>       | 15.302            | 4.450             | 7.000             |

- The level of capital receipts for each financial year is monitored between Regeneration and Finance teams, and any significant changes are reported to Executive as part of the Quarterly budget updates.
- The Council has adopted and used in the past two financial years and will do so for 2026/27, the Flexible Use of Capital Receipts Policy where these proceeds may be used for funding service transformation costs that would otherwise be classed as revenue expenditure.
- The large value of receipts generated in previous financial years as part of the assets sales theme to support the Council's transformation programme. Some of these may need to be rolled forward depending on the actual transformation expenditure achieved in each financial year and the amount needed to finance the capital programme.

## **Treasury Management**

Treasury Management is concerned with keeping sufficient but not excessive cash resources, available to meet the Council's spending needs, while managing the risks involved in these investments. Surplus cash is invested until required, whilst a shortage of cash will be financed by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Cash balances can be a combination of both revenue and capital cash given that there are timing differences between funds being received from various sources and those being spent on the operational plans of the Council.

The Council is typically cash rich in the short-term as revenue income is received generally before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. Revenue cash surpluses are therefore offset against capital cash shortfalls to reduce the overall borrowing amount required, as part of an integrated strategy on Treasury Management. This is in line with best practice.

The Council on 31 December 2025 had £269.360m of borrowing at an average interest rate of 4.1% and £24.917m of treasury investments at an average rate of around 3.9%.

Both investment and borrowing rates available to the Council are linked to the UK bank rate which has been cut several times over the last financial year.

**Borrowing strategy:** The Council's main objectives when undertaking external borrowing is to achieve a low but certain cost of finance for long-term capital projects, whilst retaining flexibility should plans change in future. This is important for certainty in relation to the revenue budget position, as well as demonstrating value for money.

Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement (overall council need to borrow).

**Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions**

|                               | <b>31.3.2026<br/>forecast</b> | <b>31.3.2027<br/>budget</b> | <b>31.3.2028<br/>budget</b> | <b>31.3.2029<br/>budget</b> | <b>31.3.2030<br/>budget</b> |
|-------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| External Debt                 | 289.860                       | <b>326.068</b>              | 347.623                     | 350.651                     | 351.233                     |
| Capital Financing Requirement | 312.383                       | <b>333.755</b>              | 350.350                     | 355.651                     | 358.733                     |

Statutory guidance is that debt should remain below the capital-financing requirement, except in the short-term where the benefits of short-term borrowing may be taken. As can be seen from Table 6, the Council expects to comply with this in the medium term with debt being lower than the capital-financing requirement in all relevant financial years.

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt levels start to approach the legal limit and is a more realistic rather than worst-case view of what will happen during the financial year. Any need to change these during the 2026/27 financial year from the original budget assumptions will be reported by the Corporate Director of Finance (S151 Officer) to the Executive, at the earliest opportunity.

**Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m**

|   | 2025/26<br>limit | 2026/27<br>limit | 2027/28<br>limit | 2028/29<br>limit | 2029/30<br>limit |
|---|------------------|------------------|------------------|------------------|------------------|
| Authorised Limit<br>(OB + £10m)         | 331.000          | <b>354.000</b>   | 371.000          | 376.000          | 379.000          |
| Operational<br>Boundary (CFR +<br>£10m) | 321.000          | <b>344.000</b>   | 361.000          | 366.000          | 369.000          |

**Investment strategy:** Treasury investments arise from the Council receiving cash before it is paid out again for service commitments. These cash balances can be a useful source of working capital, particularly around the need to reduce externally borrowing levels.

The Council’s policy on these investments is to prioritise security and liquidity over yield, which focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities, or selected high-quality banks, to minimise the risk of loss. Most investments are for less than six months, so these do not qualify as long-term investments. Interest earned on cash balances tends to follow base rate levels over the financial year.

The aim of the Council is to hold a strategic level of cash of around £15 million. This amount meets two criteria for the Council. It cash backs all of the general fund reserve, plus a small amount of usable earmarked reserves. It also classifies the organisation as a professional (rather than retail) investor under MIFID II legislation – European law on financial instruments management. There may be an occasional need to hold less than the £15m when interest rates on borrowing are higher than those in the borrowing strategy, or where cash is expected to be received soon.

**Table 8: Treasury management investments in £millions**

|                         | <b>31.3.2026<br/>forecast</b> | <b>31.3.2027<br/>budget</b> | <b>31.3.2028<br/>budget</b> | <b>31.3.2029<br/>budget</b> | <b>31.3.2030<br/>budget</b> |
|-------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Short-term investments  | 15.000                        | <b>15.000</b>               | 15.000                      | 15.000                      | 15.000                      |
| Longer-term investments | 0.000                         | <b>0.000</b>                | 0.000                       | 0.000                       | 0.000                       |
| <b>TOTAL</b>            | <b>15.000</b>                 | <b>15.000</b>               | <b>15.000</b>               | <b>15.000</b>               | <b>15.000</b>               |

**Governance:** Decisions on treasury management in relation to investment and borrowing are made daily. These are delegated by the Corporate Director of Finance to the Head of Corporate Finance (Deputy S151 Officer) to ensure that investment and borrowing decisions can be made in an informed and timely manner. Staff in the corporate finance team act within the treasury management strategy approved by Council and the treasury management practices (operational guidance set out by the CIPFA Code of practice). Significant decisions on treasury are discussed by the Head of Service with the Section 151 Officer as necessary.

Quarterly updates on treasury management activity are reported to Executive as part of the regular budget monitoring process, including a more detailed mid-year report. The corporate finance team meet weekly to discuss cash flow forecasts, borrowing decisions and operational matters on a weekly basis. All this information feeds into the both the prudential indicators and the treasury management strategy.

### **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on external borrowing and minimum revenue provision on capital expenditure are. These costs can be offset by any interest earned on cash balances or by income earned via commercial investments where borrowing has been used.

The net combined charge to the revenue budget is reported as capital financing costs; this is compared to the net revenue stream i.e., the amount funded from council tax, business rates and general government grants. This is an important indicator around the affordability of the Council's capital programme going forwards.

**Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream.**

|                                     | 2025/26<br>actual | 2026/27<br>forecast | 2027/28<br>forecast | 2028/29<br>forecast | 2029/30<br>forecast |
|-------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Financing costs<br>(£m)             | 12.205            | <b>14.151</b>       | 16.022              | 16.769              | 17.396              |
| Net Revenue<br>Budget (£m)          | 143.304           | <b>200.675</b>      | 225.265             | 241.231             | 250.017             |
| Proportion of net<br>revenue stream | 8.5%              | <b>7.1%</b>         | 7.1%                | 7.0%                | 7.0%                |

**Sustainability:** Due to the very long-term nature of capital expenditure and its financing, the revenue budget implications of this expenditure incurred in the next few years could extend for up to some 50 years into the future.

The figures in the table above have remained at lower levels when debt for the Council has been increasing. Members should be aware that this is because of the various capital investments in commercial property made by the Council over the last few years for regeneration purposes. This results in around £2.6m of income per year being credited to the capital financing budget by the end of the 2026/27 financial year. It is imperative and a key budget risk that these rental levels are maintained, and the income assumed in the estimates above continue to be generated.

The table above illustrates the key figures on the capital financing costs and how these change over the period to 2029/30. Whilst the Council is not an outlier in terms of its level of total debt, it was reaching the limit of its revenue affordability on borrowing to fund its future capital investment. Changes to the Local Government Finance Settlement and how the net revenue budget have been calculated have changed significantly with the Fair Funding Review 2.0 and the figures pre this are not exactly comparable with those going forward.

The Council will need to review what the affordability threshold will be in this context and if the 10% best practice amount previously recommended by CIPFA is still relevant. Capital investment is important for the ongoing Council plan ambitions, however, there continues to be a need to be prudent, sustainable and affordable in its financial plans. The Corporate Director of Finance's view is that the Council will still benefit from prioritising its capital investment decisions over the medium and longer term and should secure its financing through third party funds such as contributions and grants and capital receipts from the sale of assets to minimise future borrowing.

The prudential indicators & limits set out in this report are consistent with the Council's current commitments, existing plans, and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices.

The Corporate Director of Finance confirms that these are based on estimates of the most likely and prudent scenarios, with in addition sufficient headroom over and above this to allow for operational management and some scope for flexibility. For example, unusual cash movements or any unbudgeted capital expenditure required. Risk analysis and management strategies have been considered; as have plans for capital expenditure, estimates of the capital financing requirement, and estimates of cash flow requirements for all purposes.

### **Prudence – Treasury Management Indicators**

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2026/27, 2027/28, 2028/29 and 2029/30 of 100% of its estimated total borrowing undertaken. All debt can be taken at fixed rates of interest if required.

It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2026/27, 2027/28, 2028/29 and 2029/30 of 20% of its estimated total borrowing undertaken.

This means that the Corporate Director of Finance will manage fixed interest rate exposures on total debt within the range 80% to 100% and variable interest rate exposures on total debt within the range 0% to 20%.

It is also recommended that the Council sets upper and lower limits for the maturity structure (when the debt needs to be repaid) of its total borrowing as follows.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate at the start of the period:

|                                | <u>Upper limit</u> | <u>Lower limit</u> |
|--------------------------------|--------------------|--------------------|
| under 12 months                | 50%                | 0%                 |
| 12 months and within 24 months | 30%                | 0%                 |
| 24 months and within 5 years   | 50%                | 0%                 |
| 5 years and within 10 years    | 75%                | 0%                 |
| 10 years and above             | 90%                | 20%                |

Currently investments are limited to a maximum of two years, with any deals being arranged so that the maturity will be no more than two years after the date the deal is arranged.

The maximum % of the total of all investments that have an outstanding period of one year or longer, at the time the investment is made, is 10%.

### **Knowledge and Skills**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Corporate Finance has more than 25 years' experience in local government treasury management. There is similar experience within the finance teams in relation to treasury management, budgeting, & accounting for capital expenditure and financing. The Council also pays staff to study towards relevant professional qualifications including CIPFA, CIMA, ACCA, AAT, and other relevant vocational studies.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Ltd as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

### **Treasury Management Practices**

Further details of how the treasury management function operates, the procedures used to manage banking, treasury, and capital market transactions, how risk is managed by the in-house team, and how these fit with the CIPFA Code of Practice, is included in the Council's set of Treasury Management Practices.

Minor operational and terminology changes to this are made by the Corporate Director of Finance on an ongoing basis to keep the TMP's updated. If any significant changes are required to this document, either because of organisational or regulatory changes, this will be brought to full Council for approval.

**ANNUAL INVESTMENT STRATEGY & TREASURY MANAGEMENT**  
**- POLICY STATEMENT 2026/27**

1. In accordance with revised guidance from the Ministry of Housing, Communities, and Local Government (MHCLG), a local authority must prepare and publish an Annual Investment Strategy which must be approved by the Council before the start of the financial year to which it relates.
2. The MHCLG guidance offers councils greater freedom in the way in which they invest monies, providing that prior approval is received from Members by approving the Annual Investment Strategy. The guidance also considers the wider implications of investments made for non-financial returns and how these can be evaluated.
3. The Local Government Act 2003, which also introduced the Prudential Code for Capital Finance, requires that a local authority must have regard to such guidance as the Secretary of State issues relating to prudent investment practice.
4. In addition, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised Code of Practice for Treasury Management in the Public Services in December 2021. This requires the Council to clearly state, in the Annual Investment Strategy document, its policy on effective control, and monitoring of its treasury management function. These controls are set out in Treasury Management Practices (TMP's) which have been approved as part of acceptance of the previous Code.
5. The revised Strategy, showing where the Guidance has determined Council policy, can be set out as:

**ANNUAL INVESTMENT STRATEGY 2026/27**

6. Middlesbrough Council will create and maintain as the cornerstones for effective treasury management:
  - a treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities.
  - suitable treasury management practices (TMPs), setting out the way in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
7. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
8. Middlesbrough Council will receive reports on its treasury management policies, practices, and activities, including, as a minimum: an annual strategy in advance of the year, a mid-year review, and an annual report at the end of each financial year, in

the form prescribed in its TMP's. Revised strategies can be presented to the Council for approval at any other time during the year if the Corporate Finance considers that significant changes to the risk assessment of the Council's investments have occurred.

9. Middlesbrough Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Corporate Director of Finance. The execution and administration of treasury management decisions is further delegated to *the Head of Corporate Finance (Deputy S151 Officer)*, who will act in accordance with the organisation's policy statement, TMPs and CIPFA's *Standard of Professional Practice on Treasury Management*.
10. Middlesbrough Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
11. The Council is very circumspect in its use of credit rating agencies with the section on Specified Investments setting out the current policy. Ratings are monitored on a real time basis as and when information is received from either our treasury management consultants or any other recognised source. Decisions regarding inclusion on the Approved List are made based on market intelligence drawn from several sources.
12. All staff involved in treasury management will, under the supervision of *the Head of Corporate Finance*, act in accordance with the treasury management practices and procedures, as defined by the Council. Such staff will undertake relevant training, identified during the Council's induction process and, on an on-going basis, the Council's appraisal policy.
13. The general policy objective contained in the guidance is that local authorities should invest prudently the short-term cash surpluses held on behalf of their communities. The guidance emphasises that priority should be given to security and liquidity rather than yield. Within that framework the Council must determine a category of borrowers, who must be of "high credit quality" classified as **Specified Investments**, with whom it can invest surplus cash with minimal procedural formalities and further identify a category of borrowers classified as **Non-Specified Investments**, with whom it can also invest but subject to prescribed limits.
14. Although the guidance definition of Non-Specified Investments is "one not meeting the definition of a Specified Investment", the authority is required to identify which categories of investments are identified as prudent to use and the limits on any such investment either individually or in total. It is because some organisations do not subscribe to credit rating agencies that they have to be included as Non-Specified Investments, rather than any concern over their creditworthiness.
15. The guidance defines investment in such a way as to exclude pension fund and trust fund investments. In practice, Middlesbrough Council, in its role as Administering Authority for the Teesside Pension Fund, follows similar procedures as approved by

Members as part of compliance with the CIPFA Code of Practice, albeit with different limits.

### **LIMITS & DEFINITION OF SPECIFIED INVESTMENTS**

16. The following are currently determined as meeting the criteria for Specified Investments:
  - The investment is made with the UK Government, or a local authority (as defined in the Local Government Act 2003), or a police authority, or fire, or a UK Nationalised Industry, or UK Bank, or UK Building Society.
  - The investment is made with a Money Market Fund that, at the time the investment is made, has a rating of AAA.
  - The investment is made with one of the bodies listed in section 4 of Schedule 1E of the current version of the Treasury Management Practices document which, at the time the investment is made, has a short-term "investment grade" rating with either Standard & Poors, Moody's Investors Search Ltd or Fitch Ratings Ltd (or in the case of a subsidiary the parent has such a rating). Where ratings awarded differ between the rating agencies any one award below investment grade will prevent the investment being categorised as a Specified Investment. The rating of all listed bodies must be monitored monthly. Where officers become aware of a downward revision of rating, that moves the body out of the "investment grade" category, between such monthly checks, the body should be removed from the list of Specified Investments and, if considered appropriate, the investment should be recalled.
17. All specified investments must be denominated in sterling and must be one where the Council may require it to be repaid or redeemed within 12 months of the date on which the investment is made and must be considered of high credit quality. This is defined as having met the criteria set out above.
18. The investment must not constitute the acquisition of share capital or loan capital in any body corporate.
  - The minimum % of the total of all investments which must be Specified Investments, at the time the investment is made, is 90%
  - The maximum investment with any one counterparty is £15 million, except for the Debt Management Office which has no limit.
  - The maximum investment in any one group (i.e., a bank and its wholly owned subsidiaries) is also £15m.

## **LIMITS & DEFINITION OF NON-SPECIFIED INVESTMENTS**

19. These categories of investment currently meet the criteria for non-specified investments:

- The investment is made with a UK bank, or UK building society, or a UK subsidiary of an overseas bank.
- The investment is made with one of the bodies listed in section 4 of Schedule 1E of the current version of the Treasury Management Practices document, which is not a Specified Investment.
- The investment is for a period of one year or longer.

20. All non-specified investments must be denominated in sterling. The investment must not constitute the acquisition of share capital or loan capital in any body corporate.

- The maximum % of the total of all investments which can be non-specified investments, at the time the investment is made, is 10%.
- The maximum investment with any one counterparty is £3 million.
- The maximum investment in any one group (i.e., a bank and its wholly owned subsidiaries) is £3m.
- The maximum % of the total of all investments that have an outstanding period of one year or longer, at the time the investment is made, is 10%.

21. The maximum period for which an investment can be made is three years, with the maturity date no more than three years and 1 month from the time the deal is agreed.

22. As referred to earlier in the report, borrowing should be kept at, or below, the expected capital financing requirement over the medium term to reduce the risk of exposure to interest rate fluctuations. The balance of 'net borrowing' (loans less investments) should also be monitored to, where prudent, minimise interest rate differences.

23. The Council considers that it is empowered by Section 12 of the Local Government Act 2003 for the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future. While not "borrowing to invest" it is prudent to invest monies raised in advance of expenditure. As required by the Guidance such investment is permitted providing the anticipated expenditure is within this or the next financial year or within a period of eighteen months, whichever is the greater.

## TREASURY MANAGEMENT POLICY STATEMENT

24. Middlesbrough Council defines its treasury management activities as:  
*'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*
25. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered to manage those risks.
26. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
27. The high-level policies and monitoring arrangements adopted by the Council for Borrowing and Investments are as follows:

### Borrowing

- Any borrowing decisions will aim to strike an appropriate risk balance between securing low interest rates and achieving cost certainty over the periods for which funds are required. Economic forecasts available from our treasury management advisers and any other available sources will be used to form a view on the target borrowing rates and overall borrowing strategy.
- Any decisions should also look to maintain the stability and flexibility of the longer-term debt portfolio, given the current interest rate environment where short-term borrowing or internal borrowing offer revenue budget savings.
- The main sources of funding for external borrowing for the Council are the Public Works Loan Board, Local Authorities, and financial institutions.

### Investments

- The CIPFA/MHCLG guidance require the Council to invest its funds prudently and to have regard to security, liquidity and yield, when making decisions.
- Security being the arrangements in place to protect principal sums invested by a local authority.
- Liquidity being to ensure that enough cash resources are available on a day-to-day basis for transactional needs.
- Yield being the interest rate and total financial return applicable to the investment being made.
- With these strategic issues in mind, the management of credit risk (or security) is key to the Council's investment strategy and any subsequent activity. The Council uses the external advisers' credit worthiness matrix to determine limits with individual counterparties.

## **MINIMUM REVENUE PROVISION POLICY**

### **INTRODUCTION**

28. Local authorities are required each year to set aside some of their revenue income as provision for debt repayment. There is a simple duty for an authority each year to make an amount of revenue provision, which it considers “prudent”. (Minimum Revenue Provision) MRP Guidance makes recommendations to authorities on the interpretation of that term.
29. Authorities are legally obliged to “have regard” to any such guidance – which is the same duty as applies to other statutory guidance including, for example, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG Guidance on Investments.
30. Authorities are asked to prepare an annual statement of their policy on making MRP and to have this approved by the body before the start of each financial year.

### **MEANING OF “PRUDENT PROVISION”**

31. The main part to the guidance is concerned with the interpretation of the term “prudent provision”. The guidance proposes several options. It explains that provision for repayment of the borrowing, which financed the acquisition of an asset, should be made over a period bearing some relation to that over which the asset continues to provide a service or has economic benefit. It should also cover the gap between the Capital Financing Requirement and the various sources of capital income available to the Council to finance its capital programme, such as capital receipts, capital grants, contributions and direct revenue financing.

### **OPTIONS FOR PRUDENT PROVISION**

#### **Option 1: Regulatory Method**

32. For debt supported by (Revenue Support Grant) RSG in previous years, authorities will be able to continue to use the formulae in regulations, since the RSG was provided on that basis.

#### **Option 2: CFR Method**

33. This is a technically simpler alternative to Option 1 and may also be used in relation to supported debt. While still based on the concept of the Capital Financing Requirement (CFR), which can be derived from the balance sheet, it avoids the complexities of the formulae in the regulations.

#### **Option 3: Asset Life Method**

34. For new borrowing under the Prudential system (from 2008) for which no government support is given, there are two main options. Option 3 is to make provision for debt

repayment in **equal annual instalments** over the estimated life of the asset for which the borrowing is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.

35. The formula allows an authority to make **voluntary revenue provision (VRP)** in any financial year that this is affordable.
36. In the case of the construction of a new building or infrastructure, MRP would not need to be charged until the new asset comes into service. This "**MRP holiday**" would be perhaps 2 or 3 years in the case of major projects and could make them more affordable. There would be a similar effect in the case of Option 4 under normal depreciation rules.

#### **Option 4: Depreciation Method**

37. Alternatively, for new borrowing under the prudential framework for which no Government support is being given, Option 4 may be used. This means making MRP in accordance with the standard rules for depreciation accounting.
38. Councils will normally need to follow the standard procedures for calculating depreciation when making this revenue provision.

#### **Option 5: 2% Annuity Method**

39. This method recognises the time value of money and the useful life of the assets funded from borrowing and is seen as a fairer way of charging MRP. It is supported by the Council's treasury management advisers (Arlingclose) and is being adopted by many local authorities nationally as an equitable basis for calculating the revenue costs of repaying debt.

**MINIMUM REVENUE PROVISION -  
2026/27 POLICY FOR MIDDLESBROUGH COUNCIL**

40. The Secretary of State recommends that before the start of each financial year, a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council as part of its budget setting process. The statement should indicate which of the options listed above are to be followed in the financial year.
41. For supported capital expenditure, Middlesbrough Council intends to use **option 5 - a 2% annuity basis** for the coming financial year.
42. For unsupported capital expenditure, Middlesbrough Council intends to use **option 5 - a 2% annuity basis** for the coming financial year.
43. Any change to the above policy during the financial year will need to be proposed by the S151 Officer (with a report setting out the reasons for the change) to full Council, for discussion and then approval.

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**MIDDLESBROUGH COUNCIL**



**Report of:** Corporate Director of Finance (S151 Officer) – Andrew Humble

**Submitted to:** Audit Committee

**Date:** 19 February 2026

**Title:** Failure to Prevent Fraud – New Legislation

**Report for:** Information

**Status:** Public

**Council Plan priority:** Delivering Best Value

**Proposed decision(s)**

That the Audit Committee:

- **NOTES** the contents of the briefing note from the Council's internal audit and counter fraud provider, Veritau, on the Failure to Prevent Fraud legislation.
- **NOTES** the arrangements in place to protect the organisation from this type of fraud and the ongoing actions that are being taken to minimise the risks involved.

**Executive summary**

This report informs Members of the new Failure to Prevent Fraud duty, the results of the initial self-assessment taken by officers on the current arrangements in place against Home Office guidance relating to the failure to prevent fraud offence, and the actions that have been proposed to provide the Council with assurance and to mitigate risk.

## 1. Purpose

- 1.1 For Members to be aware of the new statutory arrangements in place for Failure to Prevent Fraud legislation and how these impact on the local authority.
- 1.2 To consider the risks involved, the current processes in place, and what actions are being taken to minimise the risk of this type of fraud occurring in the future.

## 2. Recommendations

- 2.1 That the Audit Committee:

- **NOTES** the contents of the briefing note from the Council's internal audit and counter fraud provider, Veritau, on the Failure to Prevent Fraud legislation.
- **NOTES** the arrangements in place to protect the organisation from this type of fraud and the ongoing actions that are being taken to minimise the risks involved

## 3. Background and relevant information

3.1 Fraud is now the most common form of crime in the United Kingdom and has seen a surge in recent years. It costs the economy many billions of pounds annually and affects all areas of society. Central Government is determined to hold organisations to account where they do not take reasonable steps to prevent fraud.

3.2 The Economic Crime and Corporate Transparency Act (ECCT) 2023 introduced several measures to tackle economic crime and improve transparency. A key provision is the new corporate offence of 'Failure to Prevent Fraud', which applies to large organisations that profit, or attempt to profit, from fraudulent activity.

3.3 This offence is designed to promote an anti-fraud culture by encouraging organisations to implement reasonable prevention measures. It forms part of the Government's broader strategy to reduce fraud and protect victims.

3.4 The offence came into force on 1 September 2025 and applies to organisations that meet at least two of the following criteria:

- The organisation has 250 or more employees.
- Turnover exceeds £36m.
- Total assets exceed £18m

3.5 The Council meets all three of these criteria and is therefore in scope.

3.6 Organisations within scope must demonstrate that, at the time a fraud was committed, they had reasonable fraud prevention measures in place. While the test of reasonableness is subjective, the Home Office guidance outlines general principles for

developing and enhancing such procedures. Courts will consider adherence to these principles when assessing compliance.

3.7 **Appendix 1** is a briefing note to the Council from Veritau, the Council's counter fraud provider on the new legislation, what the key issues are, and what actions should be taken by the Council to minimise any risks from the failure to prevent fraud duty. This is based on the home office guidance.

3.8 The key parts of the briefing note for Members to be aware of are:

- Who counts as 'associated' to the organisation under the new legislation.
- What frauds are covered (Part 3).
- The defence and enforcement arrangements (Part 4)
- The Government's recommended approach (Part 5).

#### Key Points from the Home Office Guidance

3.9 Under the new offence, an organisation may be criminally liable if an employee, agent, subsidiary, or other "associated person" commits a fraud intending to benefit the organisation, and the organisation did not have reasonable prevention procedures in place.

3.10 In some cases, liability may also arise where the fraud was intended to benefit a client of the organisation. Importantly, it is not necessary to prove that directors or senior managers were aware of or involved in the fraud.

3.11 This offence complements existing legislation. For example, the individual who committed the fraud may be prosecuted separately, while the organisation may face charges for failing to prevent it.

3.12 The offence is intended to make it easier to hold organisations accountable for fraud committed by associated persons and to drive a cultural shift toward proactive fraud prevention. To be liable, there must be an intent to benefit the organisation or its client, although this need not be the sole or dominant motive. Organisations are not liable if they are the victim or intended victim of a fraud committed to benefit their clients

#### Implications for the Council

3.13 While the number of scenarios in which the Council could be held liable under the Failure to Prevent Fraud offence may be limited, the risk does exist. The likelihood of such an event occurring is considered low, particularly given the Council's existing controls and oversight mechanisms. However, the potential impact is high.

3.14 A successful prosecution under this offence could result in:

- Substantial financial penalties.
- Significant reputational damage.
- Increased scrutiny from regulators and the public

3.15 This reinforces the importance of ensuring that reasonable fraud prevention measures are not only in place but are regularly reviewed and tested for effectiveness. It also highlights the need for ongoing vigilance across all areas of the Council.

Review of the Fraud framework against Home Office guidance

3.16 The guidance outlines six principles behind 'reasonable measures' for fraud prevention. These are:

- Top Level Commitment
- Risk Assessment
- Proportionate Risk Based Prevention Procedures
- Due Diligence
- Communication (including training)
- Monitoring & Review

3.17 The new legislation has been added to the finance directorate risk register with the S151 Officer as the lead council officer in this area. The identification of this risk, under the Council's risk management procedures, necessitates a review of the current mitigations in place to deal with this and an action plan of future mitigations to demonstrate that the organisational procedures in place are enhanced to a point where they could be externally scrutinised as being 'fit for purpose'.

3.18 The initial risk assessment conducted has identified the following that currently protect the Council against fraudulent activity:

- Governance and oversight procedures are already in place.
- Regular fraud risk assessments are undertaken in directorates and identify high-risk areas.
- Policies are in place and are embedded on anti-fraud, the code of conduct, and whistleblowing within the local authority.
- Regular training and awareness on fraud related issues, such as mandatory e-learning for all staff, targeted high risk training, and regular refreshes on policy and legislation changes.
- Good quality financial controls are in place and regularly assessed by internal audit, i.e. segregation of duties, approval thresholds for payments and procurement, and effective reconciliation and audit processes.
- Monitoring and detection systems for the identification of frauds. Examples being the use of fraud detection software, an internal audit work programme with focus-based reviews, and an incident reporting system for suspected fraud.
- Management of third-party relationships via due diligence processes on suppliers, contractors and agents, contractual clauses focusing on anti-fraud measures, and on-going monitoring of both performance and behaviour.
- Investigation and response measures already in place. There is an existing fraud plan with clear policies, protocols and escalation measures. Internal investigations are undertaken, and lessons are learned when fraud occurs.

3.19 The areas that require attention have been identified as follows:

- A refreshed Counter Fraud and Corruption strategy should be disseminated to all staff, once it has been through the approval process, and be well publicised on the council website and intranet.
- More formal communications from senior leaders on the Council's commitment to reject fraud should be introduced.
- The Council should make fraud awareness training mandatory and invest in digital tools to ensure coverage across all employees and contractors and enable monitoring of completion.
- As part of the risk assessment process conducted by internal audit, services should be reminded of the fact that they are the risk owners and have responsibility for ensuring prevention controls are in place and always applied.
- The outcomes of fraud related investigations, including those involving members of staff, should be appropriately publicised both internally, including with associated parties, and externally.
- Internal Audit should consider specific control reviews in areas associated with potential risks around failure to prevent fraud.

3.20 A formal action plan on the above is being developed by the S151 Officer. Regular updates on this will be given to Members and senior officers. A specific internal audit project on the Council's arrangements to prevent fraud will also be discussed with Veritau as part of their future work programme.

#### **4. Other potential alternative(s) and why these have not been recommended**

4.1 The risk of an offence being committed under this legislation is real and the reputational damage that could be caused by being fined for not having robust procedures in place is significant. The Council needs to have an action plan in place that is continually monitored, and all relevant officers need to be aware of their responsibilities in this area. As such, there are no potential alternatives available apart from having a proactive plan in place and managing the risk diligently.

#### **5. Impact(s) of the recommended decision(s)**

| <b>Topic</b>                                       | <b>Impact</b>   |
|--|---|
| Financial (including procurement and Social Value) | The overall impact of fraud on the Council can be very significant in financial terms, with lost monies impacting on service delivery. Most of the actions suggested in this report can be completed within existing resources. The impact of being found to not have reasonable fraud prevention measures in place when prosecuted is likely to result in the organisation facing a substantial fine as the penalties for the offence include an unlimited fine. |
| Legal  | The Economic Crime and Corporate Transparency Act (ECCT) 2023 contains the failure to prevent fraud duty that came into force on 1 September 2025. The actions plan   |

|   |   |
|---|---|
|   | being put into place is intended to ensure that the council can demonstrate that it had reasonable measures in place if it had to defend itself against prosecution.  |
| Risk  | The likelihood of a fraud offence that could subsequently lead to the council being prosecuted for an offence of failing to prevent fraud is low, but the potential associated financial (unlimited fine) and reputational risks are significant. |
| Human Rights, Public Sector Equality Duty and Community Cohesion      | There are no applicable issues to consider within this report.  |
| Reducing poverty  | There are no applicable issues to consider within this report.  |
| Climate Change / Environmental  | There are no applicable issues to consider within this report.  |
| Children and Young People Cared for by the Authority and Care Leavers | There are no applicable issues to consider within this report.  |
| Data Protection   | There are no applicable issues to consider within this report.  |

## Appendices

### 1 Appendix 1 – Briefing Note from Veritau

**Contact:** Justin Weston - Head of Corporate Finance (Deputy S151 Officer)

**Email:** [justin\\_weston@middlesbrough.gov.uk](mailto:justin_weston@middlesbrough.gov.uk)



## Failure to Prevent Fraud (FtPF) Briefing Note

**Status:** In force from 1 September 2025

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### 1) What the offence is in plain terms

Under **Economic Crime and Corporate Transparency Act 2023 (ECCTA)**, a large incorporated organisation (including public bodies incorporated by statute) commits a corporate offence if a person “associated” with it (e.g. employee, agent, subsidiary, or anyone performing services for or on its behalf) commits a listed fraud offence intending to benefit the organisation or, in certain circumstances, its clients/service-users—unless the organisation had reasonable procedures to prevent such fraud. Individual liability is unchanged; this is a corporate offence.

**Who counts as “associated”?** Employees and agents; persons performing services for or on behalf of the body; subsidiaries can also be associated persons if acting corporately. Companies in your supply chain are **not** associated merely by being in the chain—only when providing services for or on your behalf.

**Public sector in scope:** The guidance expressly contemplates bodies incorporated by statute (e.g. NHS trusts) and frames “clients” to include tenants (for local authorities). It also directs public sector organisations to follow Public Sector Fraud Authority (PSFA) standards when classifying risk—clear indicators that councils meeting the size test are in scope.

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### 2) Who it applies to (size test)

The offence applies only to “large organisations”, defined as meeting **two out of three** criteria in the preceding financial year:

- **>250 employees;**
- **>£36m turnover;**
- **>£18m total assets** (aggregated with subsidiaries).

Most local authorities will meet the employee and asset thresholds.

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### 3) What frauds are covered (England & Wales)

The offence attaches to specific “base fraud” offences listed in ECCTA Schedule 13, including:

- **Fraud Act 2006 s1** (by false representation; failing to disclose; abuse of position);
- **Obtaining services dishonestly** (Fraud Act 2006 s11);
- **Participation in a fraudulent business** (Fraud Act 2006 s9);
- **False accounting** (Theft Act 1968 s17); **false statements by company directors** (s19);
- **Fraudulent trading** (Companies Act 2006 s993);
- **Cheating the public revenue** (common law).

**Intention to benefit** can be **direct or indirect** and can be aimed at the organisation’s clients/service-users (e.g. residents/tenants) to whom services are provided on the authority’s behalf. The organisation need not actually receive a benefit; intended benefit suffices.

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### 4) Defence and enforcement

**Defence:** It is a defence to show the organisation had reasonable fraud prevention procedures (or that it was not reasonable to have any). What is reasonable is fact-specific and for the court to decide.

**Enforcement:** Proceedings may be brought by CPS and SFO. Deferred Prosecution Agreements (DPAs) are available in England & Wales. If convicted, the penalty is a fine set by the court under sentencing guidelines (courts must consider the impact on public/charitable functions when fining public bodies).

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### 5) Government’s recommended approach

The Home Office guidance sets out **six principles** a fraud-prevention framework should be built around:

1. **Top-level commitment** – Senior managers set the tone, allocate proportionate budget, resource and oversight; foster an open culture and support employees to speak-up.
2. **Risk assessment** – Dynamic, documented, regularly reviewed; consider associated persons, high-risk roles (e.g. procurement, commissioning, grants, revenues), and emergency scenarios. Councils should align with PSFA standards.

3. **Proportionate, risk-based procedures** – Clear, practical controls aligned to your risks and level of control over associates (e.g. stronger over employees than over outsourced workers; use contracts to strengthen control).
4. **Due diligence** – On people and entities who perform services for you (suppliers, agents, delivery partners, ALMOs/companies); include screening, contract clauses (compliance/termination), and M&A/group oversight.
5. **Communication & training** – Embed policies; train staff and associates proportionately; ensure middle management reinforces the message.
6. **Monitoring & review** – Track control effectiveness, training uptake, contract updates; review after incidents and as risks change. External review may be appropriate.

**Supply chain and partners:** Small organisations may be **associated persons** while providing services; large bodies may impose contractual requirements and flow-down obligations.

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## 6) Priority actions for councils (practical checklist)

### Now (implementation period):

- **Appoint senior ownership** (e.g. SIRO/S151 sponsor; Monitoring Officer oversight) and establish governance for the fraud-prevention framework.
- **Scope “associated persons”** across the council and group: employees, agency staff, consultants, ALMOs, trading companies, joint ventures, framework suppliers and prime contractors delivering council services. Map where they interact with clients/service-users (residents/tenants), given the offence can bite where fraud benefits clients.
- **Undertake and document a risk assessment** tailored to FtPF (not just general fraud), covering high-risk areas for councils: procurement/commissioning and contract management; grants administration; revenues & benefits; social care/direct payments; housing & tenancy; payroll/expenses; recruitment/agency hiring; school-related spend; supplier bank-detail changes. Incorporate emergency scenarios (e.g. surge-funding schemes). Align classification with PSFA standards.
- **Design/refresh proportionate controls** and record a Fraud Prevention Plan:
  - Pre-award due diligence for grants and suppliers; enhanced checks for higher-risk contracts and intermediaries.
  - Standard contract clauses: compliance with fraud-prevention obligations; audit/inspection rights; breach/termination provisions.
  - Clear approval and segregation of duties; data-analytics triggers for anomalies; conflict-of-interest declarations; strengthened oversight of subsidiaries/ALMOs.

- **Targeted training & comms** (risk-based): commissioning/procurement teams, grants officers, housing, revenues/benefits, social care payments, finance, and managers in high-risk roles; tailored briefings for key suppliers/partners delivering council services.
- **Monitoring & assurance**: define KPIs/MI (training coverage, control testing results, supplier due-diligence completion), schedule periodic reviews, and plan for investigation/response to suspected offences that may benefit the council or its clients.

#### **Ongoing:**

- Keep your risk assessment current; courts may treat stale assessments as not fit for purpose.
- Maintain evidence of how procedures operate in practice; update contracts and training as risks evolve; consider external review where appropriate.

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### **7) Governance and assurance**

- Ensure Audit & Governance Committees and Corporate Management Teams receive documented assurance over the FtPF framework (risk assessment, procedures, testing, issues log).
- Confirm arrangements across the group (subsidiaries/ALMOs)—the parent can be liable where a subsidiary's fraud intends to benefit the parent or its clients.
- Be clear on **self-reporting** routes (e.g. SFO/CPS) and co-operation expectations; DPAs may be available in England and Wales.

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### **8) Key dates & guidance**

- **In-force date: 1 September 2025**
- **Key guidance:** Home Office, [Guidance to organisations on the offence of failure to prevent fraud](#).



# Internal Audit Work Programme Consultation 2026/27

Date: 19 February 2026

## CONTENTS

- 3** Introduction
- 4** Approach: The Opinion Framework
- 6** Key assurance areas
- 11** Questions for the committee to consider
- 11** Next steps
- 12** Annex A – an overview of the opinion framework

## Introduction



- 1 The Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector) require internal audit to draw up an indicative programme of work based on a documented assessment of the organisation's strategies and objectives, and its risks, including emerging and evolving risks. This helps to ensure that audit activities focus on areas that matter most to supporting organisational success.
- 2 A specific public sector requirement for internal audit is that the risk-based programme must take into account the requirement to produce an annual internal audit opinion. Internal audit work programmes cover a range of areas to ensure the work undertaken enables Veritau to provide an overall opinion on the framework of governance, risk management, and control operating at the council.
- 3 The work programme is informed in a number of ways. One is the engagement with, and input from, the Audit Committee and senior management. This helps to ensure the work is aligned with the council's expectations.
- 4 This report is the first stage in consultation on the annual programme of work for 2026/27. It also asks for the Committee's views on areas it considers a priority for internal audit in 2026/27. A full draft programme will be brought to the Committee for approval at its April 2026 meeting.

### **The year ahead for Middlesbrough Council**

- 5 Like other local authorities across the country, Middlesbrough Council continues to face significant financial and demand pressures, especially in Children's Services and Adult Social Care, where costs continue to rise in line with national trends. These areas remain the principal drivers of overspending in 2025/26.
- 6 The wider financial position remains challenging, though there has been some stabilisation. The Council's 2026/27 budget<sup>1</sup> proposals highlights the significant demand-led pressures but also include targeted investment in priority services. The Council must continue to operate within a strengthened financial management framework, including tight spending controls, improved forecasting, and continued scrutiny of directorate recovery plans.
- 7 The Council continues to progress its organisational transformation programme, designed to modernise service delivery, strengthen financial resilience, and embed improved governance arrangements. In March 2025, the Council approved a Continuous Improvement Plan, setting out the strategic actions required to demonstrate adherence to the principles of the Best Value duty. Reports to the Executive in 2025/26 have shown

<sup>1</sup> 2026/27 Draft Budget and Medium Term Financial Plan 2026/27 to 2029/30 as reported to the Executive on 17 December 2025

some of these actions have already been completed. The Plan will continue to act as a key driver of organisational improvement during 2026/27, supporting the Council's efforts to deliver sustainable change and maintain compliance with statutory expectations.

- 8 For internal audit to add most value, it needs to align its work to the areas of greatest risk and highest priority. The next sections explain how we do this at Middlesbrough Council, by applying our 'opinion framework'.

## Approach: The Opinion Framework



### The opinion framework

- 9 Veritau has an opinion framework which sets out the principles used to develop and manage the internal audit work programme. The framework ensures audit coverage is aligned with the Council's risks and targeted towards the key priority areas. We continuously revisit those priorities during the year so that the work programme remains up to date.
- 10 The main component of the opinion framework is our definition of key assurance areas. These represent 11 areas of internal control that we think are essential to the proper functioning of the Council. Systems and controls in each area need to be operating effectively to maximise the likelihood that the Council's objectives are achieved without undue exposure to risk. The areas cover both corporate arrangements, and the management of risks and controls in individual service areas that collectively contribute to the Council's wider objectives.
- 11 The annual opinion is the most important output from internal audit and a key source of objective assurance for the Council's leadership team and those charged with governance. It also helps to inform the Council's Annual Governance Statement. The opinion must be well founded if it is to provide proper assurance to the Council.
- 12 The GIAS UK Public Sector require the internal audit work programme to be linked to, and contribute to, the organisations:
  - management of strategic risks, and
  - achievement of organisational objectives and priorities.
- 13 The risks at Middlesbrough Council most important for audit planning are those set out in the Council's corporate risk register. There are many other risks associated with the wide range of services the Council delivers. Where appropriate, service risks are considered as part of individual audit assignments. However, the risks on the corporate register are those considered most significant to the achievement of the Council's objectives and therefore are the main focus for internal audit planning.

- 14 The Council's organisational objectives are expressed in its 2024-27 Council Plan<sup>2</sup> as ambitions. There are four ambitions covering economic growth, health and wellbeing, communities and delivering best value. Each of these ambitions have a number of priorities which reflect how the Council expects to meet the ambitions.
- 15 Other key documents include the latest revenue budget and medium-term financial strategy which outline a number of the challenges the Council is facing.
- 16 As well as taking into account the organisational risks and objectives, we will also reflect the Council's current and future challenges including the need to deliver savings and complete a range of system and service transformation projects.

### **Overview**

- 17 An overview of the process followed in using the opinion framework to determine audit priorities, and so to develop the internal audit work programme, is included in annex A.
- 18 In the next section we will explain the 11 key assurance areas in more detail and provide examples of risk areas, systems and processes we could review, as part of the 2026/27 programme of work.

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<sup>2</sup> The 2024-27 Council plan was approved in February 2024. An updated Council plan is due to be presented to the Executive in March 2026.

## Key assurance areas



### Key assurance areas: an overview and examples

19 Details of the 11 key assurance areas are set out below. We have provided definitions, and some examples of arrangements, systems, and processes we could review under each area. The examples are for illustrative purposes and are not exhaustive. Some audit work will likely cut across a number of the key assurance areas.

**Strategic planning**

20 Strategic planning covers the arrangements the Council has in place to define and develop its strategy, or direction, and make decisions on resource allocation to successfully pursue this strategy. It also encompasses the control measures in place to guide strategy implementation. The Council's strategy and policy framework are comprised of the Council Plan, and other key plans and policies which give effect to the strategies.

21 This area is of importance to internal audit as effective strategic planning is a prerequisite for delivering long term, sustainable success.

### Examples

|                                       |  |
|---------------------------------------|--|
| ▲ Delivery of council plan objectives | ▲ Transformation and Continuous Improvement Plan |
| ▲ Partnership working                 | ▲ Social care delivery and commissioning         |
| ▲ Savings programme                   |  |

### Organisational governance

22 Governance is the combination of processes and structures implemented to inform, direct, manage and monitor the activities of the Council toward the achievement of its objectives. At its most visible, governance involves the set of policies put in place for the direction and control of the organisation and the establishment of rules and procedures for making decisions and for complying with relevant legislation and regulations. Governance also encompasses business ethics, leadership, strategic management, and control activities. In a local authority context, the principles of effective governance are set out in the CIPFA / Solace 2016 Delivering Good Governance in Local Government: Framework, supported by the recent addendum to the framework issued in May 2025.

23 Internal audit is expected to assess and make appropriate recommendations to improve the Council's governance processes. It is also expected to evaluate risk exposures relating to compliance with laws, regulations, policies, procedures and contracts.

### Examples

|   |   |
|---|---|
| ▲ Adherence to Constitution             | ▲ Transparency                                      |
| ▲ Policy framework                      | ▲ Housing regulation compliance                     |
| ▲ Reviews specific to directorate risks | ▲ Declarations of interests & gifts and hospitality |

### Financial governance

24 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... *make arrangements for the proper administration of their financial affairs...*". Financial governance involves arrangements for giving a reliable account of the money spent and income received, stewardship of public resources, compliance with legal and regulatory requirements, ensuring value for money, supporting effective decision-making, and facilitating planning and resource allocation.

25 GIAS requires internal audit to consider how an organisation evaluates the risks, and adequacy and effectiveness of controls relating to the reliability and integrity of financial information.

### Examples

|   |   |
|---|---|
| ▲ Revenue and capital budget management | ▲ Benefits and Council Tax systems      |
| ▲ General ledger / accounting records   | ▲ Ordering and creditor payments        |
| ▲ Payroll                               | ▲ Income collection and debt management |

### Risk management

26 Risk management encompasses the Council's arrangements for identifying, assessing, managing, and controlling potential events or situations to provide reasonable assurance that its objectives will be achieved. It involves being aware of risk exposures, selecting appropriate risk responses that align risks with the Council's risk appetite, and communicating relevant information in a timely manner across the organisation.

27 Internal audit's role is to evaluate the effectiveness of risk management processes and contribute to their improvement.

### Examples

|                             |                     |
|-----------------------------|---------------------|
| ▲ Risk management processes | ▲ Health and safety |
| ▲ Insurance                 | ▲ Disaster recovery |

## Information governance

28 Information governance is the set of multi-disciplinary structures, policies, procedures, processes, and controls implemented to manage information across the Council. These governance arrangements should support the Council's immediate and future regulatory, legal, risk, environmental and operational requirements.

### Examples

|                                      |                                  |
|--------------------------------------|----------------------------------|
| ▲ Data protection impact assessments | ▲ Records management             |
| ▲ Data sharing agreements            | ▲ Rights of individuals requests |
| ▲ Information asset management       | ▲ Freedom of Information         |

## Performance management and data quality

29 Performance management refers to the systematic process by which the Council plans, monitors, and improves the delivery of the services it provides to the public. The starting point for performance management is the Council's strategic ambitions which then filter down the organisation to directorate, service, team and individual levels. The Council's performance management framework aims to join up delivery at all levels by setting clear, achievable targets which can be accurately monitored and reported, with corrective action being taken promptly and appropriately.

### Examples

|                                  |                          |
|----------------------------------|--------------------------|
| ▲ Performance framework          | ▲ Data quality           |
| ▲ Service performance management | ▲ Management information |

## Procurement and contract management

30 Effective procurement and contract management is vital for any local authority to ensure that it maximises value for money in its service delivery. Every procurement process undertaken by the Council needs to comply with the provisions of its Constitution (including the Contract Procedure Rules) and the objectives set out in its Procurement Strategy. Public sector procurement also needs to comply with the Procurement Act 2023, which came into force on 24 February 2025.

31 Once a procurement exercise is completed and the contract begins, it is essential that it is monitored regularly to ensure compliance with its terms and conditions, to manage delivery risk, and to assess performance.

### Examples

|                                    |  |
|------------------------------------|--|
| ▲ Individual procurement exercises | ▲ Individual contract management reviews |
|------------------------------------|--|

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▲ Compliance with procurement and contract procedure rules</li> <li>▲ Use of contract waivers</li> </ul> | <ul style="list-style-type: none"> <li>▲ Placements for adults, children and young people</li> <li>▲ Category management</li> </ul> |
|---|---|

### People management

32 This area covers all aspects of the management of human resources across the Council. For example, recruitment and selection, remuneration, attendance management, training and talent development, individual performance management, equal opportunities, welfare and industrial relations, working arrangements, and discipline.

33 The Council's people are essential to the achievement of its objectives, and there are a wide range of potentially significant risks in this area.

### Examples

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>▲ Overtime and additional hours</li> <li>▲ Pre-employment checks</li> <li>▲ Agency workers</li> </ul> | <ul style="list-style-type: none"> <li>▲ Performance management</li> <li>▲ Recruitment and retention</li> <li>▲ Training</li> </ul> |
|--|---|

### Asset management

34 Asset management involves the proper management, safeguarding and recording of assets. It seeks to align the asset base with the Council's corporate ambitions and objectives. Key areas for effective asset management include strategic planning, maintenance of accurate records, an understanding of the physical location of assets, allocated responsibility for assets, and periodic and systematic physical verification of the existence, condition, and performance of assets.

35 Ensuring the safeguarding of assets is a risk area the GIAS requires internal audit to evaluate when providing assurance on the adequacy and effectiveness of the Council's risk management arrangements.

### Examples

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>▲ Verification of assets</li> <li>▲ Fleet management</li> <li>▲ Systems and strategies</li> </ul> | <ul style="list-style-type: none"> <li>▲ Asset repair and maintenance</li> <li>▲ Acquisition, transfer, and disposal</li> </ul> |
|--|---|

### Programme and project management

36 Programmes are a collection of related projects managed in a coordinated way. This can bring benefits and control over and above what is achievable from managing projects individually. Projects are discrete, clearly defined, shorter-term engagements, involving the application of processes, methodologies, and specific/cross-functional skills and methodologies to achieve specific and measurable outcomes.

37 Effective project management is important for the Council to ensure resources are used efficiently and to achieve value for money. This is particularly the case for large and high-profile projects that bring about significant change. Internal audit is expected to evaluate risk exposures relating to the effectiveness and efficiency of Council programmes and projects.

#### **Examples**

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▲ Project management framework review</li> <li>▲ Project assurance arrangements</li> </ul> | <ul style="list-style-type: none"> <li>▲ Review of individual projects</li> <li>▲ Project governance and risk management</li> </ul> |
|---|---|

#### **IT governance**

38 Information technology (IT) governance is a sub-discipline of organisational governance. It relates to leadership, organisational structures, policies, and processes that ensure that information technology supports Council strategies and objectives. IT governance should also support the management and oversight of the Council's business as usual activities.

39 The GIAS require internal audit to assess whether information technology governance supports the council's strategies and objectives.

#### **Examples**

|  |  |
|--|--|
| <ul style="list-style-type: none"> <li>▲ Cyber security</li> <li>▲ Strategies and policies</li> <li>▲ AI governance</li> </ul> | <ul style="list-style-type: none"> <li>▲ IT infrastructure</li> <li>▲ IT systems</li> <li>▲ Access controls</li> </ul> |
|--|--|

## Questions for the Committee to consider



40 As part of our preparations for the audit work programme for 2026/27, the Committee is invited to express a view on any areas it feels should be considered a priority for internal audit work. In considering this, relevant questions may include the following:

- ▲ For any of the Council's strategic risks, are there any which the Committee would like internal audit to look at, to provide additional assurance about arrangements for the management of the risk?
- ▲ What are the most significant threats to the achievement of the Council's objectives and priorities?
- ▲ Are there any of the 11 key assurance areas which the Committee feels internal audit should pay particular attention to, and to provide additional comfort that arrangements are operating effectively?
- ▲ Are there any specific elements within the 11 key assurance areas that the Committee would like internal audit to look at during 2026/27?
- ▲ Irrespective of the assurance areas, risks and Council priorities, does the Committee have any specific suggestions for internal audit assignments in 2026/27?

## Next steps



41 Following consultation with the Committee we will hold further discussions with officers to understand their views on the priorities for internal audit work over the next year. These meetings will take place during February and March 2026.

42 Alongside this we will continue to take account of emerging issues relevant to the public sector as well as any specific sectoral risks or developments including any relevant changes to legislation. We will also continue to review Council committee papers and other relevant background information to ensure we have an up-to-date picture of the challenges and issues facing the Council.

43 Information collected will be used to develop the indicative list of audits to be included in the 2026/27 internal audit work programme, which is to be presented to the April meeting of this committee.

44 Our risk assessment and the programme of work will be updated and revisited throughout the year to ensure audit work continues to target priority areas.

# THE OPINION FRAMEWORK

## Annex A

### The Audit Universe

1

The audit universe represents all areas across the council that Veritau has identified as being auditable. The universe is broadly structured as follows:

- ▲ Corporate and cross-cutting
- ▲ Key financial systems
- ▲ Service areas
- ▲ ICT and technical

2

### 11 Key Assurance Areas

-  Strategic Planning
-  Organisational governance
-  Financial governance
-  Risk management
-  Information governance
-  Performance management and data quality

-  Procurement and contract management
-  People management
-  Asset management
-  Programmes and project management
-  IT Governance

3

### Key Corporate Risks

- ▲ Balanced budget
- ▲ Childrens social care
- ▲ Adults social care
- ▲ Unlawful decision making
- ▲ Health and Safety
- ▲ Recruitment / Rentention
- ▲ Cyber Security
- ▲ Corporate governance not being fit for purpose
- ▲ Mayoral Development Corporation
- ▲ Failed Partnership Working
- ▲ Childrens Safeguarding
- ▲ Failure to Transform
- ▲ Social cohesion and democratic resilience

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Having evaluated all potential audits against the opinion framework in steps 1 to 4, audits are prioritised for inclusion in the internal audit work programme.

### Internal Audit Work Programme

5

### Council Ambitions

4

- ▲ The council's vision and ambitions are documented in the 2024-2027 Council Plan which was approved by Full Council on 28 February 2024.
- ▲ Four main ambitions are included covering economic growth, health and well being, communities and delivering best value.



## Audit Completion Report Middlesbrough Council – year ended 31 March 2025

February 2026

Members of the Audit Committee

Middlesbrough Council  
PO Box 500  
Middlesbrough  
TS1 9FT

February 2026

Forvis Mazars  
5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

Dear Committee Members,

## **Audit Completion Report – Year ended 31 March 2025**

We are pleased to present our Audit Completion Report for Middlesbrough Council ("the Council") for the year ended 31 March 2025. The purpose of this report is to summarise our audit and to explain how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences.

This report is intended solely for the Audit Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by Middlesbrough Council throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. At previous meetings of this Committee, we provided a summary of our plans to rebuild assurance in accordance with guidance issued by the National Audit Office and endorsed by the Financial Reporting Council. We will provide more details as part of our 2025/26 Audit Strategy Memorandum.

Yours faithfully

Signed: {{\_es\_:signer1:signature}}

Mark Kirkham

Forvis Mazars LLP

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- 01** Executive summary
- 02** Status of the audit
- 03** Audit approach and risk summary
- 04** Significant findings
- 05** Value for money arrangements
- 06** Audit fees and other services

- A** Internal control conclusions
- B** Appendix A: Draft management representation letter
- C** Appendix B: Draft audit report
- D** Appendix C: Confirmation of our independence
- E** Appendix D: Other communications

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Middlesbrough Council. It has been prepared for the sole use of the Audit Committee as the appropriate group charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

# 01

## Executive Summary

# Executive summary

## Scope

We are appointed to perform the external audit of Middlesbrough Council for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

## Impact of the backstop legislation

Under normal circumstances, our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

A range of factors have led to a backlog in financial reporting in recent years. Legislation passed by government in 2024 (the Accounts and Audit (Amendment) Regulations 2024) addresses the backlog by introducing a 'backstop date' for the publication of financial statements, even if the audits had not been completed. This is intended to enable the sector to focus on the current financial position rather than historic information.

We issued a disclaimed opinion on your financial statements for the 2023/24 financial year, the predecessor auditors issued disclaimed opinions for 2022/23 and 2021/22. This meant we did not express an opinion on those financial statements, and as such we do not have assurance over the opening balances in the 2024/25 financial statements. Further information on the procedures we have undertaken in order to issue a disclaimer of opinion in advance of the backstop date is provided in section 4.

The NAO published Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 in June 2025. This guidance sets out the procedures auditors may undertake to obtain sufficient appropriate evidence over opening balances when previous year's audits have been disclaimed. The guidance acknowledges that how long it will take to rebuild assurance will vary between audit engagements and according to each audit's particular circumstances.

It has not been possible to complete sufficient procedures as part of the current year's audit to enable us to issue a non-disclaimed opinion. For this reason, we will be issuing a disclaimed opinion in time for the Council to publish its financial statements by the backstop date of 27 February 2026 as required by the relevant legislation. We have included our proposed audit report in Appendix B. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

## Areas of focus and audit approach, and significant findings

When we issue a disclaimed opinion we do not express an opinion on the financial statements. When this type of opinion is issued, we are not required to undertake all of the work necessary to identify significant risks and other areas of focus relevant to the current year's audit. The procedures we have undertaken are limited to those we are required to complete to issue a disclaimed opinion for the 2024/25 financial year as we have decided that this is the most efficient approach to rebuilding assurance as we work towards being in a position to issue a non-disclaimed opinion as soon as possible.

## Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 4 sets out any internal control recommendations we have made, and any misstatements identified in the draft financial statements and how these have been addressed by management.

## Value for money arrangements

We anticipate having three significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further details have been provided in the 'Value for money arrangements' section of this report.

## Wider reporting powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We received one question relating to note 23 Revaluations and Impairments of Property, Plant and Equipment (PPE). We considered this question and report our findings as part of our significant findings in section 4 below.

## Reporting to the group auditor

We anticipate completing the work to enable us to submit the assurance statement to the NAO but we have not yet received full group audit instructions from the NAO and so are unable to conclude whether any work is required in this area.

# 02

## Status of the audit

# Status of our audit

We have been unable to complete the full balance sheet audit which was planned in order to start rebuilding assurance. The table below summarises the work we have completed.

## Property, plant and equipment (PPE)

We started our detailed testing but found various issues with the application of the Code relating to capital accounting and asset valuations, see section 4 below.

## Heritage assets

We confirmed heritage assets values in the financial statements agreed to the fixed asset register. Due to insufficient time remaining, no further work has been completed.

## Investment properties

Our testing is complete, we raised one issue relating to the classification of capital receipts on the sale of an investment property, see section 4 below.

## Intangible assets

Testing complete, no issues to raise.

## Debtors testing

We started our detailed testing but did not receive sufficient evidence to provide full assurance over these balances. We completed a review of the expected credit loss calculation which is based on historic collection rates, see section 4 below.

## Creditor testing

Testing complete, our testing found one trivial error of £45,856 which extrapolates to an estimated error of £1.812m, see section 4 below.

## Borrowing

Detailed testing complete apart from external confirmation of one loan balance of £1.777m.

## Cash and cash equivalents

Detailed testing complete apart from external confirmation of school balances.

## Pensions

The pension fund auditor assurance is outstanding.

## Usable and unusable reserves

Testing complete apart from outstanding queries on capital accounting treatment, see section 4 below.

# 03

## Audit approach and risk summary

# Audit approach and risk summary

## Changes to our audit approach

Whilst our Audit Strategy Memorandum that was communicated to the Audit Committee stated that we intended to undertake a balance sheet audit, this has not been possible. We have not made any changes to our initial risk assessment that was set out in the Audit Strategy Memorandum. We have, however, updated the significant risk descriptions and planned work to more accurately reflect our audit approach, included specific materiality and added information about our use of specialists to complete the IT audit work.

When we issue a disclaimed opinion, we are not required to undertake all of the work necessary to identify significant risks and other areas of focus relevant to the current year's audit. The procedures we have undertaken are limited to those we are required to complete to issue a disclaimed opinion for the 2024/25 financial year as we have decided that this is the most efficient approach to rebuilding assurance as we work towards being in a position to issue a non-disclaimed opinion as soon as possible.

## Summary of Risks

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the identified risks. These risks are summarised below.

### Significant risks

We identified the following significant risks:

- revenue recognition;
- management override of controls;
- valuation of property, plant and equipment; and
- valuation of the net defined benefit pension liability.

### Enhanced risks / areas of significant management judgement

We identified the following key area of management judgement and enhanced risk:

- debtors' impairment allowance.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 4 of this report.

## Materiality

Our provisional materiality at the planning stage of our audit was set at £10.5m using a benchmark of 2% of gross operating expenditure at surplus/deficit level as per the Audit Strategy Memorandum.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

We set specific materiality levels for officers' remuneration (£50,000), termination payments (£50,000) and members allowances (£1,000).

## Use of specialists

We have used IT specialists to complete our IT general controls testing.

# Significant risks update

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|   | Risk name  | Fraud | Error | Judgement | Risk description   | Planned response   |
|---|--|-------|-------|-----------|--|--|
| 1 | Revenue recognition (a rebuttable presumption that there is a significant risk of fraud in revenue recognition). | ●     | ●     | ○         | For Middlesbrough Council we see the risk of fraud in revenue recognition as being principally in relation to the cut-off assurance relating to non-grant income.  | <p>We planned to address this risk by carrying out a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>• testing significant grants and capital receipts recorded around year end to ensure they have been recognised in the appropriate year; and</li> <li>• testing year end receivables.</li> </ul> <p>The planned procedures were not performed.</p>   |
| 2 | Management override of controls (a mandatory significant risk for all entities).                                 | ●     | ○     | ●         | Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The unpredictable way in which such override could occur means there is a risk of material misstatement as a result of fraud on all audits. | <p>In line with our methodology, we planned to address the management override of controls risk by carrying out audit work on:</p> <ul style="list-style-type: none"> <li>• accounting estimates;</li> <li>• journal entries; and</li> <li>• significant transactions outside the normal course of business or otherwise unusual.</li> </ul> <p>The planned procedures were not performed.</p> |

## Significant risks update (continued)

|   | Risk name                                  | Fraud | Error | Judgement | Risk description   | Planned response  |
|---|--|-------|-------|-----------|--|---|
| 3 | Valuation of property, plant and equipment | ○     | ●     | ●         | <p>The 2024/25 financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of land and buildings and investment property.</p> <p>Although the Council employs valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the (re)valuations of these classes of property, plant and equipment as a consequence of the significant judgements and number of variables involved.</p> | <p>We planned to:</p> <ul style="list-style-type: none"> <li>critically assess the Council's arrangements for ensuring that land and buildings and investment property valuations are reasonable and not materially misstated;</li> <li>critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers;</li> <li>consider the competence, skills and experience of the valuers and the instructions issued to the valuers;</li> <li>substantively test revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and</li> <li>where necessary, perform further procedures on individual assets to ensure the basis of valuations is appropriate.</li> </ul> <p>The planned procedures were partially performed.</p> |

## Significant risks update (continued)

|   | Risk name  | Fraud | Error | Judgement | Risk description  | Planned response   |
|---|--|-------|-------|-----------|---|--|
| 4 | Valuation of the net defined benefit pension liability | ○     | ●     | ●         | <p>The 2024/25 financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> | <p>We planned to:</p> <ul style="list-style-type: none"> <li>critically evaluate the Council's arrangements relevant controls for making estimates in relation to pension entries within the financial statements; and</li> <li>challenge the reasonableness of the Actuary's assumptions that underpin entries made in the financial statements, using an expert commissioned by the National Audit Office;</li> <li>critically assess the competency, objectivity and independence of the Actuary;</li> <li>liaise with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively;</li> <li>compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and</li> <li>agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.</li> </ul> <p>The planned procedures were partially performed.</p> |

# 04

## Significant findings

# Significant findings

## Background and modification of the audit opinion

As part of our longer-term approach to rebuilding assurance, we have not completed sufficient audit procedures as part of the current year's audit to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the effects, or potential effects, on the financial statements of the lack of sufficient appropriate evidence are pervasive, we will be issuing a disclaimed opinion which means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the fact we will not have been able to rebuild assurance in respect of opening balances by 27 February 2026 after issuing a disclaimed opinion in the previous year as a result of the backstop arrangements. Our disclaimed opinion followed two disclaimed opinions from the predecessor auditor.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

## Significant matters discussed with management

During our audit, we communicated the following significant matters to management:

- Adopted roads have been recognised as donated assets and valued using the historical costs included in the original development agreements. Our understanding of the Code is that generally accepted practice is to include these assets at nil consideration. Gross book value as at 31 March 2025 is £40.547m, net book value £21.666m.
- Indexation of property, plant and equipment held at discounted replacement cost has been based on opening balances despite some assets being revalued in-year. Our sample testing identified one asset with an opening balance of £7.8m which was revalued in-year to £4.7m but indexed back up to £7.8m at the year-end. Additional information in the valuation report indicates that both the opening and closing balances are overstated for this asset. Further work by the Council has identified further errors which offset the error found above and indicate the overall error in-year amounts to £0.171m.

- Note 23 revaluations and impairments of property, plant and equipment, revaluation analysis includes assets carried as historical cost as a balancing figure. This note is not prepared in line with our understanding of the Code.
- Cash receipts on the disposal of investment properties have been accounted for through other operating income and expenditure. Our understanding of the Code is that these should be accounted for as investment and financing income.
- Centre Square lease remeasurement due to the implementation of IFRS16 has been accounted for as a donated asset. Our understanding of the Code is that this should be disclosed as an IFRS16 adjustment.
- Centre Square asset valuation has been determined using a special assumption that the Council is the freeholder of the asset (and pays no rent). The Council, however, leases the buildings (and pays quarterly rent) and then sub-leases to tenants.

| Potential weakness  | Recommendation  |
|---|---|
| The matters listed above highlight differences in interpretation of the Code relating to capital accounting which need to be addressed. | The Council should review its application of the Code to capital accounting to ensure the correct treatment is applied. |

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error.

# Significant findings

## Significant difficulties during the audit

We have not encountered any significant difficulties, and we have had the full co-operation of management. We did experience some delays in obtaining audit evidence.

## Other matters of significance

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit Committee during our audit. Most requested information and explanations were provided to us.

We identified the following matter of significance during our audit:

- The expected credit loss for council tax is calculated using the average collection rate for 2012-1993 less 1%. Similarly, for business rates, the 2013 rate has been used. We have queried at what point this will be updated to a more recent date as collection rates are decreasing. Officers have confirmed that this is currently being reviewed.
- We have not completed detailed work on the capital commitments disclosure note, however, we have noted that the disclosure only shows the 2025/26 approved budget figures; it does not include works contracted prior to 2024/25 and does not include any spend to date, so does not show all capital commitments as at the balance sheet date. The Code Guidance Notes are not particularly clear on what is required, we will discuss this further as part of our 2025/26 audit.
- We started our work on note 13 DSG but were unable to confirm that individual school budgets for the year to School Forum minutes as required by our testing approach.
- We have been unable to complete our work on related parties as two declarations of interest had not been returned by senior officers, we also identified one potential related party transaction that had not been included in the disclosure note.
- We have not completed our work on the Cash flow statement and supporting notes. Based on our initial review, however, we identified several potential classification and presentational issues within the notes. The supporting workings and methodology could benefit from a review by officers in 2025/26 to ensure the notes are presented in accordance with the Code requirements.

Other matters we are required by ISA (UK) 260 Communication with Those Charged with Governance to communicate to you have been set out in Appendix E.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2024/25 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We received contact from the public in relation to some accounting entries and we took the information into account as part of our audit. There were no statutory objections.

# Significant control deficiencies

As part of our audit, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to communicate to the Audit Committee any significant deficiencies in internal controls that we identified in during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before we disclaimed our opinion.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit Committee.

Other than the issue highlighted on page 14 above, we have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

## Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

The other control deficiencies that we have identified as at the date of this report are set out in '*Appendix A: Internal control conclusions*'.

# Summary of amendments to the financial statements

The Council's Director of Finance authorised the Council's draft financial statements for issue on 30 June 2025.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit Committee for information and to support it to discharge its responsibilities. It is important for Members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

## Amendments to the financial statements

Management has processed the amendments set out in the table below which exceed the trivial threshold for adjustment of £317,000.

| Details of amendment  | Comprehensive Income and Expenditure Statement |               | Balance Sheet |              |
|---|--|---------------|---------------|--------------|
|   | Dr (£ '000)                                    | Cr (£ '000)   | Dr (£ '000)   | Cr (£ '000)  |
| Dr: Revenue grants receipts in advance  |  |               | 5,346         |              |
| Cr: Short-term creditors  |  |               |               | 5,013        |
| Capital grants receipts in advance  |  |               |               | 333          |
| The split between Short Term Creditors and Revenue Grants Receipts in Advance on the face of the Balance Sheet is incorrectly stated. There is also a balance to be included as Capital Grants Receipts in Advance in the current year  |  |               |               |              |
| Dr: Long-term borrowing   |  |               | 344           | 344          |
| Cr: Short-term borrowing  |  |               |               |              |
| The amount of a loan balance due to be repaid in 2025/26 of £0.344m should be classified as Short Term Borrowing on the Balance Sheet rather than as Long Term Borrowing.   |  |               |               |              |
| Dr: Other operating income – gains/losses on the disposal of net current assets   | 15,772   |               |               |              |
| Cr: Financing and investment activities – charges in relation to investment property  |  | 15,772        |               |              |
| The £15.703m capital receipt (net of costs) from the sale of an Investment Property has been included in the Other Operating I&E section of the CIES along with receipts from the sale of PPE and AHFS. However, per the Code Guidance Notes, the gain/loss on derecognition of Investment Property should be included in the Financing I&E section of the CIES, therefore the capital receipt should be included in this section along with the written-out value of the asset. An adjustment has also been made for one other amount. |  |               |               |              |
| <b>Aggregate effect of amendments</b>   | <b>15,772</b>                                  | <b>15,772</b> | <b>5,690</b>  | <b>5,690</b> |

# Summary of misstatements

## Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

| Description  | Comprehensive Income and Expenditure Statement |             | Balance Sheet |               |
|--|--|-------------|---------------|---------------|
|  | Dr (£ '000)                                    | Cr (£ '000) | Dr (£ '000)   | Cr (£ '000)   |
| Dr: Capital Adjustment Account   |  |             | 21,666        |               |
| Cr: Property, plant and equipment, infrastructure  |  |             |               | 21,666        |
| Adopted highways accounted for as donated assets based on developer costs in the original development agreements.  |  |             |               |               |
| Dr: CIES financing and investment activities - expenditure   | 2,262  |             |               |               |
| Cr: Investment properties  |  |             |               | 2,262         |
| The £2.262m remeasurement of the Centre Square lease on transition to IFRS 16 has been accounted for as a donated asset, so as an addition to the Investment Properties balance. However, in accordance with the CIPFA Code, this remeasurement adjustment should have been charged to the CIES, Financing & Investment Activities Expenditure, as part of the Movement in Fair Value of Investment Properties. This item would then be reversed out to the Capital Adjustment Account via the Movement in Reserves Statement. |  |             |               |               |
| <b>Aggregate effect of unadjusted misstatements</b>  | <b>2,262</b>                                   |             | <b>21,666</b> | <b>21,928</b> |

# Summary of misstatements

## Unadjusted misstatements (continued)

| Description   | Comprehensive Income and Expenditure Statement |              | Balance Sheet |               |
|---|--|--------------|---------------|---------------|
|   | Dr (£ '000)                                    | Cr (£ '000)  | Dr (£ '000)   | Cr (£ '000)   |
| Dr: CIES – financing and investment activities – expenditure  | 877  |              |               |               |
| Dr: Cost of services expenditure - regeneration   | 1,552  |              |               |               |
| Cr: Cost of services income - regeneration  |  | 877          |               |               |
| Cr: CIES – financing and investment activities – income   |  | 1,552        |               |               |
| £1.552m rental income and £0.877m direct operating expenses arising from Investment Property per Note 25 should be included in the Financing and Investment Activities line in the Comprehensive Income and Expenditure Statement, however these amounts have been included within the Regeneration line of the Net Cost of Services section of the CIES. |  |              |               |               |
| Dr: Short-term creditors – trade payables   |  |              | 1,812         |               |
| Dr: CIES cost of services   |  | 1,812        |               |               |
| We identified an error of £0.046m as part of our testing of Trade Payables, relating to an accrual that was written off shortly after being processed so should not have been included as a creditor in the accounts. The total known and extrapolated error is £1.812m.  |  |              |               |               |
| <b>Aggregate effect of unadjusted misstatements</b>   | <b>4,691</b>                                   | <b>4,241</b> | <b>23,478</b> | <b>21,928</b> |

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required. The audit report in appendix C will be further modified to reflect the material unadjusted error included above in relation to the adopted highways, the wording is subject to internal moderation.

# Summary of misstatements

## Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Note 7 earmarked reserves, column headings corrected and entries moved to correct columns.
- Note 22 property, plant and equipment, updated to correct leisure asset values.
- Note 23 revaluations and impairments of property, plant and equipment, updated for current year valuations.
- Note 35 usable reserves, amended to ensure consistency with other areas of the accounts.
- Note 36 unusable reserves, presentational amendments.
- Note 37 pension schemes accounted for as defined benefit schemes, corrected to agree with the actuary's report.
- Note 40 leases – Council as a lessee, corrected for several presentational points.

# 05

## Value for money arrangements

# Value for money arrangements

## Our approach

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This is the first audit year where we have undertaken our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in our Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report by exception. We will also highlight emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. This commentary will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria. We intend to issue the Auditor's Annual Report in February 2026.

## Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2025 and have identified three significant weaknesses in arrangements and have made associated recommendations. We provide further details on the identified significant weaknesses and our recommendations later in this section of our report.

Our draft audit report at Appendix C confirms that we have matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in February 2026.

# Value for money arrangements

## Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks are outlined in the table below.

| Risk of Significant Weakness in Arrangements   | Financial Sustainability | Governance | Improving the 3Es | Work Undertaken and Conclusions Reached  |
|--|--------------------------|------------|-------------------|--|
| <p><b>Financial sustainability</b></p> <p>As part of the 2024/25 budget setting process, the Council made a request for, and received, exceptional financial support from the Government in order to balance the budget for 2024/25.</p> <p>The approach to budget setting has improved but needs to focus further on underlying assumptions to ensure funding gaps that could threaten the delivery of services and financial plans are identified and mitigated.</p> <p>The Council decision to seek such support in order to meet its spending commitments was evidence of a significant weakness in arrangements for planning to bridge funding gaps and identifying achievable savings.</p> | ●                        |            |                   | <p><b>Work undertaken</b></p> <p>Our work included reviews of:</p> <ul style="list-style-type: none"><li>• budget setting reports, including the application for exceptional financial support;</li><li>• budget monitoring reports;</li><li>• outturn reports;</li><li>• updated medium term financial plans;</li><li>• transformation programme; and</li><li>• links between MTFP and other plans, for example, people strategy.</li></ul> <p><b>Conclusion</b></p> <p>The Council has made significant improvement in addressing issues that presented during 2024/25, for example, introducing a new budget setting approach and transformation programme, but there is still work to be done to improve arrangements for financial sustainability. The financial position and the transformation required to ensure affordable services are provided require ongoing attention.</p> |

# Value for money arrangements

## Risks of significant weaknesses in arrangements (continued)

| Risk of Significant Weakness in Arrangements   | Financial Sustainability | Governance | Improving the 3Es | Work Undertaken and Conclusions Reached   |
|--|--------------------------|------------|-------------------|---|
| <p><b>Governance</b></p> <p>During 2023/24 the Council continued the process of reviewing and revisiting its Constitution and ensuring that the requirements of the Constitution were embedded in its decision-making processes.</p> <p>In addition, the Member development strategy and programme, which forms part of the culture and governance improvement plan, had not been delivered.</p> <p>These arrangements are needed to mitigate the risks of decision-making that could be unlawful or lead to significant loss or exposure to significant financial risk, or to reputational risks such as conflicts of interest.</p> <p>The lack of an up-to-date Constitution and Member development programme were evidence of a significant weakness in arrangements for making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p> |                          |            |                   | <p><b>Work undertaken</b></p> <p>We reviewed:</p> <ul style="list-style-type: none"><li>Internal Audit plan and reports;</li><li>Annual Governance Statement;</li><li>Transformation Plan;</li><li>response to unplanned changes and informed decision making;</li><li>risk management arrangements; and</li><li>standards monitoring.</li></ul> <p><b>Conclusion</b></p> <p>The Council has made progress and has addressed the previous value for money recommendation on governance arrangements</p> |

# Value for money arrangements

## Risks of significant weaknesses in arrangements (continued)

| Risk of Significant Weakness in Arrangements  | Financial Sustainability | Governance | Improving the 3Es | Work Undertaken and Conclusions Reached  |
|---|--------------------------|------------|-------------------|--|
| <p><b>Page 165</b></p> <p><b>Improving Economy, Efficiency and Effectiveness</b></p> <p>The Council's performance during the year was monitored by the Executive and measured against the Council Plan. While the 2023/24 quarterly reports tracked performance against the priority actions in the Council Plan and included a commentary on progress, we did not see evidence of a clear link between the Council Plan priorities, the strategic workplan and the detailed outcomes and measures reported.</p> <p>Without this link there is a risk that poor service performance is not identified and addressed.</p> <p>The lack of embedded performance management arrangements was evidence of a significant weakness in arrangements for evaluating service provision and identifying areas for improvement.</p> |                          |            | ●                 | <p><b>Work undertaken</b></p> <p>We reviewed:</p> <ul style="list-style-type: none"><li>• updated Council plan and performance monitoring;</li><li>• transformation arrangements;</li><li>• partnership working;</li><li>• procurement arrangements; and</li><li>• Internal Audit reports.</li></ul> <p><b>Results of our work</b></p> <p>The Council has made significant improvements in addressing issues that presented during 2024/25, for example, introducing a new Council Plan based on the Mayor's priorities, but there is still work to be done to improve arrangements for improving economy, efficiency and effectiveness. The lack of a fully embedded Plan with links between the Mayor's priorities and the performance management framework is a cause of concern.</p> |

# Value for money arrangements

## Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

| Identified significant weakness in arrangements |  | Financial Sustainability | Governance | Improving the 3Es | Recommendation for improvement (subject to internal moderation)   | Council's response |
|---|--|--------------------------|------------|-------------------|---|--------------------|
| 1   | <b>Financial sustainability</b><br>The Council is still reliant on EFS to set a balanced budget.   | ●                        |            |                   | The Council should continue to strengthen the approach to budget setting to ensure assumptions remain data driven and realistic, and planned savings are subject to a detailed delivery plans and risk assessment.  |                    |
| 2   | <b>Financial sustainability</b><br>The Council has a significant and growing DSG deficit.  | ●                        |            |                   | The Council should continue to implement initiatives to: <ul style="list-style-type: none"> <li>improve prevention and early intervention;</li> <li>transform provision and reduce costs while maintaining standards; and</li> <li>identify income to offset high needs spend.</li> </ul> |                    |
| 3   | <b>Performance management arrangements</b><br>A new Council Plan 2024-27 has been developed which articulates the Mayor's four priorities and outlines the approach that will be taken to address those priorities. Our work, however, identified a lack of evidence of a clear link between the Council Plan priorities in 2024/25, the strategic workplan and the detailed outcomes and measures reported. |                          |            | ●                 | The Council should ensure the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals.   |                    |

# 06

## Audit fees and other services

# Audit fees and other services

## Fees for work as the Council's appointed auditor

Our fees (exclusive of VAT and disbursements) as the Council's appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The scale fee is set by PSAA each year, covering the work required as the Council's appointed auditor under the NAO Code of Audit Practice. The scale fee for 2024/25 was set at £348,214 (£321,074 for 2023/24). As we have been unable to complete the required procedures to complete our audit before the backstop date, we have proposed a reduction in the scale fee in line with previous years.

Final fees are subject to review and approval by PSAA.

| Area of work   | 2024-25 Proposed Fee | 2023-24 Actual Fee |
|--|----------------------|--------------------|
| Work to support the financial statements audit including time to plan the audit and issue the disclaimer option. | £64,736              | £59,665            |
| Work completed to assess the Council's value for money arrangements and issue our value for money commentary     | £101,264             | £93,331            |
| Additional work on value for money risks of significant weaknesses   | £40,850              | £37,650            |
| <b>Total</b>   | <b>£206,850</b>      | <b>£190,646</b>    |

## Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section '*Confirmation of our independence*'.

| Area of work                       | 2024-25 Proposed Fee | 2023-24 Proposed Fee |
|------------------------------------|----------------------|----------------------|
| Housing Benefits Subsidy Assurance | £15,600              | £15,000              |
| Teachers' Pensions                 | £6,550               | £6,130               |
| <b>Total non-PSAA work</b>         | <b>£22,150</b>       | <b>£21,130</b>       |

# Appendices

- A: Internal control conclusions
- B: Draft management representation letter
- C: Draft audit report
- D: Confirmation of our independence
- E: Other communications

# Appendix A: Internal control conclusions

## Other deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the PCC and CC's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PCC and CC's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

# Appendix A: Internal control conclusions

## Other deficiencies in internal control

### Description of deficiency

Our IT work highlighted some areas which could be improved, these comprise of password management, privileged access and user access reviews.

### Potential effects.

The lack of user controls increases the risk of unauthorised access to the application and may adversely impact the integrity and confidentiality of financially significant information.

### Recommendation

We recommend IT arrangements are strengthened.

### Management response

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# Appendix B: Draft management representation letter

Mark Kirkham  
Forvis Mazars  
5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

[Date]

Dear Mark

## **Middlesbrough Council - Audit for Year Ended 31 March 2025**

The representation letter is provided in connection with your audit of the financial statements of Middlesbrough Council (the Council for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by applicable law.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

# Appendix B: Draft management representation letter

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Consideration should be given to including representations about specific accounting estimates, including in relation to the methods, assumptions, or data used. Such representations about specific accounting estimates may include representations:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- about the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialised skills or expertise has been applied in making the accounting estimates;
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements; and/or
- when accounting estimates are not recognised or disclosed in the financial statements, about the appropriateness of management's decision that the recognition or disclosure criteria of the applicable financial reporting framework have not been met.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

# Appendix B: Draft management representation letter

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by applicable law.

## **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## **Fraud and error**

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- my knowledge of fraud or suspected fraud affecting the Council involving:
  - o management and those charged with governance;
  - o employees who have significant roles in internal control; and
  - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

## **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

## **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment, investment properties and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

# Appendix B: Draft management representation letter

## **Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## **Future commitments**

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, and there is no significant impact from restrictions or sanctions in place.

## **Tariffs**

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and there is no significant impact from tariffs.

## **Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## **Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

## **Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

## Appendix B: Draft management representation letter

### **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

### **Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Director of Finance:

Date:

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Appendix

### **Schedule of unadjusted misstatements**

# Appendix C: Draft audit report (subject to internal moderation)

## Independent auditor's report to the Members of Middlesbrough Council

### Report on the audit of the financial statements

#### Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Middlesbrough Council ("the Council) for the year ended 31 March 2025, which comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### ~~Base~~ Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations specify the date by which the Council is required to publish its Accountability Statements, which include the financial statements and the auditor's opinion, for each financial year. The Council is required to publish its Accountability Statements for the year ended 31 March 2025, by 27 February 2026 ('the 2026 backstop date').

On 28 February 2025 we issued a disclaimer of opinion in relation to the financial statements for the year ended 31 March 2024 as there was insufficient time to perform all necessary audit procedures to obtain sufficient appropriate evidence upon which to form an opinion before the relevant backstop date(s) specified in the Amendment Regulations.

The National Audit Office issued guidance to auditors on rebuilding assurance following backstop-related disclaimers of opinion through Local Audit Reset and Recovery Implementation Guidance 06 ("LARRIG 06") in June 2025. We have had regard to LARRIG 06 and other relevant guidance and determined that there is not sufficient time to carry out the procedures we deem necessary to rebuild assurance. As a result, we are not able to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements for the year ended 31 March 2025 before the 2026 backstop date.

In addition, as part of our audit work, we have identified that infrastructure assets in the balance sheet include adopted roads recognised as donated assets and valued using the historical costs included in the original development agreements. The Code requires these assets to be valued at nil consideration. Gross book value as at 31 March 2025 is £40.547m, net book value £21.666m.

# Appendix C: Draft audit report (subject to internal moderation)

## **Responsibilities of the Director of Finance for the financial statements**

As explained more fully in the Statement of the Chief Financial Officer's [update title as applicable] Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

# Appendix C: Draft audit report (subject to internal moderation)

## Report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2025:

| Significant weakness in arrangements  | Recommendation  |
|---|---|
| <b>Financial sustainability</b><br>The Council has a significant and growing DSG deficit. | The Council should continue to implement initiatives to: <ul style="list-style-type: none"><li>improve prevention and early intervention;</li><li>transform provision and reduce costs while maintaining standards; and</li><li>identify income to offset high needs spend.</li></ul> |

In November 2025 we identified significant weaknesses in relation to financial sustainability and improving economy, efficiency and effectiveness for the 2022/2024 year. In our view these significant weaknesses remained for the year ended 31 March 2025:

| Significant weakness in arrangements – issued in a previous year   | Recommendation   |
|--|--|
| <b>Financial sustainability</b><br>As part of the 2024/25 budget setting, the Council made a request for, and received, exceptional financial support (EFS) from the Government as the Council could not meet its spending commitments from available resources.<br>For 2025/26 the Council is still reliant on EFS to set a balanced budget.  | The Council should continue to strengthen the approach to budget setting to ensure assumptions remain data driven and realistic, and planned savings are subject to detailed delivery plans and risk assessment. |
| <b>Improving Economy, Efficiency and Effectiveness</b><br>The Executive monitored performance during the year. Performance is measured against the Council Plan. In 2023/24 the quarterly reports tracked performance against the priority actions in the Council Plan and included a commentary on progress. We did not see evidence of a clear link between the Council Plan priorities, the strategic workplan and the detailed outcomes and measures reported. | The Council should ensure the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals.                                  |

# Appendix C: Draft audit report (subject to internal moderation)

## **Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

## **Use of the audit report**

This report is made solely to the Members of Middlesbrough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Appendix C: Draft audit report (subject to internal moderation)

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have:

- received confirmation from the NAO that the group audit of the Whole of Government Account has been completed and that no further work is required to be completed by us.
- issued the opinion on the financial statements in the pension fund annual report.

Mark Kirkham, Partner For and on behalf of Forvis Mazars LLP

5<sup>th</sup>  
Floor  
30 Wellington Place  
Leeds  
LS1 4AP  
81

February 2026

## Appendix D: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.

## Appendix E: Other communications

| Other communication   | Response  |
|---|---|
| <br><b>Compliance with Laws and Regulations</b> | <p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>  |
| <br><b>External confirmations</b>               | <p>We did not experience any issues with respect to obtaining external confirmations.</p>   |
| <br><b>Related parties</b>                      | <p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li data-bbox="437 717 2488 745">they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li data-bbox="437 750 2488 779">they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol> |
| <br><b>Going Concern</b>                        | <p>As noted in section 4 of our report, when we issue a disclaimed opinion, we do not express a view on whether it is appropriate for the accounts to be produced on a going concern basis. We have therefore not considered the appropriateness of management's going concern assessment.</p>  |

## Appendix E: Other communications

| Other communication  | Response  |
|--|---|
|  <b>Subsequent events</b>        | <p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p> |
|  <b>Matters related to fraud</b> | <p>As explained in section 4 of our report, we sought and obtained information from management in relation to any actual or suspected fraud which could materially impact upon the financial statements. We have reported any matters arising in accordance with our responsibilities as your appointed auditor. Due to our decision to disclaim the opinion, we have not undertaken further procedures in respect of fraud. Therefore, we do not provide any assurance that the financial statements are free from material error due to fraud.</p>  |

## Appendix E: Other communications

| Other communication  | Response  |
|--|---|
| <br>Page 185 | <p>To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management, including:</p> <ul style="list-style-type: none"><li>Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership</li><li>Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities</li><li>Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.)</li><li>Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality</li><li>Evaluating responses and remediating control gaps or deficiencies</li></ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2025. Details of that assessment and our conclusion are set out in our 2024/2025 Transparency Report, which is available on our website <a href="#">here</a>.</p> |

# Contact

## Forvis Mazars

### Mark Kirkham

Partner

Tel: +44 (0)7747 764529

[mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

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# Audit Completion Report Teesside Pension Fund – year ended 31 March 2025

10 February 2026

Agenda Item 13

Members of the Audit Committee

Middlesbrough Council

PO Box 500  
Middlesbrough  
TS1 9FT

February 2026

Dear Committee Members,

## **Audit Completion Report – Year ended 31 March 2025**

We are pleased to present our Audit Completion Report for Teesside Pension Fund ("the Fund") for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for Audit Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by Teesside Pension Fund throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully

  
Mark Kirkham (Feb 10, 2026 11:03:00 GMT)

Mark Kirkham

Forvis Mazars LLP

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- 02** Status of our audit
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- D** Appendix D: Draft consistency report
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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Teesside Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate group charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

# 01

## Executive Summary

# Executive summary

## Scope

We have been engaged to audit the financial statements of Teesside Pension Fund for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

## Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

Please refer to the '*Status of our audit*' section for a list of significant audit matters outstanding at the date of this report. We will provide an update to Audit Committee on completion of those outstanding matters by way of a follow-up letter.

## Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to Audit Committee in our Audit Strategy Memorandum.

## Significant Control deficiencies

We did not identify any significant deficiencies in internal control in 2024/25. We have followed up on significant deficiencies identified in previous years in Section 5 of this report.

We did not identify any non-significant control observations in 2024/25. We have followed up on non-significant deficiencies identified in previous years within '*Appendix A: Internal control conclusions*'.

## Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the '*Summary of misstatements*' section.

We have identified no adjusted or unadjusted misstatements above our reporting threshold to date.

## Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix C.

## Consistency Report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Middlesbrough Council. Our draft consistency report is provided in Appendix D.

## Wider reporting powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. We confirm that no such correspondence from electors has been received.

# Executive summary

## Qualitative aspects of Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts were authorised by the Director of Finance on 30 June 2025 and were of a generally good quality. There have however been several amendments made to ensure compliance with the CIPFA Code of Practice and associated Disclosure Notes, particularly within the disclosures for the Fund's financial instruments.

We have been provided with good quality working papers by management during the engagement.

## ~~Significant~~ matters discussed with management

~~During~~ our audit, we did not have any significant matters to discuss with management.

## ~~Significant~~ difficulties during the audit

We have not encountered any significant difficulties, and we have had the full co-operation of management.

## Other matters of significance

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit Committee during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix F.

# 02

## Status of our audit

# Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

## Cash Deposits

This requires the receipt of all confirmations from external counterparties and agreement of balances per the draft accounts to the figures per the confirmations.

## Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.

## Level 3 Investment Assets

This includes assessing the value of differences in the market value of investments between the Pension Fund's draft accounts and confirmations from fund managers and reporting of any differences in unit holdings per the Fund's custodian and Fund managers.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.

## Directly Held Properties

This includes review of underlying information (rentals, yields) to assess the valuation of the properties and review of title deeds/tenancy agreements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.

## Financial Instruments

This includes checking the classification of all investment assets to fund manager reports and ensuring consistency of presentation with the CIPFA Code of Practice.



## IAS19 assurance

This includes review the submission to the actuary for completeness and accuracy and presentation of IAS19 assurance letters to auditors of employer bodies.



## Quality & Technical Review of Accounts

This includes clearance of all matters relating to quality compliance with the CIPFA Code of Practice and Guidance Notes.



## Audit Review and Completion Procedures

These are our standard closure procedures including: reviewing the final version of the Statement of Accounts, consideration of post-balance sheet events and completing our final quality review procedures.



## Annual Report

This includes completing consistency checks between the Statement of Accounts and the Annual Report, in addition to competing quality review procedures.



# 03

## Audit approach and risk summary

# Audit approach and risk summary

## Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 24 July 2025.

## Materiality

Our provisional performance materiality at the planning stage of our audit was set at £27.9m using a benchmark of 1% of net assets available to pay benefits as per the Audit Strategy Memorandum. We set a provisional specific materiality for the Fund Account of £10.0m at the planning stage of the audit using a benchmark of 10% of benefits payable.

Based on the final financial statement figures and other qualitative factors, performance materiality was set at £27.9m; the trivial threshold was set at £1.7m and the final specific materiality for the Fund Account was £10.0m.

## Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of accounts. There have been no changes to ours or management's use of experts since the Audit Strategy Memorandum was issued.

| Item of Account  | Management's Expert          | Our Expert                     |
|--|------------------------------|--------------------------------|
| Valuation of investment within level 3 of the fair value hierarchy and related disclosures           | External investment managers | None.                          |
| Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits | Hymans Robertson             | NAO's consulting actuary (PwC) |
| Financial instrument disclosures   | Hymans Robertson             | None.                          |

## Service organisations

The table below summarises the service organisations used by the Pension Fund and our planned audit approach. There have been no change to the service organisations used or our planned audit approach since the Audit Strategy Memorandum.

| Item of Account                               | Service Organisation(s)    | Audit Approach   |
|---|----------------------------|--|
| Investment valuations and related disclosures | Investment managers        | Substantive testing of in-year transactions and valuations applied to investments at the year-end. |
|   | Custodian (Northern Trust) |  |

# Audit approach and risk summary

| In                | Audit risk/ key area of judgement                                   | Fraud risk | Judgement | Error | Substantive audit procedures | Tests of | Misstatement identified | Control recommendations | Conclusion  |
|-------------------|---|------------|-----------|-------|------------------------------|----------|-------------------------|-------------------------|---|
| Significant risks | Management Override of Controls                                     | ●          | ○         | ○     | ●                            |          | ○                       | ○                       | <p>Within our Audit Strategy Memorandum, we confirmed we planned to address this risk by carrying out audit work on a combination of accounting estimates, journal entry testing and reviewing the journals listing for any significant transactions outside the normal course of business or otherwise unusual.</p> <p>Risk satisfactorily addressed in our review of accounting estimates, journal entry testing and the review of the journals listing for significant transactions outside the normal course of business.</p>   |
|                   | Valuation of Investments within Level 3 of the Fair Value hierarchy | ○          | ●         | ●     | ●                            | ○        | ●                       | ●                       | <p>In our Audit Strategy Memorandum, we confirmed we planned to address this risk by carrying out audit work on a combination of</p> <ul style="list-style-type: none"> <li>• agree holdings from fund manager reports to the global custodian's report;</li> <li>• agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;</li> <li>• agree the investment manager valuations to audited accounts or other independent supporting documentation, where available;</li> <li>• where audited accounts are available, check that they are supported by an unmodified opinion;</li> <li>• review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and</li> <li>• where available, review independent assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.</li> </ul> <p>As noted in <b>Section 2</b> of this report, our work on the valuation of Level 3 investments is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.</p> <p>We note there were internal control deficiencies reported in previous years. We have reported on progress made to address these issues within <b>Section 5</b> and <b>Appendix A</b> of this report.</p> |

# 04

## Significant findings

# Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

## Significant risks

### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding what otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk by carrying out audit work on:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Based on the work performed, we are satisfied that this risk has been satisfactorily addressed and there are no issues to report.

### Valuation of Level 3 Investments

#### Description of the risk

The valuation of investments within level 3 of the fair value hierarchy is based on unobservable inputs. The use of unobservable inputs increases the risk of material misstatement.

#### How we addressed this risk

In addition to our standard program for investments, we performed the following additional procedures:

- compared holdings from fund manager reports to the global custodian's report;
- agreed the valuation to supporting documentation including the investment manager valuation statements and cash flows for any cash adjustments made to the investment manager valuation;
- agreed the investment manager valuation to audited accounts or other independent supporting documentation, where available;
- where audited accounts were available, checked that they are supported by an unmodified opinion;
- reviewed the valuation methodologies for reasonableness through review of valuation policies within audited financial statements and challenge of the fund manager, where necessary.

#### Audit conclusion

As noted in **Section 2** of this report, our work is ongoing in respect of journal entry testing. We will report any conclusions to Audit Committee once this work is complete.

# Significant findings

## **Wider responsibilities**

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2024/25 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

# 05

## Significant control deficiencies

# Significant control deficiencies

As part of our audit, we obtained an understanding of the Fund's internal environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Fund's internal controls, we are required to communicate to Audit Committee any significant deficiencies in internal controls that we identified in during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Fund's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Audit Committee.

We did not identify any significant deficiencies in the Fund's internal controls during the current year of audit. Significant deficiencies raised in prior years are set out on the following pages, with comments provided on progress made to address these.

## Other observations

We also record our observations on the Fund's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We did not identify any "other" deficiencies. However, there were deficiencies raised in previous years of audit and these are set out in '*Appendix A: Internal control conclusions*'.

# Significant control deficiencies

## Follow up on significant deficiencies in internal controls identified on prior year audits

Set out below is an update on the action taken by the Fund to address significant deficiencies in internal control identified on prior audits, that were not resolved on commencement of our audit.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Recording of Asset Valuations

#### Description of deficiency

Our testing of investment valuations identified significant levels of error in the recorded value of individual investments, including investments recorded in the wrong currency and transactions close to year-end being omitted from the financial statement valuations. Gross misstatements identified totalled £107m, which is more than 2% of the Fund's net assets, although we note the net impact of misstatements was smaller but not insignificant. This level of misstatement leads us to conclude that controls over the recording of investment valuations are not operating effectively.

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#### Recommendation

 We recommend management should review the controls in place to ensure accurate recording of investment valuations, including ensuring there is a robust review process, to ensure that investments are not recorded at the incorrect value.

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#### Management response

 The Head of Pensions and Governance will implement a process to undertake a quarterly review of the basis of recording investment valuations by a supervising officer. This will be implemented in producing the 2024/25 accounts and will also review the draft 2023/24 accounts that remain subject to audit.

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#### Update in Current Year

As noted in **Section 2** of this report, our work on the valuation of Level 3 investments is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.

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# Significant control deficiencies

## Follow up on significant deficiencies in internal controls identified on prior year audits

Set out below is an update on the action taken by the Fund to address significant deficiencies in internal control identified on prior audits, that were not resolved on commencement of our audit.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Production of the Financial Statements

#### Description of deficiency

Our audit identified a number of material disclosure errors including disclosures being prepared on the incorrect basis and not in accordance with the requirements of the Pension Fund's reporting framework. We also note that knowledge supporting the production of the financial statements is concentrated with a small number of people (2 officers), which significantly increases the risk of loss of corporate knowledge should there be a turnover in staff.

#### Recommendation

We recommend management should review the controls in place to ensure the financial statements are prepared in accordance with the requirements of the reporting framework, including ensuring there is a robust review process. We also recommend that knowledge of how to prepare material disclosures is formally documented to reduce the risk of loss of corporate knowledge.

#### Management response

The Director of Finance is due to implement a revised operating model within the accountancy disciplines within the Finance Directorate in the 2025/26 financial year subject to approval of the associated investment in the budget by Council in February 2025. There will be a new role of Chief Accountant who will be required to oversee the production of both the Council and Pension Fund Accounts to ensure compliance with relevant legislation, reporting standards and the code of practice and to build resilience within the Pensions and Accountancy Teams.

#### Update in Current Year

We note that the new role of Chief Accountant has yet to be filled, and management will look to address this in 2025-26.

We note that the financial statements could have been improved to ensure compliance with the CIPFA Code of Practice. Our technical review of the accounts identified several disclosures, particularly in relation to investment assets and financial instruments that required amendment to disclose the required level of detail. We note that management have been receptive to making amendments to the accounts to ensure better compliance with the CIPFA Code when these have been raised.

# 06

## Summary of misstatements

# Summary of misstatements

## Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued in July 2025. Any subsequent changes to those figures are set out in the 'Audit approach and risk summary' section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

We identified no misstatements above our reporting threshold, or that we deem to be material by nature, as at the date of this report which were not adjusted.

| Description   |  | Fund Account |             | Net Asset Statement |             |
|---|--|--------------|-------------|---------------------|-------------|
|   |  | Dr (£ '000)  | Cr (£ '000) | Dr (£ '000)         | Cr (£ '000) |
| Transfers In from other Pension Funds   |  | 1,729        |             |                     |             |
| Cr: Current Assets (cash)   |  |              |             |                     | (1,729)     |
| Being a discrepancy between figures per Altair and Business World for Transfers In. |  |              |             |                     |             |
| Aggregate effect of adjusted misstatements  |  | 1,729        | 0           | 0                   | (1,729)     |

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

*We have noted in Section 2 of this report that we have not fully completed procedures for the valuation of cash deposits, Level 3 investments assets and directly held properties. Given the values involved, there is a risk that any misstatements may be above our trivial threshold and would therefore need to be reported as either adjusted or unadjusted, depending on the values involved and management's preference regarding how to treat the issues. If any instances of this arise, we will ensure this is communicated to Audit Committee via a follow-up letter.*

# Summary of misstatements

## Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Audit Committee should be made aware of.

*We issued a disclaimer of opinion on the accounts in 2023/24 as we had not been able to complete all procedures on Level 3 investment assets by the statutory deadline date of 28 February 2025. We have now completed our procedures to assess the differences in market value of investments held at fair value level 3. The misstatement below shows the amendment made by management to address this issue.*

| Description                                       |  | Fund Account  |             | Net Asset Statement |                 |
|---|--|---------------|-------------|---------------------|-----------------|
|   |  | Dr (£ '000)   | Cr (£ '000) | Dr (£ '000)         | Cr (£ '000)     |
| Dr: Change in Market Value of Investments         |  | 14,717        |             |                     |                 |
| Cr: Pooled Investment Vehicles                    |  |               |             |                     | (11,281)        |
| Cr: Directly Held Private Equity                  |  |               |             |                     | (3,436)         |
| Being a material amendment                        |  |               |             |                     |                 |
| <b>Aggregate effect of adjusted misstatements</b> |  | <b>14,717</b> | <b>0</b>    | <b>0</b>            | <b>(14,717)</b> |

*There were no adjusted misstatements relating to 2024/25 to report.*

*We have noted in Section 2 of this report that we have not fully completed procedures for the valuation of cash deposits, Level 3 investments assets and directly held properties. Given the values involved, there is a risk that any misstatements may be above our trivial threshold and would therefore need to be reported as either adjusted or unadjusted, depending on the values involved and management's preference regarding how to treat the issues. If any instances of this arise, we will ensure this is communicated to Audit Committee via a follow-up letter.*

# Summary of misstatements

## Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Introduction (Operations) - Amended to remove investment assets balance and improve understandability of disclosure
- Introduction (Financial Statements) – Net withdrawal of funds disclosure updated to ensure internal consistency of balances disclosed and agreement to prior year audited figures.
- Introduction (Membership) – Update made to the accounts to clarify the process for being included as an LGPS member (to match LGPS Regulations)
- Fund Account - amended to add 'Restated' and clarify that balances for the year ended 31 March 2024 have been restated.
- Fund Account - Sub-total narratives including "from/to" members removed from Total Income and Total Expenditure lines within the Fund Account.
- Fund Account - note references for current assets and current liabilities updated.
- Fund Account - separation of the Net Assets Statement and the Fund Account into two separate statements (compliance with CIPFA Code of Practice)
- Net Assets Statement - year end balance narrative updated to state 'Net assets of the scheme available to fund benefits at the reporting period end'
- Net Assets Statement - date headers have been amended to 31 March 2024 and 31 March 2025.
- Note 2 Accounting Standards issued but not yet adopted - reference removed to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets. Clarification made re remaining accounting standards to clarify these do not have a material effect.
- Note 3 Accounting Policies - amendment made to investment management expenses disclosure to ensure completeness and provide sufficient detail re accounting treatment of such expenses.
- Note 3 Accounting Policies - foreign currency transactions accounting policy updated to include how the difference between the rate at the date of transactions and settlement is accounted for
- Note 3 Accounting Policies - disclosure amended to clarify how financial assets at amortised cost are disclosed in the Net Assets Statement.
- Note 3 Accounting Policies - amendment made to include a paragraph relating to the prior period adjustment to make clear why changes were made following completion of the work of outstanding procedures to supporting Level 3 investment assets testing.
- Note 5 Assumptions made about the future and other major sources of estimation uncertainty - updated figures to match the valuation of financial instruments disclosure in note 14 (and value of the effect of estimation uncertainty).
- Note 6 Contributions receivable - reference to "additional contributions" has been removed; included as 'normal contributions'.
- Note 6 Contributions receivable - minor amendment made to deficit contribution figure to ensure agreement to underlying working papers (£3k only).
- Note 12 Investment income - narrative removed for "Investment income has been recognised as due on the ex-dividend date and is credited to the fund on the date of dividend"
- Note 13 Investment Assets - disclosure added to the bottom of the main table within this note to clarify the prior period restatement made
- Note 13 Investment Assets - change in market value of investments disclosure - updated to reflect the restated figures for balances at 31 March 2024 and the follow-through to 31 March 2025.
- Note 13 Investment Assets - 'Investments analysed by fund manager - disclosure has been amended to disclose the assets managed by each fund manager and the proportion of the overall value of the fund that those investments consist.

# Summary of misstatements

## Disclosure misstatements (continued)

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Note 13 Investment Assets - removal of the Outstanding Commitments disclosure from Note 13
- Note 13 Investment Assets - pooled investment vehicles and properties disclosure amended to figures following the prior period adjustment for investment assets at 31 March 2024.
- Note 14 Financial Instruments - various disclosures within Note 14 Financial Instruments amended to ensure consistency with Note 13 following the prior period adjustment for investment assets at 31 March 2024.
- Note 14 Financial Instruments - various disclosures within Note 14 Financial Instruments amended to include the value of directly held properties (per Note 13).
- Note 14 Financial Instruments - amendment to figures for the sundry debtors and prepayments figures to exclude balances that are included in the current assets/liabilities note but are not financial assets/liabilities (as defined by IFRS 9).
- Note 14 Financial Instruments (Valuation of financial instruments) - amendment to disclosure to remove reference to "loans and receivables" (replaced with "assets at amortised cost")
- Note 14 Financial Instruments (Valuation of financial instruments) - pooled investments: other alternatives figure amended to match prior year financial statements.
- Note 14 Financial Instruments (Valuation of financial instruments) - amendment made to remove the financial assets/liabilities at amortised cost from the disclosure for Level 1 investments (as not held at fair value).
- Note 14 Financial Instruments (Reconciliation of Financial Instruments at fair Value) - disclosure updated to include descriptions of the types of investment held, the Valuation basis/technique, observable and unobservable inputs and key sensitivities affecting the valuation of the investments.
- Note 14 Financial Instruments (Market risk) - amended to remove reference to actuarial valuation as a means of managing market risk.
- Note 14 Financial Instruments (Other Price Risk) - Directly Held Property and Pooled Properties have been omitted from disclosure - to be added in for both years.
- Note 14 Financial Instruments (Credit Risk) - disclosure amended to include a breakdown of the investments in money market funds and banks, with credit ratings associated with the investments.
- Note 14 Financial Instruments (Liquidity Risk) – disclosure amended to include a split of the investment assets by the time period until they become realisable.
- Note 14 Financial Instruments (Currency risk) - amended to present the investments by assets class rather than currency type.
- Note 14 Financial Instruments (Collateral and Other enhancements) – removed as not material to the accounts.
- Note 15 Actuarial Present Value of Promised Retirement Benefits - disclosure amended by factor of 1,000 to match figures per Hymans Robertson
- Note 15 Actuarial Present Value of Promised Retirement Benefits - amended to reflect the current position of the Virgin Media case
- Note 19 Additional Voluntary Contributions - amended to include the value of contributions paid by members during the year (alongside prior year comparator).
- Note 20 Related Party Transactions - reference in note to be amended to "Note 22" to refer to Senior Employees' Remuneration
- Note 23 Events after the Balance Sheet Date - amendment to date to reflect 31 March 2025 rather than 30 June 2025 as the balance sheet date

There have also been various other amendment for spelling, punctuation and grammar which have not been reported separately.

# 07

## Fraud considerations

# Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

## Your responsibilities

Management has primary responsibility for the prevention and detection of fraud. It is important that management, with Audit Committee oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by Audit Committee's active oversight.

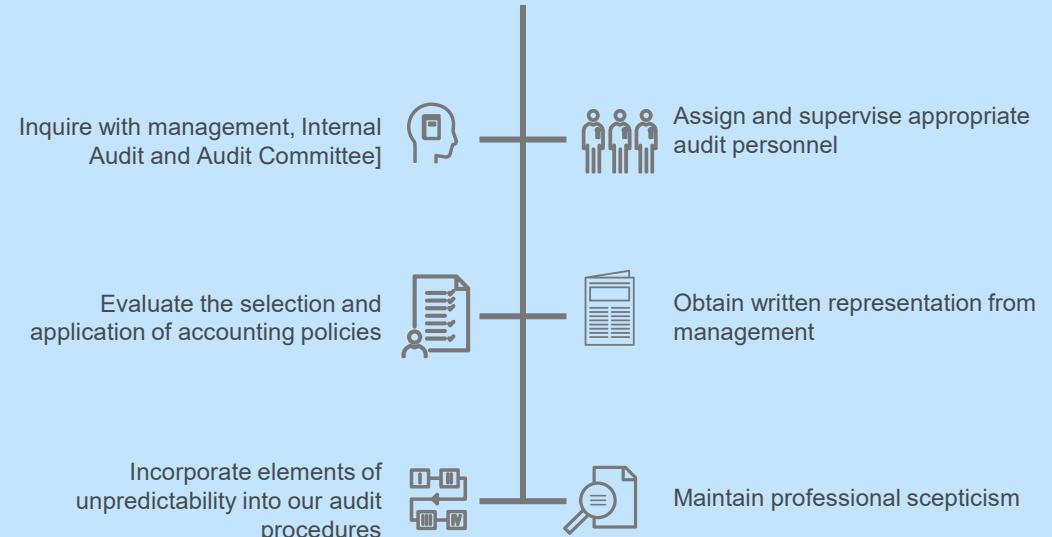
## Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

## ISA presumed fraud risks

As set out in the 'Audit approach and risk summary' section, the risks of management override of controls were identified as a significant risk, with the risk of fraud in revenue recognition rebutted in accordance with Practice Note 15.

## Our overall approach to fraud



## Our overall conclusion

We did not identify any actual or suspected fraud involving management, employees with significant roles in internal control or others, where the fraud resulted in a material misstatement in the financial statements.

# Appendices

- A: Internal Control conclusions
- B: Draft management representation letter
- C: Draft audit report
- D: Draft consistency report
- E: Confirmation of our independence
- F: Other communications

# Appendix A: Internal Control conclusions

## Other deficiencies in internal controls

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Fund's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that have been identified in previous years. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

# Appendix A: Internal Control conclusions

## Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Reconciliation to Custodian Reports

#### Description of deficiency

Our testing of the Pension Fund's reconciliation of its accounting records against the investment valuations provided by the custodian identified that the reconciliation is performed shortly after each month-end, when final valuations are often still to be reported to the custodian by investment managers. There is no subsequent revisiting of this reconciliation to identify where valuations have changed, which we consider was a factor in why the Pension Fund did not identify the misstatements of investment valuations.

#### Recommendation

We recommend management should review the timing of the reconciliation to custodian reporting to ensure the reconciliation takes place at a time when the custodian records are up-to-date. If this is not possible due to delays in custodian reporting, an additional check back against the accounting records should be introduced to support year-end reporting.

#### Management response

The Head of Pensions and Investments will introduce a year end closure task to reconcile custodian reports to investment manager valuations. This will be adopted in closing the 2024/25 accounts and a check of the draft 2023/24 accounts will be undertaken prior to the audit.

#### Update in Current Year

As noted in **Section 2** of this report, our work on the valuation of Level 3 investments is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.

# Appendix A: Internal Control conclusions

## Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Support for Sensitivity Disclosures

#### Description of deficiency

Note 13 to the financial statements includes various disclosures of the sensitivity of the Pension Fund's balances to movements in external factors, such as exchange rates or market movements. Our testing of these disclosures found that management were unable to support the sensitivities disclosed in the financial statements, partly because the reporting to the Pension Fund by the external party which provided them is limited and the external party is no longer trading.

#### Recommendation

We recommend management should review the systems in place to obtain, and retain support for, the sensitivities disclosed within the financial statements to ensure that disclosures made in the financial statements can be supported.

#### Management response

The Head of Pensions and Investments will ensure that all documentation relevant to the preparation of the financial statements is retained for management and audit purposes.

#### Update in Current Year

We note that this related to the use of information provided by Portfolio Evaluation Limited. This has since changed to Hymans Robertson. We did not have any difficulties obtaining the required information from Hymans Robertson for the purposes of assessing financial instruments disclosures in the 2024-25 accounts.

# Appendix A: Internal Control conclusions

## Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Review of Submission to the Fund Actuary

#### Description of deficiency

Where the Pension Fund's actuary provides IAS 19 valuations to individual participating employers for inclusion in the employer's financial statements, they rely on employer-specific information submitted by the Pension Fund. Our testing of this process identified that information submitted to the actuary is prepared and submitted by one individual, with no review performed by someone other than the preparer.

A lack of review process increases the risk of error in the information provided to the actuary, though we note we did not identify any such errors.

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#### Recommendation

We recommend management should review the process supporting submission of IAS 19 information to the actuary to ensure there is an adequate review to provide assurance that the submission is accurate.

#### Management response

The Head of Finance and Investment and the Head of Pensions and Investments will liaise to establish an appropriate review process to support the IAS19 position which will improve the assurance and resilience arrangements in relation to this return.

#### Update in Current Year

As noted in **Section 2** of this report, our work on IAS19 assurance procedures is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.

# Appendix A: Internal Control conclusions

## Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Retention of Fund Membership Information

#### Description of deficiency

The IT system used to administer the Pension Fund is not able to report the membership of the Fund at a past date. Whilst live membership reports are run at key dates, such as the date of triennial valuations, these are not retained and management are therefore unable to subsequently evidence the membership numbers reported at a point in time. The inability to subsequently evidence the membership of the Fund at key dates increases the risk that errors in membership numbers may go undetected, and we consider this a factor in the Pension Fund having to include what is effectively a balance line in their reconciliation of changes in membership between the start and end of the financial year.

#### Recommendation

We recommend management should put in place a process to retain supporting evidence for membership data obtained at key dates, such as the date of triennial valuations of the Pension Fund.

#### Management response

The Head of Pensions and Investments will put in place a process to ensure that all key data required to evidence key membership at key dates is retained for financial reporting and audit purposes for the 2024/25 accounts.

#### Update in Current Year

We were able to view a copy of the membership report being run by XPS Administration at 31 March 2025, which included figures for the total membership (split into active members, deferred members and pensioners) at that date. The figures per the data extract were broadly consistent with the figures per the draft accounts, with only very trivial differences noted. We would however recommend, as a point of best practice, that management retain copies of such membership data extracts for future reference, particularly to support the testing of any information in a triennial valuation year.

# Appendix A: Internal Control conclusions

## Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

### Declarations of Interests from Pension Fund Members

#### Description of deficiency

For the financial year 2023/24, we reviewed the meeting minutes and attendance records of committee members as listed on the Middlesbrough Council website. We identified three instances where the client could not provide declarations of interest for individuals who attended the meetings as 'committee members.' According to the Middlesbrough Council constitution, "voting rights are held by all members, including scheme member representatives, as long as they are not employees of Middlesbrough Council." This means a member could potentially vote on a motion without declaring their interest.

#### Recommendation

The Monitoring Officer should ensure that the register of interests is regularly checked throughout the year.

#### Management response

The Monitoring Officer will conduct a regular review of members of the Pension Fund Committee and ensure that all members attending meetings have provided an up-to-date declaration of interest form.

#### Update in Current Year

We note that non-councillor members are not required to complete declaration of interests in advance of attending meetings but, at the start of each committee meeting, all members are given the opportunity to declare any interests. Our review of meeting minutes found that this is a standing agenda item in each Committee, and no non-councillor members individuals had declared any interests at any committee meeting during the year.

## Appendix B: Draft management representation letter

3<sup>rd</sup> Floor  
5 Wellington Street  
Leeds  
LS1 4AP

[Date]

Dear Mark,

### **Teesside Pension Fund – Audit for Year Ended 31 March 2025**

This representation letter is provided in connection with your audit of the financial statements of Teesside Pension Fund (the Pension Fund) for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

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#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund, you determined it was necessary to contact in order to obtain audit evidence

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

# Appendix B: Draft management representation letter

## **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Audit Committee and Pension Fund Committee meetings, have been made available to you.

## **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

## **Accounting estimates**

I confirm that the methods, significant assumptions and the data used by the Pension Fund in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

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- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by applicable law.

## **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## **Fraud and error**

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

# Appendix B: Draft management representation letter

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

## **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended applicable law.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

## **Charges on assets**

All the Pension Fund's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## **Future commitments**

The Pension Fund has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## **Going concern**

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## **Annual Report**

The disclosures within the Pension Fund Annual Report fairly reflect my understanding of the Pension Fund's financial and operating performance over the period covered by the financial statements.

## Appendix B: Draft management representation letter

### **Specific Representation of Level 3 Investments**

The market value of Level 3 investments are included in the Net Assets Statement provided by our fund managers which have been estimated in accordance with the guidelines used by the industry and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, that the market values are materially correct, and am not aware of any subsequent events that would have a material impact on the estimated market value of the Level 3 investments.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully,

[Signature]

Page 222  
Andrew Humble, Director of Finance  
[Date]

# Appendix C: Draft audit report

## Independent auditor's report to the Members of Middlesbrough Council

### Report on the audit of the financial statements

#### Opinion on the financial statements of Teesside Pension Fund

We have audited the financial statements of Teesside Pension Fund ('the Pension Fund') for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion the financial statements:

give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2025; and  
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

#### Basics for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the Annual Governance Statement and other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## Appendix C: Draft audit report

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Director of Finance for the financial statements**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Pension Fund, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: non-compliance with General Data Protection Regulations (GDPR) 2018.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Pension Fund, the environment in which it operates, and the structure of the Pension Fund, and considering the risk of acts by the Pension Fund which were contrary to the applicable laws and regulations, including fraud;

## Appendix C: Draft audit report

- inquiring with management and the Audit Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- reviewing relevant meeting minutes in the year;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Pension Fund which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In addition, we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

 There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud, rests with both management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude whether the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2024) and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Appendix C: Draft audit report

### Use of the audit report

This report is made solely to the Members of Middlesbrough Council, as a body and as administering authority for the Teesside Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Mark Kirkham, Partner  
For and on behalf of Forvis Mazars LLP (Local Auditor)

5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

[Date]

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# Appendix D: Draft consistency report

## Independent auditor's statement to the members of Middlesbrough Council on the Pension Fund financial statements included within the Teesside Pension Fund annual report

### Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2025 included within the Teesside Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

### Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Middlesbrough Council for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

### Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Middlesbrough Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Middlesbrough Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Middlesbrough Council describes the basis of our opinions on the financial statements.

### Use of this auditor's statement

This report is made solely to the members of Middlesbrough Council, as a body and as administering authority for the Teesside Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Middlesbrough Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Middlesbrough Council and Middlesbrough Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

Mark Kirkham, Key Audit Partner  
For and on behalf of Forvis Mazars LLP (Local Auditor)

5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

## Appendix E: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.

## Appendix F: Other communications

| Other communication  | Response   |
|--|--|
|  <b>Compliance with Laws and Regulations</b> | <p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>   |
|  <b>External confirmations</b>               | <p>We did not experience any issues with respect to obtaining external confirmations.</p>  |
|  <b>Related parties</b>                      | <p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li data-bbox="437 721 2488 750">they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li data-bbox="437 750 2488 779">they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>  |
|  <b>Going Concern</b>                        | <p>We have not identified any evidence to cause us to disagree with the Director of Finance that the Fund will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p> |

## Appendix F: Other communications

| Other communication   | Response  |
|---|---|
| <br><b>Subsequent events</b>        | <p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>   |
| <br><b>Matters related to fraud</b> | <p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled 'Fraud considerations' for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, Audit Committee, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal ; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul> |

## Appendix F: Other communications

| Other communication  | Response  |
|--|---|
| <br>Page 231 | <p>To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management, including:</p> <ul style="list-style-type: none"><li>Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership</li><li>Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities</li><li>Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.)</li><li>Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal environment and overall quality</li><li>Evaluating responses and remediating gaps or deficiencies</li></ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website <a href="#">here</a>.</p> |

## Forvis Mazars

### Mark Kirkham

Partner

Tel: +44(0)113 394 5315

Mark.kirkham@mazars.co.uk

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**Andrew Humble**

Corporate Director Finance and Section 151 Officer

**Email:** Andrew\_Humble@middlesbrough.gov.uk

Mark Kirkham  
Partner  
Forvis Mazars  
5<sup>th</sup> Floor  
3, Wellington Place  
LEEDS  
LS1 4AP

19 February 2026

Dear Mark,

**Middlesbrough Council – Audit for the Year Ended 31 March 2025**

This representation letter is provided in connection with your audit of the financial statements of Middlesbrough Council (the Council) for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by applicable law.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material.
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Director Finance that I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I know there is no relevant audit information of which you, as auditors, are unaware.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at current and/or fair value**

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as Corporate Director Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance.
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment, investment properties, and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### **Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### **Future commitments**

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the impact of Russian Forces entering Ukraine on the Council, and there is no significant impact from restrictions or sanctions in place.

### **Tariffs**

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and there is no significant impact from tariffs.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### **Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

### **Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

### **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

In particular, I would like make specific representation in relation to the adopted roads issue raised within the audit completion report. This amount is material to the financial statements, at a net book value of £21.666m. Our accounting policy is to recognise highways infrastructure at historic cost and to subsequently depreciate these assets over their useful life.

In relation to adopted roads, these assets are generally constructed by developers and then transferred to the Council for responsibility and maintenance going forward based on a Section 38 agreement under the Highways Act 1980. We have then used the developer's construction cost to estimate the historic cost as the recognition value in the balance sheet.

We accept that the Council has not paid for these assets to be constructed and understand your rationale that these assets should be recognised at nil value. However, we do feel that the S38 values are a good proxy for historic cost and that recognition at nil value would significantly underestimate the service and economic benefits consumed from these assets in future years. We will discuss this matter further with the Chartered Institute of Public Finance and Accountancy (CIPFA) and reflect their advice in the preparation of the 2025/26 statement of accounts.

**Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

*Yours faithfully,*

---

Andrew Humble, Corporate Director Finance - S151 Officer  
Middlesbrough Council

---

Jill Ewan  
Chair of the Audit Committee  
Middlesbrough Council

## Appendix - Schedule of Unadjusted Misstatements

| Description  | Comprehensive Income and Expenditure Statement |             | Balance Sheet |               |
|--|--|-------------|---------------|---------------|
|  | Dr (£ '000)                                    | Cr (£ '000) | Dr (£ '000)   | Cr (£ '000)   |
| Dr: Capital Adjustment Account   |  |             | 21,666        |               |
| Cr: Property, plant and equipment, infrastructure  |  |             |               | 21,666        |
| Adopted highways accounted for as donated assets based on developer costs in the original development agreements.  |  |             |               |               |
| Dr: CIES financing and investment activities - expenditure   | 2,262  |             |               |               |
| Cr: Investment properties  |  |             |               | 2,262         |
| The £2.262m remeasurement of the Centre Square lease on transition to IFRS 16 has been accounted for as a donated asset, so as an addition to the Investment Properties balance. However, in accordance with the CIPFA Code, this remeasurement adjustment should have been charged to the CIES, Financing & Investment Activities Expenditure, as part of the Movement in Fair Value of Investment Properties. This item would then be reversed out to the Capital Adjustment Account via the Movement in Reserves Statement. |  |             |               |               |
| <b>Aggregate effect of unadjusted misstatements</b>  | <b>2,262</b>                                   |             | <b>21,666</b> | <b>21,928</b> |



**Andrew Humble**

Corporate Director Finance and Section 151 Officer

**Email:** andrew\_humble@middlesbrough.gov.uk

Mark Kirkham  
Partner  
Forvis Mazars  
5th Floor  
3, Wellington Place  
LEEDS  
LS1 4AP

19 February 2026

Dear Sirs,

**Teesside Pension Fund – Audit for the Year Ended 31 March 2025**

This representation letter is provided in connection with your audit of the financial statements of Teesside Pension Fund (the Fund) for the year ended 31 March 2025, for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made based on enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, and as amended by applicable law.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material.
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Director Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at current or fair value**

I confirm that the methods, significant assumptions and the data used by the Fund in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as Corporate Director Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated because of fraud.
- all knowledge of fraud or suspected fraud affecting the Fund involving:
  - management and those charged with governance.
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, and as amended by applicable law.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

### **Charges on assets**

All the Fund's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### **Future commitments**

The Fund has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, and as amended by applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## **Annual Report**

The disclosures within the Pension Fund Annual Report fairly reflect my understanding of the Pension Fund's financial and operating performance over the period covered by the financial statements.

### **Specific Representation of Level 3 investments**

The market value of Level 3 investments are included in the Net Assets Statement provided by our fund managers, which have been estimated in accordance with the guidelines used by the industry and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, that the valuations are materially correct, and am not aware of any subsequent events that would have a material impact on the estimated value of the level 3 investments.

### **Unadjusted Misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

*Yours faithfully,*

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Andrew Humble, Corporate Director Finance - S151 Officer  
Middlesbrough Council & Teesside Pension Fund

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Jill Ewan  
Chair of the Audit Committee  
Middlesbrough Council

Appendix - Schedule of Unadjusted Misstatements

| 0                                      |              |             |                      |                |
|--|--------------|-------------|----------------------|----------------|
|  | Fund Account |             | Net Assets Statement |                |
|  | Dr (£000's)  | Cr (£000's) | Dr (£000's)          | Cr (£000's)    |
| Dr: Transfers from other Pension Funds | 1,729        |             |                      |                |
| Cr: Current Assets (Cash)              |              |             |                      | (1,729)        |
| <b>Total adjustment</b>                | <b>1,729</b> | <b>0</b>    | <b>0</b>             | <b>(1,729)</b> |

Being a discrepancy between figures per Altair and Business World for Transfer In.

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| Theme                                       | Report  | Authors                      | 24/07/25 | 31/07/25 | 25/09/25 | 11/12/25 | 19/02/26 | 16/04/26 | 26/27 mtg 1 | 26/27 mtg 2 |
|---|---|------------------------------|----------|----------|----------|----------|----------|----------|-------------|-------------|
| Governance, Risk and control                | Mid-year Risk Update expanded to include an overview on progress made in addressing risks   | A Johnstone                  |          |          |          |          | x        |          |             |             |
| Governance, Risk and control                | Overview of Risks within the Strategic Risk Register – rolling programme from LMT leads   | Various / A Johnstone        |          |          |          | x        | x        | x        | x           |             |
| Governance, Risk and control                | Annual Assurance Report on Decision Making  | C Benjamin / A Wilson        |          |          |          |          | x        |          |             |             |
| Governance, Risk and control                | Annual Assurance Report on Business Continuity  | A Johnstone                  |          |          |          |          | x        |          |             |             |
| Governance, Risk and control                | Local Code of Corporate Governance  | A Johnstone                  |          |          |          | x        |          |          |             |             |
| Governance, Risk and control                | Progress Against Training Plans by Exception  | A Johnstone                  |          |          |          |          |          | x        |             |             |
| Financial and governance reporting          | Final Statement of Accounts 2024/25   | J Weston                     |          |          |          | x        |          |          |             |             |
| Financial and governance reporting          | Treasury Management Report  | J Weston                     |          |          |          | x        |          |          |             |             |
| Financial and governance reporting          | Letter of Representation on the Accounts from the Director of Finance   | J Weston                     |          |          |          | x        |          |          |             |             |
| Financial and governance reporting          | Failure to Prevent Fraud - New Legislation  | J Weston                     |          |          |          | x        |          |          |             |             |
| Financial and governance reporting          | Annual Review on Financial Procedure Rules Compliance   | J Weston                     |          |          |          |          |          | x        |             |             |
| Financial and governance reporting          | Update to Committee on Comparative Reserves Performance   | J Weston                     |          |          |          |          |          | x        |             |             |
| Financial and governance reporting          | Outcome of Benchmarking Approach to Independent Persons Report  | J Weston                     |          |          |          |          | x        |          |             |             |
| Financial and governance reporting          | Annual Procurement Report 2024/25   | C Walker                     |          |          |          |          |          | x        |             |             |
| Internal Audit                              | Internal Audit future year Consultation Report  | S Cutts                      |          |          |          | x        |          |          |             |             |
| External Audit                              | Forvis Mazars – Audit Completion Report 2024/25   | C Andrew                     |          |          |          | x        |          |          |             |             |
| External Audit                              | 24/25 Audit Completion report for the Pension Fund  | T Backhouse                  |          |          |          | x        |          |          |             |             |
| Misc  | Audit Committee work programme  | A Johnstone                  | x        | x        | x        | x        | x        | x        | x           |             |
| Misc  | Ad hoc attendance and reporting as necessary by LMT members to set out reasons why significant audit actions have not been delivered  | Various                      | x        | x        | x        | x        | x        | x        | x           |             |
| Committee ask from 11 December 2025 meeting | If not addressed, Committee require an update from the Chief Officer who has not ensured information is supplied to auditors to enable them to complete an audit on no recourse to public funds audit | TBC - Stuart Cutts to advise |          |          |          |          | x        |          |             |             |

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