

# DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## GOVERNANCE COMMITTEE

### MINUTES OF THE MEETING HELD ON TUESDAY 27 JANUARY 2026

**Councillors Present:** Erik Pattenden (Chairman), Howard Woollaston (Vice-Chairman), Dominic Boeck, Jeremy Cottam, Laura Coyle, Carolyne Culver, Billy Drummond, Owen Jeffery and Alan Macro (Substitute) (In place of Stephanie Steevenson)

**Also Present:** Councillor Iain Cottingham, Sarah Clarke (Executive Director (Resources)), Martyn Sargeant (Service Director (Strategy & Governance)), Shannon Coleman-Slaughter (Service Director for Finance, Property and Procurement, Section 151 Officer), Julie Gillhespey (Audit Manager) and Chris Dagnall (Senior Financial Controller (Interim)), Simon Carey (Independent Person (Audit)), David Southgate (Parish Council Representative), Jonathan Brown (KPMG), and Gordon Oliver (Principal Policy Officer (Scrutiny & Dem Services))

**Apologies for inability to attend the meeting:** Councillor Stephanie Steevenson

#### PART I

##### 1 Minutes

The Minutes of the meeting held on 30 September 2025 were approved as a true and correct record and signed by the Chairman.

The Minutes of the meeting held on 18 November 2025 were approved as a true and correct record and signed by the Chairman.

##### 2 Declarations of Interest

There were no declarations of interest received.

##### 3 Forward Plan

The Committee considered the Governance Committee Forward Plan (Agenda Item 4).

Satisfied with the Plan, the Governance Committee agreed that it could be noted.

##### 4 Action Log

The Committee reviewed the Action Log (Agenda Item 5) and noted the updates on actions from the previous meetings.

Members asked when the Constitution would be made available as a single PDF document. It was confirmed that this had been done.

**Action: Officers to send Members a link to the Constitution PDF.**

Sarah Clarke confirmed that she was in the process of collating documents on the Arbitas project and would send these to the Task and Finish Group shortly

##### 5 KPMG: Draft Auditor's Annual Report (2024-25)

Jonathan Brown presented the KPMG Draft Auditor's Annual Report 2024-25 (agenda item 6).

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The following issues were raised in the debate:

- Members asked about the reasons for the worsening DSG deficit. It was explained that demand for services was outstripping the funding received.
- KPMG was asked whether any findings related to financial control, demand management or weaknesses in forecasting in Children and Family Services and SEND. It was confirmed that recommendations did not link to those areas specifically, as the audit covered combined numbers.
- Members raised concerns about the Transformation Programme and its ability to deliver net savings. The Council had been unable to find alternative providers to run its Care Homes or Resource Centres.
- There was a question about the status of work on management override controls. It was confirmed that work was ongoing to look at journals, with a handful of items outstanding. Work was expected to be completed before the end of February.
- Members asked about use of the sliding scale used throughout the document. It was explained that this was intended to show whether the council's approach was cautious, neutral or optimistic. For example, the council's valuations of land and buildings were slightly on the optimistic side, but still within an acceptable range.
- Members noted the use of a blue square with an exclamation mark to denote significant audit risk, but suggested this could be confusing if not reserved for particularly serious issues.

**Action: KPMG to review the use of symbols where there was limited risk.**

- It was requested that the two KPMG reports be presented at separate meetings in future, as reviewing both together was demanding.

**Action: KPMG to consider bringing their reports to separate meetings in future years.**

- Members noted that the council's debt was approaching the total value of its land and building assets and asked if this was a problem. It was explained that these were just one category of assets and that this was not a concern. However, the level of usable reserves was considered a problem.
- Members queried whether the forecast budget gap of £30 million (page 31) included the recent local government settlement.

**Action: Officers to confirm if the budget gap included the recent local government settlement.**

- The report identified six control deficiencies and Members asked how the council compared to similar authorities. It was explained that deficiencies related to management review of expenditure and actuarial assumptions were common across councils, but the unauthorised approval of capital grants was not and this was considered a higher risk. The number of control deficiencies was slightly higher than for similar councils.
- Clarification was sought regarding fees. It was explained that scale fees were set by the Public Sector Audit Appointments contract. The standard fee assumed that everything would be found to be acceptable, but extra fees would be required to cover additional work (e.g., auditing the payroll system), and to investigate issues uncovered by the audit. It was estimated that the additional fees would be around £20,000.

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- Members asked when the individual responsible for the unauthorised approval of capital grants had left the council. It was confirmed that the officer left in July 2025.

**RESOLVED** to note the KPMG Draft Auditor's Annual Report 2024-25.

### **6 Internal Audit Update Report - Quarter Two 2025/26**

Julie Gillhespie (Audit Manager) presented the Internal Audit Update Report Quarter 2 2025-26 (Agenda Item 7).

The following issues were raised in the debate:

- Members queried whether the conversion of schools to academies had impacted the school reserve fund deficit, and how much of the issue was attributable to this rather than financial problems in individual schools. It was explained that a recent academy converter had a large surplus balance, but current projections indicated that further conversions would not have significant impacts. However, the situation would be monitored.
- Concern was expressed that the potential for the School Reserve Fund to go into deficit had not been factored into financial forecasting. It was acknowledged that this risk had not previously been included in the Medium Term Financial Strategy, but had now been flagged for future inclusion. New processes were being implemented to improve forecasting and monitoring.
- Members asked whether the reasons for schools going into deficit were understood. It was explained that the High Needs Block deficit was a national issue, but a statutory override meant that councils did not need to count these deficits against their main budgets. Internal Audit's concern was with the Schools Block, where increasing deficits and reducing surpluses were contributing to the overall decline in balances. Costly SEND provision and falling pupil numbers were key drivers. A larger piece of work was underway to understand the full impact.
- A number of concerns had been raised in relation to Section 17 funding, which provided discretionary financial support for children in need. Clarification was sought on what "limited assurance" meant in relation to the Section 17 support. It was explained that this was an opinion on the control environment, indicating that several weaknesses had been identified in relation to financial controls, specifically ambiguity between Finance and service areas regarding what should be coded against Section 17 budgets. It was confirmed that the issue with controls did not affect the delivery of support to children.
- Reference was made to the risk matrices in Appendix E, and Members highlighted the importance of correct coding for Section 17 expenditure.

**RESOLVED** to note the report.

### **7 Treasury Management Mid-Year Review Report 2025/26**

Chris Dagnall (Interim Senior Financial Controller) presented the Treasury Management Mid-Year Review Report 2025-26 (Agenda Item 8).

The following issues were raised in the debate:

- Members noted the £42 million of borrowing in the first half of the year and asked how this compared with previous years. Officers did not have the comparative figures to hand but indicated that overall borrowing had decreased by year-end compared to the half-year position. It was explained that high borrowing in the first part of the year was likely due to short-term borrowing and refinancing.

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### **Action: Officers to provide borrowing figures for H1 2024/25.**

- It was noted that the Council was making use of short-term borrowing until interest rates fell below the weighted average cost of borrowing (currently around 3.9%). The current rate Public Works Loan Board rate was approximately 5%.
- In relation to the headings in table 4.5, it was suggested that "approved capital programme" might be clearer if labelled as "budget". Officers agreed to clarify this in future tables.

### **Action: Amend the headings in table 4.5.**

- Members sought clarification regarding the reasons for overspends in Adult Social Care and Community Services.

### **Action: Officers to provide further information regarding the overspends.**

- It was noted that CIL funds were not fully allocated. Officers explained that CIL spending depended on the progress of specific projects and that forecasts would be updated as projects progressed. It was confirmed that the Council would seek to use CIL funds before seeking to borrow.
- Members highlighted the grants totalling £29.4 million that were approved in 2025-26, and requested more information about their sources.

### **Action: Officers to provide additional information regarding the grants.**

**RESOLVED** to note the report.

## **8 Financial Year-End 2025-26 (Year-End Planning Document)**

Chris Dagnall (Interim Senior Financial Controller) presented the Financial Year End 2025-26 (Year End Planning Document) (Agenda Item 9).

The following issues were discussed in the debate:

- Members commented that it would be helpful for the Appendices to have their own entries in the document outline to facilitate navigation.
- Members asked if a more up-to-date figure would be available for the DSG accumulated deficit and if the "to be confirmed" figures in the report would be updated when the budget was published. Officers confirmed that the DSG deficit was expected to have increased beyond £16.1 million and that the updated figure will be included in the forthcoming budget papers. It was also confirmed that the "to be confirmed" figures were placeholders and would be populated with final amounts and percentages towards year end.

### **RESOLVED:**

- To approve the draft accounting policies that will be applied in the production of the Council's 2025/26 Draft Statement of Accounts (Appendix A).
- To note:
  - a) KPMG is the Council's external auditor. 2024/25 is the second year of a five-year contract with KPMG. As of December 2025, the audit team is in the process of undertaking their review of the Council's 2024/25 financial performance as summarised in that year's Statement of Accounts. The 2024/25 external audit review commenced in mid-October 2025, and the Council expects that this will be completed in February 2026. The statutory deadline for Council/auditor approval of the 2024/25 Statement of Accounts is 28 February 2026.

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- b) The Council must publish a 2025/26 Draft Statement of Accounts by 30 June 2026. The public inspection period for the 2025/26 financial statements will commence in early July 2026, immediately following publication of the Accounts.
- c) The internal year-end timetable, which will support the Council's collation of the 2025/26 Draft Statement of Accounts (Appendix B).

### 9 Risk Management Q2 2025/26 Report - Part I

Martyn Sargeant (Service Director - Strategy and Governance), presented the Risk Management Quarter 2 2025-26 Report Part One (Agenda Item 10).

Members had no questions in relation to this report.

#### **RESOLVED:**

- That the Committee be informed of the current (as at the end of September 2025) position and actions undertaken to minimise the impact for existing 16 risks on the Corporate Risk Register (CRR), which are described in Appendix B and detailed in Appendix C, in the confidential Part II of this report.
- That the Committee confirm the suitability of the new approach of CRR visualisation which incorporates risk appetites to assesses each individual risk in relation to the levels deemed acceptable by the Council's Risk Management Strategy.
- That the Committee approves the proposed rectification of the omission in the Council Strategy to determine the risk appetite for personal, staff or customer risks as cautious until the time comes for the overall review of the current strategy (2024-2027).

### 10 Exclusion of Press and Public

**RESOLVED:** That members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Section 10, Part 10 of the Constitution](#) also refers.

### 11 Strategic Risk Register

(Paragraph 3 – information relating to financial/business affairs of particular person)

(Paragraph 5 – information relating to legal privilege)

**RESOLVED** to note the report.

*(The meeting commenced at 6.30 pm and closed at 7.58 pm)*

**CHAIRMAN** .....

**Date of Signature** .....