

Audit and Governance Committee

Tuesday 20 January 2026

PRESENT:

Councillor Allen, in the Chair.
Councillor Finn, Vice Chair.
Councillors Cuddihee, Raynsford and Sproston.

Apologies for absence: Councillor P. Nicholson.

Independent Member Mrs Annette Benny was in attendance via Microsoft Teams, and so was unable to vote.

Also in attendance: Liz Bryant (Service Director for Legal Services), Hannah Chandler-Whiting (Principal Democratic, Governance and Scrutiny Officer), Wendy Eldridge (Lead Accountancy Manager), Glenda Favor-Ankersen (Head of Elections and Democratic Support) (via Teams), Grace Hawkins (Public Sector Audit Director, Grant Thornton), Carolyn Haynes (Lead Accountancy Manager), Pete Honeywell (Transformation Architecture Manager), Bradley Hutton (Senior Assurance Manager, Devon Audit Partnership), David Johnson (Audit Manager, Grant Thornton), Barrie Morris (Partner, Grant Thornton) and Ollie Woodhams (Head of Finance).

The meeting started at 2.02 pm and finished at 4.51 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

47. **Declarations of Interest**

No declarations of interest were made.

48. **Minutes**

The minutes of the meeting held on 18 November 2025 were agreed as an accurate record.

49. **Chair's Urgent Business**

There were no items of Chair's urgent business.

50. **Action Log**

The Committee noted its action log.

51. **Work Programme**

The Committee noted its work programme.

52. **External Auditor Findings Report**

Barrie Morris (Partner, Grant Thornton) introduced the item and highlighted:

- a) The audit was substantially complete, with one material area outstanding relating to capital grants. Sample testing had identified that grants recorded as “capital grants unapplied” did not meet the criteria, and should instead be recognised as revenue due to the absence of conditions. Officers were reviewing a wider set of grants to determine whether the same issue applied. A material adjustment would be required, and delegated authority would be needed for final approval of the statement of accounts once this amendment was made.

Grace Hawkins (Public Sector Audit Director, Grant Thornton) added:

- b) Four significant risks were identified in the original audit plan, all now complete and no additional risks had been identified;
- c) Management override of controls showed no evidence of bias or inappropriate journals. There was one recommendation rolled forward regarding review of journals under £500k;
- d) Land and buildings valuation testing identified several immaterial errors, but recommendations had been issued;
- e) Investment property valuations also contained immaterial variances;
- f) Pension fund liability variances were immaterial for the Council’s share (16% of the fund);
- g) IFRS 16 (International Financial Reporting Standards) testing was substantially complete, with one immaterial outstanding query.

Supported by David Johnson (Audit Manager, Grant Thornton), Ollie Woodhams (Head of Finance) and Carolyn Haynes (Lead Accountancy Manager), in response to questions, the following discussion took place:

- h) Materiality was derived from gross expenditure and adjusted based on risk;
- i) In relation to Council debt, auditors explained that affordability of borrowing formed part of the Value for Money (VfM) assessment rather than the financial statements audit;
- j) The Council’s treasury management strategy and MTFs (Medium Term Financial Strategy) had to demonstrate the long-term affordability of debt;
- k) Auditors explained the delegated authority was an unusual situation due to the tight timetable created by the national backstop arrangements. The adjustment was isolated to capital grants received in advance and a retrospective report would be presented to Committee;
- l) In relation to valuation of and land and buildings, it was clarified that extrapolated errors totalled £2m and remained immaterial;
- m) Indexation information would be provided in the 2025/26 accounts;

- n) Auditors confirmed named officers would be removed from the final report;
- o) Officers acknowledged the omission of Plymouth Science Park and committed to improving processes so this did not happen again;
- p) It was hoped the audit certificates for 2024/25 audits would be issued quicker than those for 2023/24, but the Committee would be kept up to date on that timeline;
- q) The significant weaknesses identified and the need to ensure alignment between external audit recommendations and the internal audit programme.

53. **Update on External Audit Actions**

Ollie Woodhams (Head of Finance) introduced the item and highlighted:

- a) Since September 2025, three additional audit actions had been closed, subject to cross-checking with the new audit findings report;
- b) Historic actions would be reassessed against new findings;
- c) A full written report would be brought to the March or June 2026 meeting of the Committee.

In response to questions, the following was discussed:

- d) Committee members acknowledged the difficulty of clearing historic backlogs and thanked officers and auditors for their hard work.

54. **Final Statement of Accounts 2024/25**

Carolyn Haynes (Lead Accountancy Manager) introduced the item and highlighted:

- a) The accounts presented were not final due to the outstanding capital grants adjustment and other disclosure updates;
- b) The Council would receive a disclaimed opinion due to national issues affecting the opening balances for many authorities;
- c) The accounts had to be completed by 27 February 2026 to comply with statutory backstop deadlines;
- d) A draft Letter of Representation and draft Audit Opinion were included;
- e) Key amendments already made included related-party corrections and pensions disclosures.

Supported by Barrie Morris (Partner, Grant Thornton), in response to questions, the following was discussed:

- f) With regards to the future impact of disclaimed opinions, multiple years would be required to fully rebuild assurances, and the challenges were sector-wide;
- g) The capitalisation direction had been awarded and would appear in the 2025/26 accounts.

The Committee agreed:

1. To approve the Statement of Accounts for 2024/25;
2. To delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the Accounts and Letters of Representation on behalf of the Council once the audit opinions were provided, and to approve any final amendments to the Statement of Accounts arising from the closing stages of audit work;
3. To note the amendments to the 2024/25 accounts;
4. To approve the Letter of Representation prior to submission to the Auditor;
5. To approve the 2024/25 Annual Governance Statement, which would be signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during the year, it will also be published with the Statement of Accounts;
6. That the draft Audit Opinion Report for 2024/25 was considered.

For (4)

Councillors Allen, Cuddihee, Raynsford and Sproston.

Abstain (1)

Councillor Finn.

Against (0)

55. **Capital Finance Strategy**

Ollie Woodhams (Head of Finance) introduced the item and highlighted:

- a) The strategy was one of three core financial frameworks alongside MTFs and the Treasury Management Strategy;
- b) Uncertainty remained regarding Dedicated Schools Grant (DSG) national support; figures had the potential to change before February 2026's City Council meeting;
- c) A major capital programme review had been conducted, with significant re-profiling and removals;
- d) A capital pipeline had been prepared for forward planning and affordability testing;
- e) Pipeline projects demonstrated significant investment in Plymouth's assets;

- f) Borrowing affordability principles included:
 - i. A 12.5% cap on core financing costs as a percentage of net revenue budget;
 - ii. Long-term ambition to reduce this to 10%;
 - iii. A £900m debt ceiling on non-income-backed borrowing for capital investment.

In response to questions, the following was discussed:

- g) DSG deficit was funded locally, with a statutory override ending in 2028, which allowed it to not be factored into the minimum revenue provision, national announcements regarding the future of the DSG deficit were expected in February 2026;
- h) Essential infrastructure and statutory assets required borrowing;
- i) Borrowing funding to unlock match funding generated greater levels of investment in the city;
- j) Pipeline borrowing was driven by the capital programme, DSG and strategic investment;
- k) Minimum Revenue Provision (MRP) ensured debt was repaid over asset life;
- l) Principles had been updated to reflect local priorities and ensure prudence. A 10% threshold was considered ambitious and required multi-year modelling;
- m) The nature of the pipeline capital investment was fundamentally different from past investments and the Council would be taking more of a leadership role, rather than a direct investment role, an example was the regeneration of the Civic Centre;
- n) A government announcement regarding SEND (special educational needs and disabilities) reform was expected in Spring 2026;
- o) The funding arrangements and impact of Local Government Reorganisation (LGR) were not yet known.

The Committee agreed:

1. To note the draft Capital Strategy;
2. To request that the Capital Strategy was scheduled for 2026/27 to include consideration of reduction of the 12.5% cap on core financing costs as a % of net revenue budget over time, and to invite the relevant Cabinet Member for that item.

At the conclusion of this item, the Committee adjourned for five minutes.

56. **Treasury Management Strategy**

Wendy Eldridge (Lead Accountancy Manager) introduced the item and highlighted:

- a) The strategy incorporated Arlingclose's December 2025 economic forecasts;
- b) Capital financing requirement for 2026/27 was estimated at £961m;
- c) £936m assumed debt, noting that this included nearly £100m DSG deficit;
- d) Operational and Authorised limits were set out which included other long term liabilities through PFI (Private Finance Initiative) liabilities and finance leases;
- e) Plymouth City Council (PCC) held £44m LOBO (Lender Option Borrower Option) borrowing arrangements, a reduction of £10m from the 2025/26 Treasury Management Strategy;
- f) From Arlingclose projections, interest budget assumptions had been set at 4.5% for long-term borrowing sources such as PWLB (Public Works Loan Board);
- g) Debt rescheduling options would be explored to understand the potential to reduce cost and risk, and whether it offered revenue saving options;
- h) Investment income assumptions were set at 3.75%;
- i) Prudential indicators;
- j) Risks of borrowing were always considered;
- k) Debt was not extended beyond a period where PCC would need to re-finance the asset;
- l) Appendices detailed forecasts, debt portfolios, and budget impacts.

In response to questions, the following was discussed:

- m) PFI liability figures had a previously higher estimate, related to IFRS 16 assumptions, but final audited figures were significantly lower following detailed calculation;
- n) With regards to Municipal Bonds Agency borrowing, the Council retained flexibility; PWLB and local authority borrowing was currently more favourable.

The Committee noted the draft Treasury Management Strategy.

57. **Risk Management Strategy Update**

Bradley Hutton (Senior Assurance Manager, Devon Audit Partnership) introduced the item and highlighted:

- a) Strategic risks had been identified and reported previously;
- b) Next phase was operational/service risk mapping;
- c) A full update would be brought to the March 2026 Committee meeting.

The Committee noted the report.

58. **Armada Way Action Plan Sub-Group Update**

Liz Bryant (Service Director for Legal Services) introduced the report and highlighted the following:

- a) The Sub-Committee had met twice and reviewed work across governance, project management, consultation, training, wellbeing, and environmental regulations;
- b) All actions within the formal Action Plan had been completed within timescales;
- c) Embedding work would continue, including a full constitutional review and project management office establishment;
- d) Training programmes were being rolled out;
- e) A Pre-Election Protocol review paper would come to the Audit and Governance Committee in March 2026.

In response to questions, the following was discussed:

- f) Officers would ensure that all agreed timeframes were covered through the internal audit review for 2026/27 to ensure completion **ACTION**.

The Committee agreed to note:

- 1. The actions undertaken as required under the Armada Way Independent Learning Review Action Plan had been reported to and monitored by the sub-committee;
- 2. That the sub-committee have confirmed that they are satisfied with the progress reported and that the requirements of the Action Plan have been met;
- 3. That the sub-committee endorsed the ongoing implementation of longer-term changes, including the full constitutional review and project management office establishment;
- 4. That a full report setting out the recommendations proposed following the review of the Council's approach to the pre-election period was brought the meeting of the Audit and Governance Committee on 10 March 2026.

59. **Cyber Security Update on Management Actions**

Pete Honeywell (Transformation Architecture Manager) introduced the item and highlighted:

- a) Cyber threat levels remained high and increasingly sophisticated;
- b) Governance improvements implemented included an updated cyber risk policy, clearer roles/responsibilities, and the establishment of the PCC–DELT Cyber Board, following recommendations from Devon Audit Partnership;

- c) Improvements were underway to streamline and automate user management processes when processing joiners, movers, leavers.

In response to questions, the following was discussed:

- d) Although technology evolved rapidly, core risk principles remained stable and separate policies existed for AI (artificial intelligence);
- e) The Council tracked local near misses and also learnt from national cyber case studies.

60. **Exempt Business**

The Committee agreed to pass a resolution under Section 100A (4) of the Local Government Act 1972, to exclude the press and the public from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information, as defined in paragraph 3 of Part I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

61. **Cyber Security Update on Management Actions**

Please note that there is a confidential part to this minute.

The Committee agreed to note the progress made in response to cyber security risk recommendations.